KEG

KAISUN ENERGY GROUP LIMITED
凱順能源集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8203)

A Belt & Road Participant

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

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

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

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				
	2017	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**90,680**	35,218	18,673	36,878	266,188
Profit/(loss) before tax	**73,754**	(3,665)	(107,476)	(223,524)	(200,837)
Income tax credit/ (expense)	**4,543**	(9,864)	23,936	3,715	3,821
Less: (Profit)/loss attributable to non-controlling interests	**(28,990)**	113	(7,534)	18,357	29,080
Profit/(loss) attributable to owners of the Company	**49,307**	(13,416)	(91,074)	(201,452)	(167,936)

ASSETS AND LIABILITIES

	As at 31 December				
	2017	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**562,404**	306,544	311,784	317,706	598,176
Total liabilities	**(81,870)**	(26,849)	(15,782)	(56,528)	(119,271)
Owners' funds	**439,114**	287,206	304,253	279,186	477,799

Driven by the Belt and Road Initiative, Kaisun Energy Group established three major business units to develop alongside with China's national strategy, and with the implementation of modern corporate management Kaisun was able to achieve profits. Application of new technology such as blockchain and IoT as well as working together with partners with common goal breathes new life into the Belt and Road making it possible to build a sustainable development environment.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board"), management of the Group and its subsidiaries, I would like to sincerely express my gratitude to all of our shareholders as well as investors that are interested in Kaisun Energy Group Limited. Also, to everyone looking for Belt and Road related investment opportunities, I would like to take this chance to introduce everyone a diverse Belt and Road portfolio featuring various operations and investments of our Group, where some are already making a profit and some with great potential.

The Group began its participation in Belt and Road in 2011 with the acquisition of mining rights of coal mines in Tajikistan of Central Asia, two years before President Xi started the Belt and Road in 2013 and the Group became pioneer in the Belt and Road. Starting from there, over years of business development, this mining and energy business has transformed into a diverse investment portfolio with three main sectors: 1) traditional economy business unit which includes mining and energy — exploitation of coal mines, manufacturing of mining machineries, supply chain management services and agriculture; 2) Utilizing our business connections and competencies in the Central Asia region, a Central Asia business unit was set up which includes coal mining and equipment leasing; 3) new economy business unit which mainly includes eSports, event management and consultancy company.

At first glance, it might seem that the Group has wide ranging interest in too many different industries, but the focus of this portfolio remains mining and energy related operations and investments while other operations are complementary businesses that fit into the vision of the Group. All of the connections are established through the Group's development of our Belt and Road business. I must stress once again to our recent shareholders and potential shareholders that, Kaisun Energy is a company that leverages on Belt and Road development and all of our operations and investments serves to achieve this purpose since 2011.

The Group has witnessed the establishment and development of the Belt and Road Initiative and has grown alongside with it. However, as I have previously said in a Hong Kong Belt and Road Forum, the Belt and Road Initiative is no longer just an initiative but already entered into a speeding development stage as many projects initiated in 2013 have started and now in operation. Furthermore, according to a resolution approved by the 19th CPC National Congress, the Community Party of China has initiated to incorporate the Belt and Road development into the country's Constitution, reflecting the significance of this development.

We are very confident with our choice of Belt and Road development but it has not always been smooth sailing. Nonetheless, through years of experience and facing different hurdles, the Group has finally established itself as a Belt and Road expert. It is very important to uphold a positive reputation in the Belt and Road environment because Belt and Road business is as much about capabilities as it is about connections. When our clients and business partners see our rich history in the Belt and Road they have increased confidence in our capability to be successful in those regions. Businesses, media and even international organizations hold us in high regard for our knowledge in the Belt and Road. The high level of confidence in Kaisun by our clients and business partners has been gradually built up through years of practising, understanding the Belt and Road development and connecting all the players with no shortcuts. The Group is able to take on the role of "super connector", connecting different business parties or partnering up with businesses, sharing common goals with our business partners to achieve success together.

Amid the above achievements two items were holding the Group back from speeding up: 1) the after effects of the commodities slump and the related non-cash loss items in the financial results such as impairment on our mining assets as well as some on our supply chain management receivables and 2) With the expansion of Group's Belt and Road portfolio in size and scope, a more comprehensive internal control and risk management system was required to match with our Belt and Road development. With that said, these were relevant issues to be resolved and resources were invested in 2017 to cope with our development in Belt and Road.

Streamlining our operations as well as making improvements on conventionally more capital heavy traditional economy businesses such as mining and agriculture was also a focal point in the Group's development. Both of these industries are going through structural changes and more technology is being applied to both for more efficiency which leads to higher output and greater cost savings. Our independent directors as well as our advisors to the Board have introduced technology such as Internet of Things ("IoT") and blockchain to us and management of the Group has been studying with field experts for potential integration with our current operations. IoT has been helping a great deal of mining and agriculture businesses and blockchain will no doubt increase the Group's control over our multi-region Belt and Road portfolio.

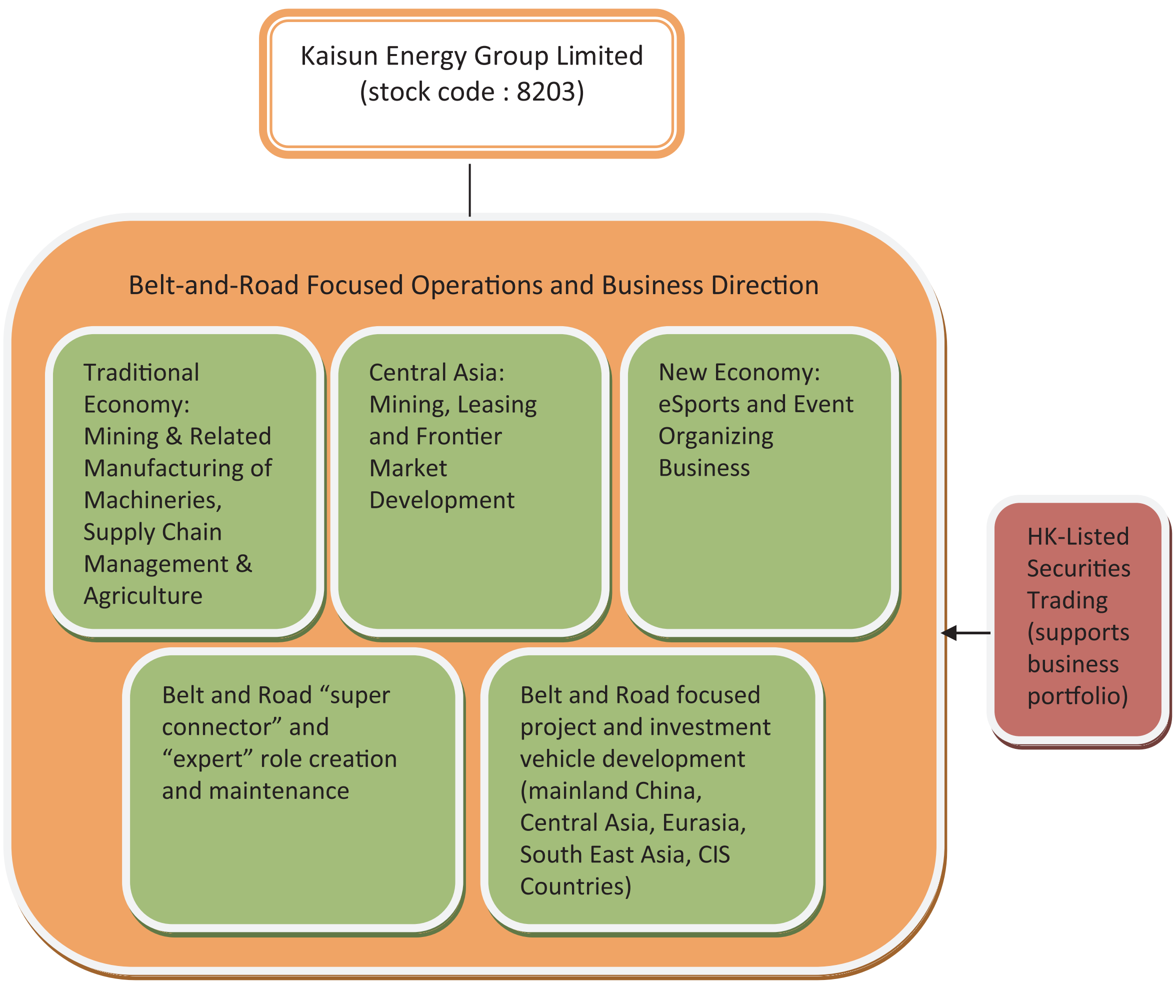
Now, I am very pleased to say that led by the Board and management of the Group, a proper structure to reflect our three main sectors was established; with a robust internal control and risk management system in place and the burden of the after effects of the commodities slump was already past history with current business environment improving; with latest technology to make our operations more efficient, the Group is ready to build on the success of 2017 and go full speed on the Belt and Road train and hopefully our shareholders and potential shareholders can join us on this journey.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The year of 2017 has been full of dynamic activities for Kaisun. Benefiting from our established resources, expertise and connections resulting from the seeds which we faithfully sowed and built diligently over time alongside the Belt and Road Initiative, the Group has witnessed some rather promising progress in many areas of our operations.

As many have become aware that the Belt and Road Initiative covers various aspects such as energy, infrastructure, finance and cultural exchange; this has also been reflected in our diverse business portfolio, but our primary focus remains in the energy sector and related businesses.



▲ *Diagram showing the portfolio of operations and assets of the Group*

Our Belt-and-Road-focused operation can currently be categorized into three main sectors:

1) The traditional economy business unit — which comprises mining, supply chain management, manufacturing of machineries and agriculture. Most of its activity takes place in strategic locations of the Belt in mainland China, and the unit's operating scale and revenue have seen improvement.

2) The Central Asia business unit — apart from the existing energy-related business in Central Asia, the Group is also seeking opportunities in the frontier markets of the landlocked region — especially in Tajikistan and Uzbekistan — the two countries that are mostly expected to see reviving economy in the region and release their potentials as the development along the "Belt" continues to thrive.

3) The new economy business unit — with eSports, event organizing and consultancy as its focus while accompanied by some other investment. Albeit having only been set up for just under a year, the unit has successfully organized a number of notable events as well as securing established business and equity partners. The unit currently puts more focus on the Road. As our business model matures, we hope to expand the business further to the Belt, which has the youngest median age around the world and thus implying great market potential.

Hong Kong-listed securities trading forms small part of the Group's operation. Income from this operation can contribute to pay for our operation costs such as administrative expenses. Hong Kong-listed securities trading is being monitored by an investment committee, which provides analytical reports and performance reports regularly.

The following discussions will provide more in-depth details about the Group's development in the 3 major areas as well as the securities trading mentioned above.

I. TRADITIONAL ECONOMY BUSINESS UNIT ("TEBU")

Description of Traditional Economy Business Unit

In 2017, TEBU has gone through an extraordinary year. Over the year, the mining investment, overseas trading business, supply chain management business, and manufacturing of machineries business generated a profitable business, providing positive impact on the financial performance for TEBU with good growth compared to that of previous year. TEBU is the major financial contributor to the Group.

1. **Mining Investment and Operation:** our business layout in Xinjiang is an essential springboard for the Belt and Road development of the Group to enter the market of Mongolia, Russia and Central Asia.

2. **Foreign Trading:** Having the advantages of being the "Belt and Road's super-connector", the Group plans to implement the trading business between countries along the route.

3. **Supply chain management and service business:** Our modern coal logistics centre in Shandong is undertaking a vital task, picking up business opportunities from the transformation of the coal logistics environment where the flow of transport of coal goes from the northern to southern and from the western to eastern China.

4. **Manufacturing of mining machinery and equipment:** the products conform to the certification of coal safety standard to enhance the safety precaution in mining.

5. **Agricultural investment and development:** A significant step in the diversification of investment within TEBU.

Highlights of the Development of TEBU in 2017

Investment and Operation in Mining:

- In 2017, our Group further our business development in Xinjiang. Shandong Kailai Industrial Co., Limited ("Shandong Kailai"), the subsidiary company of our company (70% shareholdings), acquired 100% of Xinjiang Turpan Xingliang Mining Co., Limited (Xingliang Mining") located at Qiquanhu Town Turpan City in Xinjiang.

- The construction of mine will start in 2018 and is expected to finish before 1st quarter of 2019.

Supply Chain Management and Services:

- In 2017, the Group cooperated with Daiichi Kigenso Kagaku Kogyo Co.,Ltd ("DKKK") with fruitful results. The Group's management has met with Mr. Tsuyoshi Inoue, the president of DKKK, and both parties agreed to being strategic partners.

- The 1st supply chain management service contract with DKKK was being carried out in 2017 and TEBU is actively preparing for the 2nd service contract.

- This business cooperation successfully presents the Group as the "super connector" in Belt and Road.

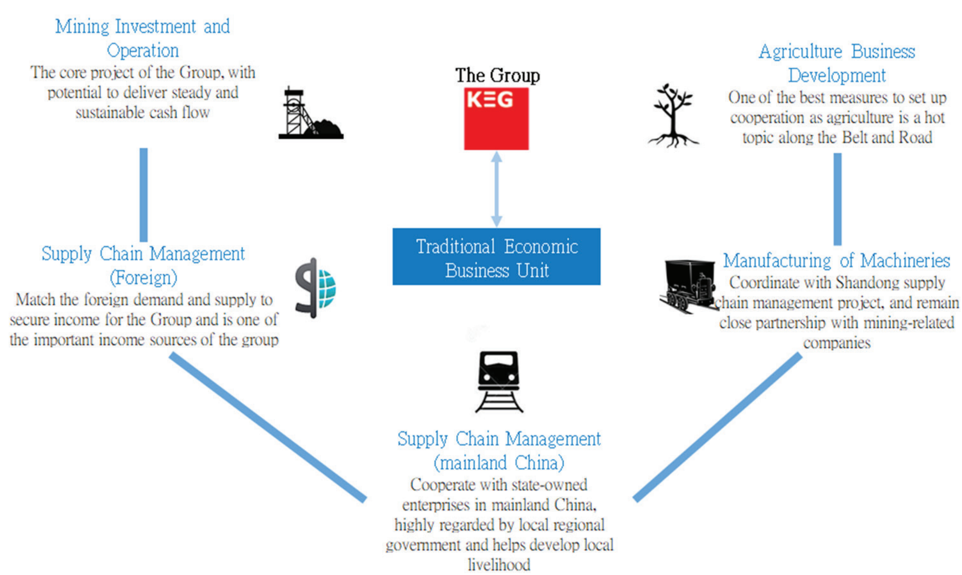
Shandong Logistics Business:

- Mr. Li Feng, the mayor of Zaozhuang City in Shandong Province, and his team visited the Group and discussed with the management for the Belt and Road development opportunities in Shandong.

- Having agreement issued by China's Jinan Railway Bureau permitting right to use a section of railways, Shandong Kailai has become more competitive than other energy and logistic companies in the region.

- Shandong Kailai's logistic centre is located in an important hub for allowing transporting of high-quality coal from the coal-rich northwest China to Shandong for local industries and domestic use, and also for transporting the coal southwards to other parts of China. Our business would greatly benefit by our stevedoring and storage service to coal suppliers.

Reporting System



We need to make note that the Group's headquarter has delegated higher autonomy to TEBU in 2017. We are currently using a 2-stage reporting mechanism:

- Primary Reporting: Each project appoints a person-in-charge who is required to report the day-to-day operation and financial position to the TEBU management regularly. Management would discuss and analyse the business strategy together with the person-in-charge according to the circumstances of the reports, and in turn give appropriate instructions.

• Group Reporting: TEBU management reports the development progress of each business project to the Group's headquarter on a regular basis, allowing the headquarter to pull out from these projects' daily operation and in turn focus on the overall strategy formation. The TEBU management would communicate and execute the overall strategy to different sectors, and the projects' income distribution will be decided by the headquarter.

We are pleased to see that all projects of TEBU had a satisfying performance in 2017, achieving the overall strategic targets set by the Group at the beginning of the year. TEBU excels at putting bits and pieces of information from different business sectors together, analyzing and linking these information with individual projects to generate a report that is objective, realistic and detailed enough to reflect the current market and enterprise situation comprehensively. In 2017, the revenue from the Shandong sector has a significant increase compared to that of 2016. The mechanized ground-level construction at the mine in Xinjiang is near completion. Substantial progress was made in introducing strategic investors to the agricultural project, where both sides have entered into a memorandum of cooperation on investment.

Macro-environment Faced by TEBU

TEBU revolves around coal and supply chain service business, commodity supply chain management business and agricultural development business, which is discussed as follows:

1. Coal and Supply Chain Service Business:

The general policy of China's coal development from 2016 to 2020 is to curtail the coal output in eastern China, restrain production in middle and north-west of China and optimize the coal industry development in western China.

(a) Coal resources in the eastern region are depleting, against the complex mining condition, resulting in high costs of production. Therefore, the scale for coal production has to be reduced in stages. (b) The scope of development in the middle and northeast region is significant, but the return on investment (ROI) is low. Thus, the local government strictly controls construction of new coal mines. (c) The western region has abundant resources and good mining condition; however, its ecological environment is fragile. Hence, the strategy of development would involve bringing coal-burning power plants and the needs of coal-processing projects together and thus build an integrated coal mine.

The "13th Five Year Plan development plan for coal industry" ("13th FYP") jointly released by PRC National Development and Reform Commission ("NDRC") and China's National Energy Bureau ("NEB") in December 2016 explicitly stated that coal acts as a fundamental energy resource and crucial raw material for the country, and the coal industry is indispensable for the country's economy as well as energy security, and that coal will always be in the leading position in China's non-renewable energy structure.


中华人民共和国国家发展和改革委员会
National Development and Reform Commission

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首页 > 政策发布中心 > 通　知

国家发展改革委 国家能源局
关于印发煤炭工业发展"十三五"规划的通知

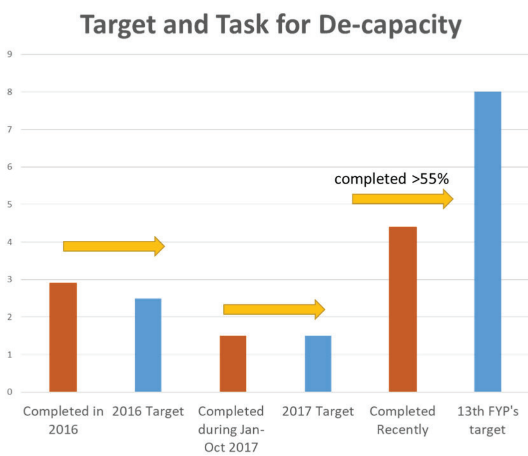
发改能源〔2016〕2714号

各省（自治区、直辖市）发展改革委（能源局）、煤炭行业管理部门、新疆生产建设兵团发展改革委，各有关中央企业：

为加快推进煤炭领域供给侧结构性改革，推动煤炭工业转型发展，建设集约、安全、高效、绿色的现代煤炭工业体系，依据《国民经济和社会发展第十三个五年规划纲要》和《能源发展"十三五"规划》，我们制订了《煤炭工业发展"十三五"规划》。现印发你们，请遵照执行。

As China has adapted to the "new normality" to slow down the speed of economic-development. The objective of slowing down in phases is to move towards to an advanced economic, and transform to a rational market structure. On the other hand, the government has speeded up for replacing alternative energy resources; energy such as non-fossil energy, fuel and gas are replacing fossil energy and coal. Hence, the coal industry needs to enhance quality and efficiency. Coal is highly self-efficiency, stability and quality energy resources and for this reason, it accounts for more than 90% of China's fossil energy resources. Though the proportion of coal in primary energy consumption will gradually decrease, the importance of coal would not be affected in the long term.

- De-capacity task in good progress:



(Data source: Wind, CICC market research department)

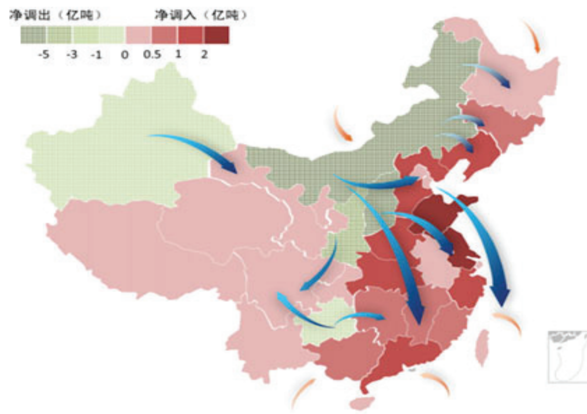
2016 is a critical year for reforming the coal industry's supply side. The "13th FYP development plan for the coal industry" released by NDRC and NEB at the end of 2016 stated to eliminate the 800 million tons of surplus production during the 13th FYP, increase "advanced capacity" by 500 million tons and achieve the coal production target of 3.9 billion by 2020.

- Increasing supply from "advanced capacity":

	Number of Coal Mines in Production	**Production Capacity** *(million tons)*	**Number of Coal Mines in Construction**	**Construction Capacity** *(million tons)*
Shanxi	**595**	**940**	**343**	**339**
Inner Mongolia	**371**	**803**	**87**	**279**
Shaanxi	**187**	**352**	**209**	**164**
Other	**3,118**	**1,316**	**589**	**270**
Total	**4,271**	**3,410**	**1,228**	**1,053**

In November 2017, NEB announced the scale of the country's coal mine construction as at June 2017. It mentioned China had approved the construction of 1228 coal mines (including 89 producing coal mines under reconstruction) which will produce 1053 million tons of coal per year. 231 of these coal mines have completed their construction and have entered the joint test-operation with a production capacity of 370 million tons per year.

We viewed that the de-capacity policy for the coal industry is not to suppress industry development but as the objective is to close down coal mines with fundamental problems such as poor technical equipment, safety hazards, poor management, causing serious pollution and seeing depletion of reserves. Due to the closing of mines with problems, the supply side will be replaced by effective, safe, efficient and more environmentally friendly large-scale modern coal enterprise to achieve a fine balance between the supply and demand of coal market.



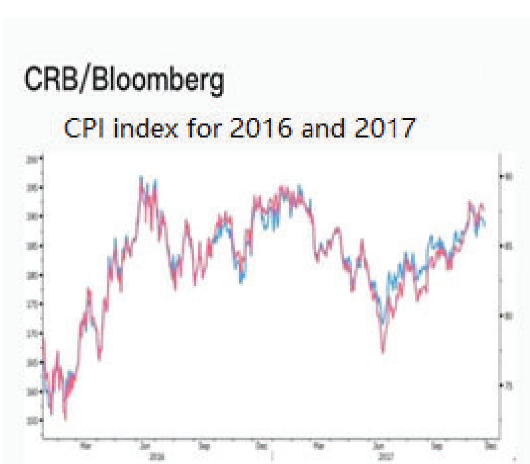
In addition, China's coal production is mainly centred in western regions such as Shanxi, Shaanxi and Inner Mongolia, while the consumption is mostly focused on the eastern coastal cities that are more economically developed. This resulted in the transportation pattern of "western to eastern" and "northern to southern".

As at November 2017, goods delivered by rail reached 3.38 billion tons, up to 12.2% YoY, in which the amount of coal delivering accounted for nearly 60%.

Under the impact brought by stabilizing macro-economy, automobile air pollution control, and also other factors such as companies going back to trains to transport goods due to rising fuel prices, surging commodity prices causing companies to increase stock in coal and steel, resulting in sharp rebound of the railway freight volume.

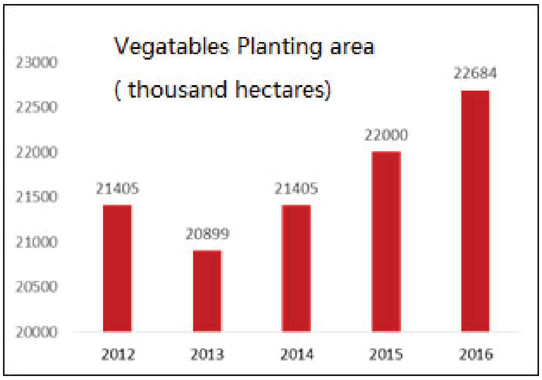
To sum up, the provinces of Xinjiang, Inner Mongolia and Shanxi will be leading and assisting the sustainable development of China's coal industry starting the announcement of 13th FYP. Due to the effects of the policy and rise of international oil price, the superiority of railway transportation of coal will become more and more notable. Considering the geographical advantages of Xinjiang in the "Belt" and its position as a window to open up opportunities to the West of China, TEBU believes that by investing in Xinjiang, the coal industry and supply chain management and services will eventually bring solid returns to the Group and investors.

2. *Commodity Supply Chain Management*



Commodity markets will remain in a long-term rebalancing process. As the global economy recovers, the commodity market will also benefit from global trade and direct investment activity. The stock level for major commodities have returned to a moderate-to-low level after the de-capacity in 2017, and some commodities even experience structural shortages in short term. Thus, we expect the general price of the commodity market will show a volatile but upward trend in 2018.

3. *Agriculture Development*



China is the world's largest agriculture producer and consumer. Apart from food crop, vegetable has the most extensive cultivation area and the highest economic status in China's agricultural produce. As its agriculture industry restructures, vegetable production has seen a rapid development.

Each region has its own types of produce and competitive advantage, together with an alternating time schedule to supply for the market, these elements help to form a healthy and complemental agricultural development for regions.

With the rising standard of living, the number of organic vegetable consumers is increasing while the conventional food market is in a rut. According to "Analysis Report During 13th FYP On The Pollution-free Non-seasonal Vegetable Industry And Relevant Investment Strategy" released by Newsijie, the total turnover for vegetable within China in 2016 had reached RMB 72.248 billion.

Due to the positive development in the quantity, varieties and market structure, we believe that the trend for the vegetable industry will evolve as follow:

Diverse variety: A large number of new products that adapt to different consumer segments and seasonal growth will flood into the market.

Regionalization of farming: The regionalization will become more apparent and can provide different varieties of vegetable according to the climate and natural resources of different regions.

Technical standardization: the certification of vegetable quality will be standardised in China, and pollution-free vegetables will become the "standard" in the industry, while vegetables below the "standard" would be retreating from the market. Meanwhile, organic agriculture products will be the leader of the industry.

Optimizing processing: Compared to ordinary food crops, the shelf life of vegetables is significantly shorter and prices are also more volatile. The industry should improve storage, processing and extend the chain to add value to the vegetables.

TEBU 2017 Business Review:

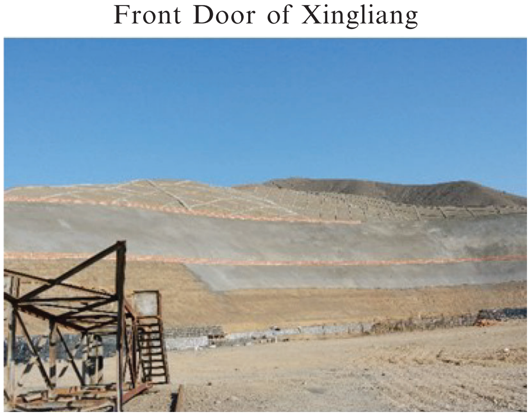
1. *Investment in Coal Mining and Operation*

The Company has started preparatory construction work after the acquisition of Xingliang coal mine in February 2017, and now the flooring work is coming to its final phase. Access Partner Professional Services Limited issued a valuation report in 2017 for the Xingliang coal mine and has given fair value of intangible assets (mining right) at approximately RMB149 million.

Moreover, according to "The Reply Of The National Development And Reform Commission And The National Energy Administration On The Work Plan Of The 13th Five-Year Plan For Coal Production In Xinjiang" (Energy reform article (2017) No.1484), Xingliang Coal mine is included in the "13th five-year Plan" coal mining project, and the mining license raised to 450,000 tons.

Front Door of Xingliang

Preliminary Excavation of Pit



Side-slope Protection Construction

Some Equipment Display

2. *Supply Chain Management Services*

As for supply chain management services, this business unit continues to enhance cooperation with Daiichi Kigenso Kagaku Kogyo Co.,Ltd (DKKK). We expect the 1st supply chain management service contract will be completed by the end of second quarter in 2018, contributing to the group.

3. Shandong Logistics Centre

Total amount of revenue was about HK $11.5 million this year, a 65.5% YoY growth. Profit was achieved by the 4th quarter.

We started to construct Phase-Two Shandong logistic centre. After the completion of construction, the logistics centre has a storage capacity of 300,000 tons and has a handling capacity of 3 million tons per annum.

The Shandong Logistics Centre provides storage and logistics services for numbers of well-known customers such as Zibo Zikuang Coal Trading Co. Ltd, Shanxi Shide Energy Group Co. Ltd, Xuzhou Rongchang Energy Technology Co. Ltd, etc.

Freight Station of Railway:

High Freight Station-Loading and storage of coal:

Lower Freight Station-transporting coal

4. ***Manufacturing of Machineries:***

Tengzhou Kaiyuan Limited ("Tengzhou Kaiyuan") specializes in mining and metallurgical machinery. The principal product is overhead manned cableway device, and all its products comply with ISO9001:2015 standard. As at end of 2017, Tengzhou Kaiyuan has 26 mining product safety qualification certificates, which allow us to participate in the bidding for state-owned mining companies' projects.

Total revenue of approximately HK$ 19.91 million was generated in this year, 55% YoY growth. Total net profit for the year was approximately at HK$4.09 million, a 372% YoY growth.

Images of Products and Production Site:

5. *Agriculture Investment & Development*

The Group has been cooperating with Cheung Lee Agricultural Limited ("Cheung Lee") for many years. Management of Cheung Lee has more than 20 years of history in cultivating and supplying vegetables to Hong Kong. There are 6 large-scale modern produce cultivation sites covering a total area of over 10,000 mu (roughly 6,666,667 m2) in Ningxia, Yunnan and Guangdong, which are essential locations along the Belt and Road region.

Production Base in Yunnan

Production Base in Ningxia

Production Base in Huizhou

The Group has provided support to Cheung Lee in corporate governance, internal control and financial reporting. At the end of 2017, the Group has introduced and coordinated equity financing of Cheung Lee with an important strategic investor. The future participation of this strategic investor will improve Cheung Lee's integration of resources in mainland China and enhance its overall competitiveness.

The Group currently holds 2.7% shares in Cheung Lee and can subscribe up to 19.9% of equity interest in Cheung Lee so as to increase our investment holding in Cheung Lee and opportunity in agriculture business along Belt and Road. The Group will continue to assist Cheung Lee business development in Belt and Road agriculture project. We plan to link up the connection between Hong Kong and countries and regions within Belt and Road through Cheung Lee's agriculture products, and thus to achieve the trading business for Hong Kong and Mainland agriculture products.

Through investment from equity partners and improving the operating environment, Cheung Lee Agriculture Limited ("Cheung Lee") has increased its vegetable varieties from 5 to 20. Cheung Lee has modified the farming strategy, matching location to species and seasonal changes, covering south and southwest China. Furthermore, apart from the cultivation of pollution-free vegetables, Cheung Lee has started the cultivation of "wild vegetable", which has more stringent requirements on the growth environment. Moreover, Cheung Lee will set up a vegetable processing and distribution centre in 2018 to refine the packaging system and to improve our product quality certification system, also expanding logistic services. Therefore, we believe that Cheung Lee fits in current market trends and can bring a good return to the Group and all shareholders in future.

TEBU Development Plan for 2018

2017 is a year of changes for TEBU for laying the foundation for 2018. The focus will be placed on the construction of Xingliang coal mine, and develop our supply chain management services, manufacturing of machineries, and agricultural business development. We will make reasonable use of existing resources and fund in 2018 to create value for the Group and shareholders.

1. Coal investment and operation

- We will begin the comprehensive construction of underground work of the Xingliang mine so that it can reach annual production capacity of up to 900,000 tons.
- During construction of the mine, pilot coal production will be 30,000 tons in 2018, and we estimate the production volume will reach 300,000 tons in 2019 and 600,000 tons in 2020.
- For better implementation of sales strategy, market research and analysis of coal market will be prepared seasonally for formulating sales strategy. Furthermore, we will arrange meetings with power supply enterprise and chemical production enterprise to establish the sales network with a view to enter the sales agreements with potential customers.
- Set up the Internet of things (IoT) to analyse the performance of the production, machinery status, and human resources for centralised management and control purpose.
- To facilitate local livelihood project that can help relieve tight supply of domestic coal during the winter months.
- Extend the production chain to the downstream and develop for coal washing business.
- Deepen cooperation with Turpan Energy Functional Department to increase the Group's energy reserves in Xinjiang.

2. Supply Chain Management

Mainland China:

- Accelerate the construction of the second phase of the coal logistics centre in Zaozhuang of Shandong province to raise capacity for coal storage and handling, and thus to turn into an essential coal distribution centre in southwest Shandong.

- Establish big database for enterprises to evaluate and grade different customers according to indicators such as influence in industry, financial situation, profitability, repayment effectiveness, etc. so as to provide different quotations to different levels of the enterprise according to the grades.

- We are planning to extend to logistic network coverage to Xinjiang and construct a railway logistics freight station within 5km of the mine according to the scale of Kailai logistic centre. According to TEBU plan, high quality coking coal of Mongolia will be distributed through the Xinjiang port to meet the demand of Xinjiang, especially to supply for the demand of coal for chemical enterprise in north Xinjiang. In addition, we expect the thermal coal will be sent through the freight station to Gansu area.

Mongolia:

- We are promoting the rail logistic park project in Choir, Mongolia and the Group plans to be an equity owner of the project.

3. *Agricultural business development*

- Enhance the internal control system of Cheung Lee

- Ensure the progress on finding potential strategic investors is on schedule. The fund will be used for increasing planting area, upgrading the infrastructure of the sites and agriculture equipment, establishing a product processing and distribution centre and setting up an e-commerce network platform.

- Seek to enhance cooperation with other enterprises.

- Build up brand awareness for Cheung Lee's agricultural products and raise its profile and visibility by entering high-end supermarkets.

- Establish database and blockchain technology system to analyse the consumption pattern and customer base, and thus to formulate the production strategy according to the correlation and production issue.

- Enhance the cooperation with governments at all levels with regard to promoting high-quality agriculture products from mainland China to Hong Kong market.

4. *Supply Chain Management (Foreign)*

- Enhance the quality control of the products.

- Increase the trading volume and categories with existing trading partners.

- We are also seeking for business opportunities in countries along the Belt and Road by exploring local markets.

5. *Manufacturing of machineries and R&D*

- Extend the production line by further investment to enhance the production capacity.
- Accelerate the research and development process, and design new model to fulfil customer's needs.
- Enhance the R&D of accessories and to provide after sale services, thus to create a long-standing collaboration with the customers.

II. CENTRAL ASIA BUSINESS UNIT

Kaisun's Central Asia Strategy

Kaisun Energy Group has had many years of operation in Central Asia and has been taking leading role in energy, supply chain, agriculture, leasing business and etc. In 2018 the Group will continue to explore new potential business and give our priority to developing business in Tajikistan and Uzbekistan.

Performance Review in 2017:

Finance Lease Business

In 2017, the principal draw down in finance lease business is HK$7,540,000. The finance lease principal received and our finance lease income is HK$4,039,000 and HK$400,000 respectively.

Coal Mining in Tajikistan

In 2017, our coal production is 50,000 tons and the sale revenue is HK$2,442,000.

1. Kaisun Will Continue To Explore Business In Tajikistan

Quoting from the authoritative source released by the Economic and Commercial Counsellor's office of the Embassy of the PRC in the Republic of Tajikistan, "Saidrahmon Nazrizoda, the Minister of Economic Development and Trade of Tajikistan, estimates that the GDP of Tajikistan in 2018 will exceed 666 billion Simoni (7.5 billion US dollars at current exchange rate) and GDP growth will be close to 7%". Moreover, Word Bank's latest forecast is that in 2017 Tajikistan's economic growth would be 4.5% and in 2018 it will be up to 5.2%. The International Monetary Fund forecasts that in 2017 Tajikistan's economic growth would be 4.5% and it will be 5% by 2018. The economic slowdown in Tajikistan is mainly due to declining global prices for aluminium and cotton and economic recession in Russia.

President of Tajikistan Emomali Rahmon will visit China in June 2018 and will attend the SCO Head-of-State Council Meeting to be held in Qingdao.

In the economic and trade aspect, China-Tajikistan trade volume exceeded 1 billion dollars in 2017. Both sides will maintain close contacts and timely communication at the highest level. 2017 marks the 25th anniversary of the establishment of diplomatic ties between China and Tajikistan. Leader from both countries had three fruitful meetings respectively in Astana, Beijing and Xiamen.

President Rahmon paid a state visit to China and attended Dialogue of Emerging Market and Developing Countries held during the BRICS Summit in Xiamen.

During his state visit the two heads of state had decided to upgrade China-Tajikistan relations to "comprehensive strategic partnership" and further synergize Belt and Road development with the "National Development Strategy of Tajikistan for the Period to 2030". China and Tajikistan signed agreements and memorandums to enhance cooperation in such areas as technology, agriculture, energy, infrastructure, human resource and media.

In 2018, Tajikistan expects to cooperate extensively with China in tourism. For promoting the development of tourism, President Rahmon has declared 2018 "The Year Of Tourism And Folk Crafts Development". Tajikistan has great potential in developing tourism projects in areas such as ecology, medication, leisure, hiking and hunting etc. Tariff will be exempted for imported raw materials and accessories that are for tourism infrastructure construction. Tourism agency shall be exempted from value-added tax for first five years of operation. Chinese enterprises and investors can take an active part in tourism infrastructure construction and development on the basis of yielding mutual benefits.

Based on the above, Kaisun Energy Group will maintain its role as the "super-connector" and explore the energy, finance, leasing, commerce, agriculture and tourism markets in Tajikistan. The Group owns advantage in developing energy (coal mining) and leasing (engineering machinery and transportation vehicles) business. We predict that Tajikistan's economic development, be it finance or traditional aluminium industry or agriculture, is recovering from the downturn. The rebound of economic environment in Tajikistan will benefit the Group's development in the country.

2. Keep an eye on Uzbekistan market and potential projects

GDP of the five Central Asian countries will maintain stable growth, where Tajikistan and Uzbekistan will top in regional economic growth, according to the Regional Economic Prospects in EBRD Countries of Operations issued by the European Bank for Reconstruction and Development (EBRD) in 3rd quarter of 2017.

According to EBRD's forecast, Kazakhstan's GDP growth is expected to be 3.8% in 2017 and 3.5% in 2018. GDP growth in Kyrgyzstan is projected to be 4.4% in 2017 and 4.2% in 2018. For Turkmenistan growth is expected to pick up to 5.7% in 2017 and 5.2% in 2018. For Uzbekistan and Tajikistan, their GDP growth is expected to be respectively 5.4% and 6.5% in 2017 and 6.2% and 5% in 2018.

Uzbekistan is the biggest and most important market in Central Asia, and Kaisun has been paying attention to its market and potential projects. However, due to many years of isolationist policies in the Karimov era, business opportunities and potentials in the country had been limited. But upon current president Shavkat Mirziyoyev's taking office since 2017, he has shock the world with his new reforms. First of all he signed priority measures to open up its foreign currency market by allowing free exchange of currency, eliminating obstacles that had troubled foreign investment in the past. The new government has initiated a series of new measures including other foreign investment related policies and loosen visa controls to show its stance to opening up the country. Uzbekistan's policy to open up is possibly one of the biggest events for Central Asia in 2017.

In early 2018 President Mirziyoyev gave his state-of-the-union address at the joint session of both houses of the Supreme Assembly of Uzbekistan in Tashkent, which was the first time in the history of Uzbekistan for its president to do so. During the speech, President Mirziyoyev reviewed government performance of Republic of Uzbekistan in 2017 and pointed out priorities for economic and social development of 2018. Not only that, he also established year 2018 as "the year for actively supporting business start-ups, creativity and innovative technology".

Based on the above, the Group expects in 2018 to focus on business opportunities and possibilities for cooperation in local tourism and agriculture market in Uzbekistan, and to further explore cooperation in the areas of finance, leasing and import and export business. Leveraging on the Group's existing contacts in Uzbekistan, we will follow Uzbekistan's opening up policy, and act as the "super-connector" based in Hong Kong to involve in cooperation with Uzbekistan under the Belt and Road framework.

III. NEW ECONOMY BUSINESS UNIT (“NEBU”)

New Economy Business Unit (“NEBU”) Establishment and Development Highlights

1. Established in early 2017 (wholly-owned by the Group) with 3 main principles in mind:

   a) Grand strategy: Belt & Road

   b) Business type: new economy industry related

   c) Investment: asset light in nature

2. Over the year, the NEBU has successfully established its own operation ecosystem with events organizing being the main income source and along with that, a few supporting operations & investments. To be precise, NEBU currently has:

   Sub-units that are the main income contributor for NEBU:

   i) eSports business (new economy event organizing)

   ii) Event organizing and consultancy business (Belt & Road and Hong Kong listed company event organizing and consultancy focused)

   Sub-units that serves as a supporting role for NEBU:

   iii) A general procurement unit that supports the above event organizing businesses (started out as e-commerce but now taking on a supporting role)

   iv) Investment in a UK Belt and Road fund management company (for NEBU related fundraising and future exit purposes)

   v) Investment of preference shares in Xin Ying financial platform (for regular cash inflow from share dividend as a support for NEBU administration costs and other business-related costs)

New Economy Business Unit (“NEBU”) Operations and Performance Highlights:

eSports business:

1. Successfully organized a few eSports events including one event with its reach of over 10 million (hits, foot traffic, online audiences, etc.).

2. Signed strategic cooperation framework agreements with China Travel Service (308.hk) and China Modeling Industry (Beijing) International Culture Media Co. Limited.

3. Began looking for strategic equity investors in late 2017, which is on track. Was able to secure enough investment as well as strategic investors for the future growth of our eSports business

Event organizing and consultancy business:

1. Successfully organized a series of different types of events, including cultural, government related, international organization related and commercial

2. Successfully organized Belt & Road Innovation and Development Forum supported by Shanghai Cooperation Organization, with speakers such as Hong Kong Chief Executive, entrepreneurs, Belt & Road Pioneers and scholars

3. Successfully carried out brand image and consultancy service for a Hong Kong Listed Company

4. Successfully turn in a profit in about 6 months of operations

NEBU Procurement unit:

1. Started out as e-Commerce business unit but management of the NEBU has decided to let this unit be a cost-saver for our event organizing unit instead which improves overall NEBU operation efficiency and focus.

Investment in UK Belt & Road Fund Management Company:

1. Successfully assisted NEBU's eSports business to secure equity partners

2. Is constantly introducing potential Belt & Road business partners to NEBU as well as to the Group

3. Also introducing exit vehicles to NEBU as well as the Group which is valuable when the Group's investments are ready for exit

Preference shares in Xin Ying financial platform:

1. Receiving stable and periodic shares dividend to help ease the NEBU general expenses as well as administrative costs, etc.

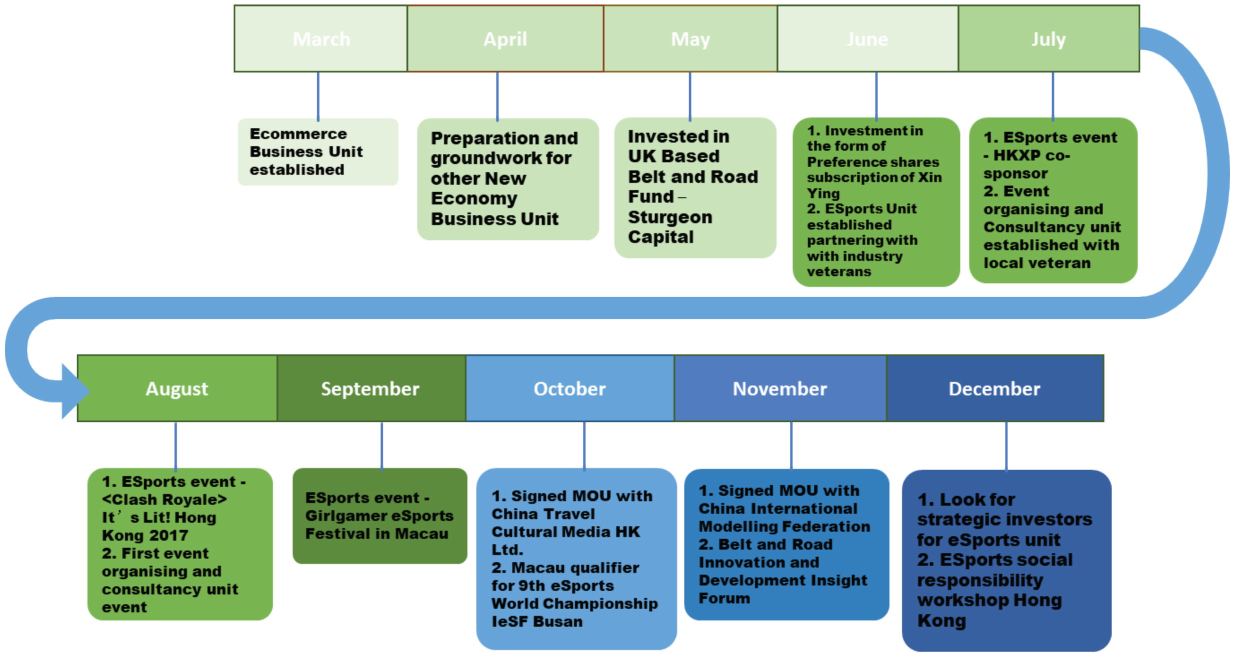
2. Ongoing due diligence as well as exploring different strategies to take this investment to the next level

A. THE ESTABLISHMENT AND DEVELOPMENT OF THE NEW ECONOMY BUSINESS UNIT

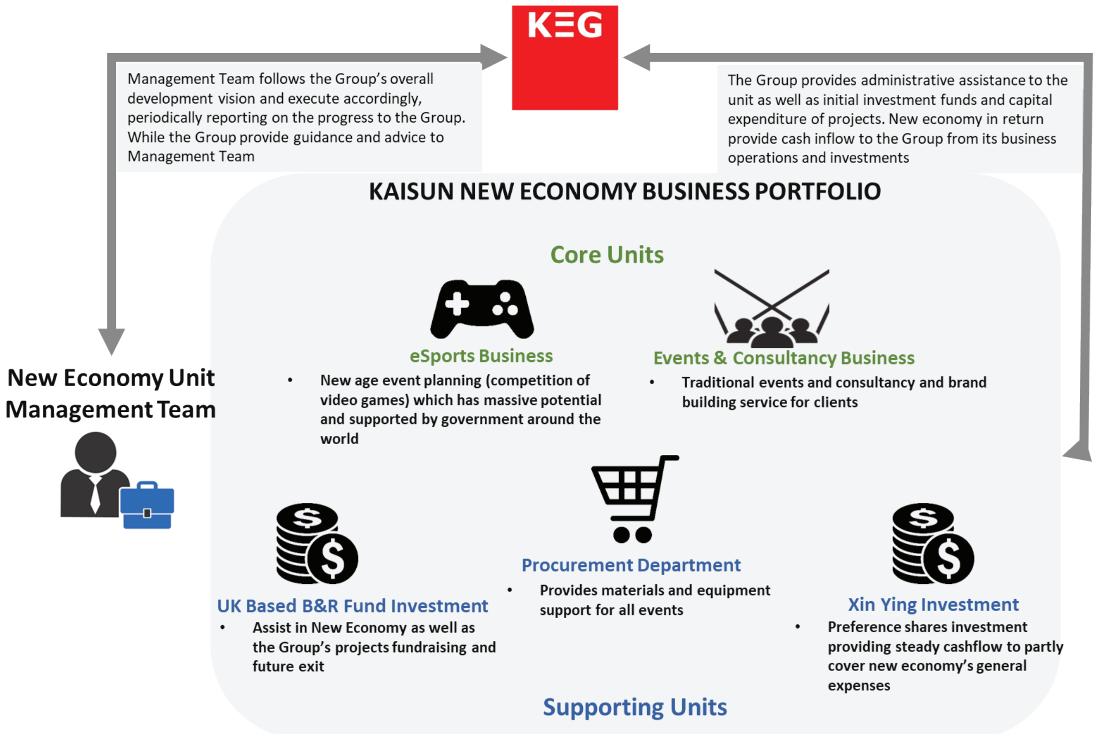
The Group has been in the energy and mining related business since 2009 and in recent years, the Group has established itself as a Belt & Road expert with a diverse portfolio of Belt and Road related operations and investments where energy and mining act as the backbone of the portfolio. As we continue to focus our business development in Belt and Road, the Board and management of the Group approved a small unit to explore business opportunities in the new economy sector. New economy sector was chosen for it is usually asset-light and has high growth potential, which allows it to greatly compliment the Group's traditional economy businesses such as mining, agriculture and supply chain management business.

In early 2017 a small New Economy Business Unit ("NEBU") was established (wholly-owned by the Group) to implement this new economy business portfolio establishment. After researching and studying market data to determine what kind of business would fit into the new economy business portfolio, management of NEBU found the eSports industry would fit all of our criteria as well as development direction. Also, board members as well as management of the Group have built up many contacts over the years during development of our Belt and Road business portfolio while our reputation in Belt and Road was also being gradually built up. Hence management of NEBU believes an event organizing and consultant company would be beneficial to the Group in terms of monetizing all of these connections.

Other business opportunities including investment in Belt and Road, fund management companies, hosting sporting events, e-Commerce, online financial platforms, etc. were also explored. In the end, management of the NEBU believes that event organization which includes eSports and Belt & Road related events would best suit the development direction of NEBU and would become NEBU's core business. At the same time, other cooperation, investments have been established to support NEBU's core business and when the timing is right, we will turn this support into a source of income. Below is the development timeline and a few events highlight of the Group's NEBU.



After development in the first half year, by late 2017, the whole picture of the NEBU became more well-defined. The interconnected NEBU ecosystem has individual business units serving specific roles and complimenting other units in a very specific way. NEBU's main business direction remains event organization, with eSports business being the side with most potential while event organization and consultancy business would handle all of the typical non-eSports events and services such as Belt & Road forums, brand image consultancy for Hong Kong listed companies, etc. To support our core business, we have a procurement department (started out as e-commerce business unit) to provide all events-related equipment and materials. We also have investment in a UK Belt & Road fund management company to assist NEBU and the Group's investments (at project level) to look for equity investors and future project exits. In addition, investment of preference shares in Xin Ying financial platform ("Xin Ying") for regular dividend payment helped on general expenses, etc. To illustrate, please see the graph below:



Overall, given less than a year of development, management of NEBU is pleased with the pace of shaping up the NEBU portfolio. Nonetheless, there are always ways to improve and management of NEBU is always looking for ways to fine-tune all components of the portfolio and hopefully the end product will create more synergy in the future. The ways we are exploring include but is not limited to, looking for more strategic partners in each project, acquiring more stake in project with potential, scrapping or transforming business units into cost-savers or supporting units.

B. NEW ECONOMY BUSINESS UNIT PERFORMANCE REVIEW

The NEBU's overall performance for year end is difficult to gauge only by its profit and loss as all units in the portfolio have only been established for about 6-7 months. However, the NEBU was able to achieve most of the goals established by management of NEBU:

1) eSports — to complete several different types of eSports event, which include an international medium/large scale competition, a regional qualifier for international organization, a social responsibility related competition as well as a social responsibility related workshop. This enabled the NEBU to subsequently sign strategic framework agreement with two influential partners as well as set up the stage to find equity partners in our eSports unit which is on track. Please refer to the section dedicated to NEBU eSports development for details.

2) For the events & consultancy business NEBU aimed to leverage on our own as well as our partner's connections to host a wide range of events which include government related, cultural related as well as international organization level Belt & Road events. All of these have been accomplished during a half-year period. Management of NEBU is pleased about the progress of this unit and it was able to generate profit for the NEBU and the Group. Please refer to the section dedicated to NEBU events & consultancy business development.

3) Procurement department started out as a standalone eCommerce business that aspired to provide quality products to outside customers while at the same time fulfil the internal procurement needs for the Group as well as the NEBU. However, as our NEBU started to take shape in the development timeline, management of NEBU decided it was best for our eCommerce unit to take on a supporting role and therefore have decided to turn the eCommerce unit entirely into a procurement department. This move could serve two purposes. First, the eCommerce unit as a revenue generator was very stagnant and took away valuable human resources and some capital resources; second, by turning into a completely procurement department we are able to better utilize the cost-saving achieved by this procurement department for our event organizing business.

4) Out of all the units from the NEBU portfolio, the UK based Belt and Road Fund — Sturgeon Capital's investment performance is probably the most difficult to evaluate from profit and loss standpoint. This is because their role, as a Belt and Road veteran is to provide the NEBU as well as the Group more opportunities in Belt and Road related investments, equity partners as well as exits. There is a long term strategic cooperation planned between the two parties. In 2017, Sturgeon Capital was able to introduce and share some of their resources with the Group and NEBU. Also, Sturgeon Capital was able to contribute to the NEBU's eSports activities to securing equity partners.

5) Investment in Xin Ying began as a proposed cooperation between the TEBU and Xin Ying for agriculture business development. Xin Ying is a financial institution led by an industry veteran management team with one of the best credit control in the industry. During the due diligence process (joint efforts of TEBU and NEBU) of Xin Ying, management learned about their preference shares that pays periodic dividends and believed this not only served a good starting point of cooperation with Xin Ying but also, it would be a good source of cash inflow for the NEBU to take care of everyday administration costs and other general expenses. Nonetheless, cooperation did not end at the preference shares and due diligence and cooperation discussion was on going and there will be a next step once both sides are ready and have found the best way of cooperation.

SWOT Analysis of New Economy Business Unit

Since 2017 was the first year the NEBU became active, management of the NEBU has over the year discovered the strength and weakness of the unit — both its staff as well as the development and the below SWOT analysis will showcase the discovery:

S

- NEBU team is capable of performing research, projection, and valuation prior to every business establishment and investment which can soften third party cost as well as to ensure each investment is backed by solid data.
- NEBU team has good knowledge of financials and corporate structure which is valuable
- NEBU team is well-versed in the capital markets and would be valuable to project fundraising as well as future exit.
- New economy investment as a whole is usually not very capital intensive and can much more easily arouse the attention from investors compared to more traditional businesses.

W

- A relatively small team handling an assortment of different business operation as well as investments which means our human resources might not be utilized the most effectively. To correct this, we had restructured part of the NEBU's portfolio into something that makes more sense given the NEBU's current scale. Ex. Changing our e-commerce unit into a procurement department.
- NEBU management does not have a great deal of operating experience in the new economy business. To correct this, all of our business units we are leveraging on industry veterans to share the operating load.
- New economy investment usually does not have ready data as reference and sound financials to support.

O

- Since both our eSports business and events and consultancy business are both events organization driven, there could be an opportunity to consolidate the two into a bigger unit. However, since both businesses are still fundamentally different and are each expanding into a more specialized portion of the sector it could be difficult to value each segment when combined into a bigger unit.
- However, a way to bring synergy between two units was looked into and was successfully implemented out by introducing to our consultancy service clients eSports as a way to improve their brand image.

T

- The threat of new economy is when our investment is not really new economy anymore or if another "new thing" will replace the ones in the NEBU investment portfolio. The NEBU team is always looking into the latest trends in the economy and will always assess whether it is an actual "threat" or maybe even an "opportunity" to the NEBU. However, it does not mean the NEBU will just invest into anything that is trendy. The project must be able to meet the development of the NEBU and especially the Group.

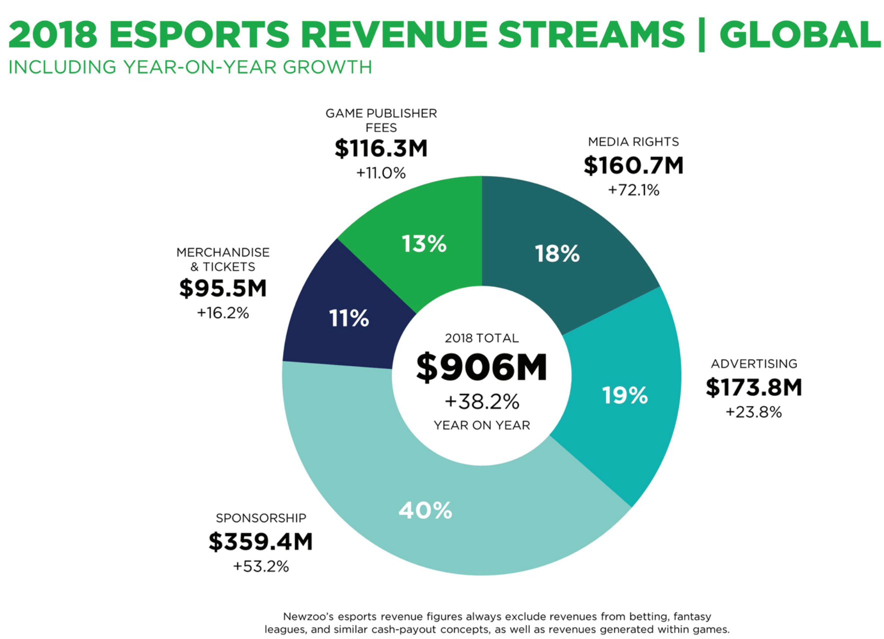
C. INDIVIDUAL NEW ECONOMY BUSINESS UNIT REVIEW AND HIGHLIGHTS

Management of NEBU would like to give a more detailed review of the two core business units of the NEBU, namely eSports business unit as well as event organizing and consultancy business unit.

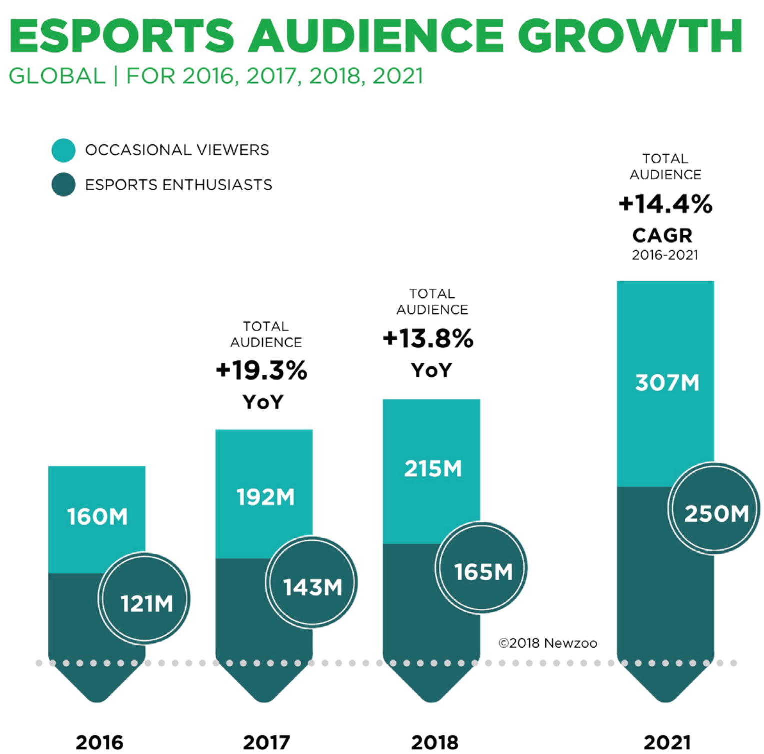
C1. eSports Business Unit

For a more detailed explanation on what eSports is and why the NEBU is interested in the industry please refer to the MD&A section of annual report of the Group for the year ended 2016. But in a nutshell, eSports is the competition of video games and it is one of the latest forms of entertainment that has influence all over the world right now. If one of Belt and Road initiative's goal is for cultural exchange then eSports would be one of the best medium to achieve this goal. Through live competition and the internet, millions of people are playing as well as viewing tournaments across the world. More importantly, global live streaming and live interaction is bringing eSports fans from all over the world under one the support from international sporting mega events such as the Asian Games 2018 in Jakarta (which features eSports as a demonstration sport, and will be an official event in 2020) as well as government all over the world is a true testament to the development of eSports.

The popularity and commercial effect of eSports is increasing year after year and 2018 is no different. The 2018 eSports revenue streams forecast illustrated that the overall upward trend of eSports will remain in 2018 with a YoY increase of 38.2% compared to 2017.



Due to the large population in the Asia Pacific region, it is expected Asia Pacific region will occupy the largest proportion of eSports audience in 2018. Moreover, China is one of the most developed countries in eSports industry, which means the largest market in the region. Although the growth of eSports audience is slowing down as the eSports industry is becoming more mature and developed, it is expected that the growth will still accelerate until 2021 with the double-digit YoY rate. Therefore, the prospects of Belt and Road market, especially Mainland China and Hong Kong in the Asia Pacific region, will remain on the rise in the next few years.



Government of Hong Kong SAR is one of the biggest supporters of eSports business as well as social development in Hong Kong. In 2017, Hong Kong SAR government has supported local eSports development and has held an eSports music festival at the Hong Kong Coliseum. The Innovation and Technology section of the 2018-2019 budget speech published by the Hong Kong SAR government mentioned that, in recent years, e-sports have been developing rapidly with tremendous potential and HKD 100 million will be allocated to Cyberport as a way to promote the development of eSports in Hong Kong. Support will also be provided for the e-sports sector in areas such as technological development and talent nurturing. In addition, this year the HKTB is funded by the government 35 million Hong Kong dollars for holding e-sports festival in summer.

The 2018-19 Budget

繁體 | 简体 A A A Search

Budget Speech | Diversifying the Economy | Enhancing Liveability | Nurturing Talent | Land Resources | Caring and Sharing | Reducing Tax Burden on Individuals | Government Revenue and Expenditure | Estimates | Videos | Photo Gallery

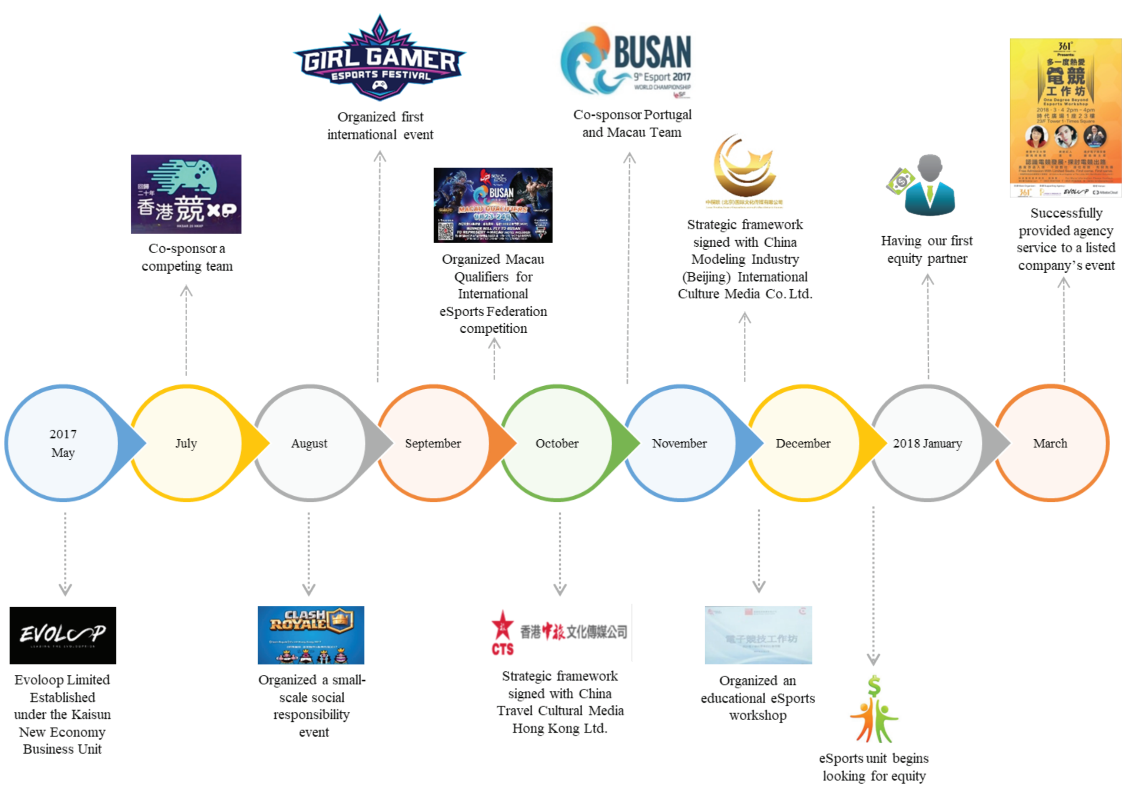
Budget Speech

Innovation and Technology

E-sports

70. In recent years, e-sports have been developing rapidly with tremendous potential. Last December, Cyberport completed a study on the promotion of e-sports in Hong Kong and made a number of recommendations. To promote the development of e-sports, I will allocate $100 million to Cyberport. The Cyberport Arcade will become a local e-sports and digital entertainment node providing a competition venue for e-sports. Support will also be provided for the e-sports sector in areas such as technological development and talent nurturing.

Kaisun NEBU eSports establishment and development timeline



The above is the NEBU's establishment and development timeline from May 2017 to early March 2018. The whole strategy of NEBU eSports development is to host different types of eSports events ranging from medium/large scale competition, social responsibility competition, international organization related competition as well as different workshops and forums. The NEBU eSports unit had no intentions for involvement in game development or grooming our own players because the capital investment is high with a very high risk.

By hosting various events, the eSports unit is able to demonstrate to advertisement partners, businesses, government, as well as potential equity partners that the unit is capable of producing all types of events which is vital to revenue generation. In 2017, this strategy was carried out as planned and NEBU unit is pleased with the variety of events, which includes: 1) Girl Gamer eSports Festival — an international invitational competition that received over 10 million total hits (views, forwards, mentions, media coverage, etc.); 2) a social responsibility competition by partnering up with a local charitable organization with an emphasis of cultural exchange between locals and ethnic minorities in Hong Kong; 3) Organized the Macau region qualifiers for the international competition hosted by IeSF (International e-Sport Federation), which is the leading e-Sport Federation in the world; 4) provided eSports event consultancy service to a mainland sportswear brand for their social responsibility event.

With these success cases in the pocket, the eSports unit was able to carry out the next step of the strategy, which is to develop long term cooperation with reputable and large businesses and associations with hopes to create synergy and cross promote both the eSports unit and their brand. Strategic cooperation framework agreement was entered into between NEBU and China Travel Cultural Media Hong Kong Ltd., the subsidiary of China Travel International Investment Hong Kong Limited (0308.hk), in which both parties will look to joint host events and festival in eSports at theme parks as well as resorts under the China Travel brand and also explore cooperation opportunities in countries along the Belt and Road.

Last but not least, eSports unit started looking for equity partners in December 2017 and so far, we have already secured a couple of strategic equity partners. The eSports unit hopes that with this extra funding and with the help from our strategic investors, it can achieve the 2018 goals.

For more details about the development of the eSport unit, please refer to 2017 first quarter, interim and third quarter report of the Group.

C2. Event Organizing and Consultancy Business Unit

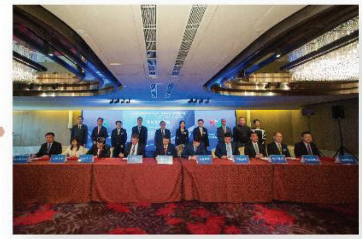
Compared to eSports, the NEBU's event organizing and consultancy business unit is much more straight forward as it is just the Group and business partner pooling resources together in order to offer event organization and consultancy services to its clients.

The Group, having years of experience in the Belt and Road development, has resources with NGOs, businesses, government officials, and international organizations in these regions that might need a platform to promote themselves. Our business partner on the other hand, has been in the business for a long time with expertise in government investment fair, different types of exhibitions, cultural events and more. By combining our respective resources, the event organizing and consultancy business unit was able to host many events and had a great deal of other related business opportunities. One of the event that best captures this cooperation is the Belt and Road Innovation and Development Insight Forum supported by the Shanghai Cooperation Organization, Hong Kong SAR government officials, large corporations, scholars and think tanks.

In addition to event organization, management of the business believed value-added consultation service which combines ideas with functions was the best way to attract high gross margin and long-term business contracts. In 2017, the business was able to provide a long-term brand building service for a Hong Kong listed company and the results were even better than expected. Using this as reference, the business was able to secure another contract with yet another Hong Kong listed company. Below is a graphic highlighting some of events organized by the event organizing and consultancy business:

2017年 8月

招商推介會 PROMOTION CONFERENCE



2017年 8月

MEDIA CONFERENCE 媒體座談會

2017年 9月

酒會 RECEPTION

2017年 11月

BELT AND ROAD FORUM 一帶一路論壇

2017年 11月

晚會 GALA

2017年 11月

PROMOTION CONFERENCE 招商推介會

2017年 12月

電競工作坊 ESPORTS WORKSHOP

2018年 3月

ESPORTS WORKSHOP 電競工作坊

Once again, for even more details about event organization and consultancy unit, please refer to 2017 first quarter, interim and third quarter report of the Group.

D. NEW ECONOMY BUSINESS UNIT PROSPECTS

2017 saw the rapid establishment and laying the groundwork for the Group's New Economy Unit. Over the year, there were many different opportunities that the NEBU was not able to capture because it was at a very early stage of development. However, now that most of the structure and preparation was made, it is up to the NEBU to efficiently and effectively utilize the resources to ensure the success of all the subunits.

The following are currently in motion or under discussion in order to achieve effective utilization of all NEBU resources:

1) Continue to focus on the eSports unit as well as event organization unit

2) Continue to explore the feasibility of developing the supporting units into a main business unit — such as Xin Ying investment

3) Increasing or decreasing stake in business units that will best suit the current status as well as future development of NEBU

4) Consolidate different sections of business if they overlap in function for a more efficient utilization of resources

5) Given currently team size and taking everything into consideration, NEBU most likely will not expand into another industry but is willing to test if current resources can generate synergy with those industries.

The goal NEBU is trying to achieve in 2018 is to as quickly as possible turn NEBU into a self-sufficient business unit providing not only revenue but also net cash inflow to the Group after deducting all relevant expenses. Management of NEBU is very optimistic this could be achieved given a year or so.

As for what each NEBU business subunit is trying to achieve in 2018:

- eSports:
    - to complete finding equity partners
    - to carry out cooperation with our strategic cooperation framework agreement partners
    - to look for more strategic cooperation partners
    - to host the second Girl Gamer event continuing to build this brand

- Event organizing & consultant services:
  - to continue carrying out events organization for our clients
  - to explore further in the brand building service for Hong Kong listed companies
  - to host the second Belt and Road Innovation and Development Forum
- Procurement unit:
  - After fulfilling internal needs, can try to expand into offering procurement services to different clients
- UK based Belt and Road fund management company:
  - Continue to explore different Belt and Road opportunities and future fundraising and exit strategies for all business units
- Xin Ying investment:
  - Continue to receive preference share dividend and look for the best way of cooperation taking this investment to a more meaningful and strategic level

IV. HONG KONG-LISTED SECURITIES TRADING

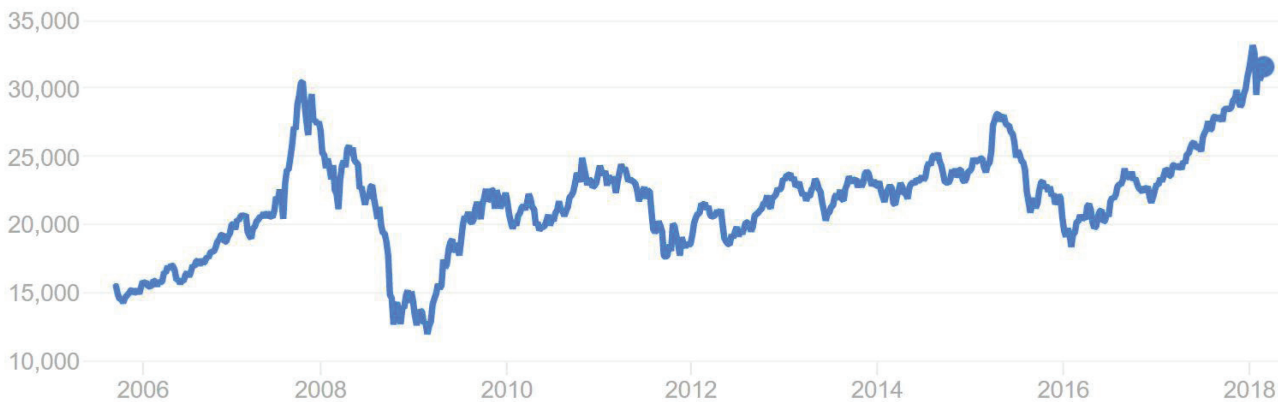
Our Hong Kong-listed securities trading is monitored by an investment committee with analytical reports and performance reports regularly in acts to support the Group's operation.

The atmosphere of the global and Hong Kong stock market was positive last year and our Hong Kong listed securities trading has performed better than expected under the management of the investment committee, and the capital gain has been used on the development and covering administration cost of our Belt and Road projects and business.

In 2017, our dividend income from Fuying Finance and OP Finance are HK$360,000 and HK$1,470,000 respectively. The gain on disposal of financial assets and the fair value gain on financial assets are HK$209,000 and HK$13,352,000 respectively.

As at 31 December 2017, the market value of our listed investment and investment cost of unlisted investment are HK$113,912,000 and HK$18,500,000 respectively. It covers 20.3% (listed investment) and 3.3% (unlisted investment) of our total assets.

Hang Seng Index 2006–2017



Starting from November 2017, our Hong Kong securities trading have not been active because even though the valuation of Hong Kong stock is not high when compared with other global market, but it is matching the peak of 2008 level. The investment committee is concerned that the HSI (Hang Seng Index) had reached a high note and hesitated to invest. And also, our Belt and Road business operation would require some cash to develop hence we holding on to our cash in hand. We will be focusing on the development of our long term and sustainable projects in 2018.

This does not mean the investment committee will be stopping our Hong Kong listed stock trading activities, we will monitor the stock market for the first quarter of 2018, and if there is a correction, we will revisit the market and add weight to our existing stock portfolio.

FINANCIAL REVIEW

Revenue of the Group for the year 2017 amounted to approximately HK$90.7 million, represented an increase of approximately 1.6 times when compared with the same period in 2016 (2016: HK$35.2 million). Revenue arose from the provision of supply chain management services for mineral business, Shandong mining and metallurgical machineries production and production and exploitation of coal in Tajikistan and other business amounted to HK$64.6 million, HK$19.9 million, HK$2.4 million and HK$3.8 million respectively.

The Group's gross profit for the year 2017 increased approximately 68.3% to approximately HK$8.2 million when compared with the same period in 2016 (2016: HK$4.9 million).

For the year 2017, the gain on disposal of financial assets at fair value through profit or loss was HK$209,000 (2016: HK$4.5 million). The fair value gain on financial assets at fair value through profit or loss was decreased 55% to HK$13.4 million when compared with the same period in 2016 (2016: HK$29.9 million).

For the year 2017, the total administrative and other operating expenses from the Group's operations was approximately HK$59.6 million, an increase of approximately 30.3% as compared with the same period in 2016 (2016: HK$45.7 million).

Upon completion of the acquisition of Xingliang Coal Mine in Xinjiang, PRC, the fair value of the mining right is approximately HK$171.6 million and the excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary was approximately HK$94.1 million.

For the year 2017, the profit from operations was approximately HK$73.4 million (2016: HK$(3.7) million).

The Group recorded profit for the year 2017 of approximately HK$78.3 million, represented an increase of approximately 6.8 times when compared with the same period in 2016 (2016: HK$(13.5) million).

The total comprehensive income attributable to owners of the Company for the year 2017 amounted to approximately HK$62.7 million (2016: HK$(15.9) million).

At as 31 December 2017, the Group has cash balance of approximately HK$3.1 million hold in securities brokers. The fair value of listed securities amounted to HK$113.9 million.

The details of financial assets at fair value through profit of loss are set out as follow:

Company Name	Number of sharers held as at 31 December 2017	% of share-holding as at 31 December 2017	Unrealized gain/(loss) on fair value change for the year ended 31 December 2017	Dividends received for the year ended 31 December 2017	Fair value as at 31 December 2017	Fair value as at 31 December 2016	% of the Group's net assets as at 31 December 2017	Investment cost	Reasons for fair value loss
			HK$	*HK$*	*HK$*	*HK$*		*HK$*	
Hong Kong Listed Securities									
Jai Meng Holdings Limited (8101) *(Note 1)*	110,000,000	3.80	(6,050,000)	—	7,810,000	13,860,000	1.6	7,775,000	Drop in Share price
OP Financial Investments Limited (1140) *(Note 2)*	36,756,000	1.94	20,583,360	1,470,240	102,181,680	81,598,320	21.3	53,976,200	—
Sau San Tong Holdings Limited (8200) *(Note 3)*	42,000,000	0.77	(1,428,000)	—	2,646,000	1,274,000	0.6	5,600,000	Drop in Share price
Larry Jewelry International Co. Limited (8351) *(Note 4)*	2,600,000	0.08	247,000	—	1,274,000	—	0.3	1,027,000	—
LEAP Holdings Group Limited (1499) *(Note 5)*	—	—	—	—	—	3,666.000	—	—	—
Pantronics Holdings Limited (1611) *(Note 6)*	—	—	—	—	—	2,324,600	—	—	—
Total			13,352,360	1,470,240	113,911,680	102,722,920	23.8	68,378,200	

Notes:

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

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

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

4. Larry Jewelry International Co. Limited (HKEx: 8351) — Larry Jewelry International Co. Limited's business can be broadly categorized into two main sectors: (i) jewelry and (ii) pharmaceutical and health food products.

5. Leap Holdings Group Limited (HKEx: 1499) — Leap Holdings Group Limited is principally engaged in the provision of (i) foundation works and ancillary services; and (ii) construction wastes handling at the public fill reception facilities managed by the Government in Hong Kong. Leap Holdings Group Limited undertook primarily construction projects in the private sector in Hong Kong and was generally engaged as a subcontractor or sub-subcontractor.

6. Pantronics Holdings Limited (HKEx: 1611) — Headquartered in Hong Kong, Pantronics Holdings Limited began it's business as an OEM manufacturer over 30 years ago and, between the years 2001 and 2004, Pantronics Holdings Limited have evolved to become a manufacturer in the EMS industry. Pantronics Holdings Limited manufactures power-related electrical and electronic products, including solenoid coils, battery charger solution and power supply, LED lighting and others such as PCBA and parts assembly.

As at 31 December 2017, the Group held available-for-sale financial assets of approximately HK$18.5 million, wholly comprised of unlisted securities in Hong Kong and United Kingdom. The details of available-for-sale financial assets are set out as follow:

Company Name	Number of sharers held as at 31 December 2017	% of share-holding as at 31 December 2017	% of the Group's net assets as at 31 December 2017	Investment cost	
				as at 31 December 2017	as at 31 December 2016
				HK$	*HK$*
Cheung Lee Farming Corporation *(Note 1)*	270	2.7	0.6	2,700,000	1,200,000
Sturgeon Capital Limited *(Note 2)*	24,999	10.0	1.6	7,800,000	—
Xin Ying Holdings Limited *(Note 3)*	8,000,000	N/A	1.7	8,000,000	—
Xinjiang Turpan Xingliang Mining Limited *(Note 4)*	N/A	N/A	—	—	1,116,656
			3.9	18,500,000	2,316,656

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

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.

4. Xinjiang Turpan Xingliang Mining Limited ("Xingliang") is a Xinjiang mining company incorporated on 4 May 2011. It holds a mining license with coal output of 90,000 tonne per year. Kailai (the Company's 70% subsidiary) obtained ownership of Xingliang on 8 February 2017 with government approval on the transfer of the valid mining license from the sellers.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group has bank and cash balances of approximately HK$26.0 million (2016: HK$36.3 million) and cash balances of approximately HK$3.0 million (2016: HK$1.5 million) hold in securities brokers. The fair value of listed securities hold by the Group amounted to HK$113.9 million (2016: HK$102.7 million).

FINAL DIVIDEND

In order to retain resources for the Group's business development, the Board does not recommend the payment of a final dividend for the year 2017 (2016: HK$Nil).

GEARING RATIO

The Group's gearing ratio, which represents the ratio of the Group's long term debts over the Group's total assets, was Nil as at 31 December 2017 (2016: Nil).

FOREIGN EXCHANGE EXPOSURE

Majority of the trading transactions, assets and liabilities of the Group were denominated in HK$, TJS, US$, EUR and RMB. As at 31 December 2017, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

PLACEMENT OF NEW SHARES AND USE OF PROCEEDS

On 16 January 2017, the Company allotted and issued 1,884,202,850 Rights Shares under Rights Issue on the basis of one Rights Share for every two Shares at the subscription price of HK$0.048 per Rights Share. The Company raised approximately HK$85,425,000 (net of expenses). The net proceeds will be applied as per the manner set out in the announcement of the Company dated 1 December 2016.

For the 11 months up to 31 December 2017, approximately HK$59.4 million had been used as intended, including approximately: (i) HK$7.5 million used from expansion of mining and metallurgical machineries production and supply chain management services for mineral business; (ii) HK$22.1 million used for business or investment opportunities in countries and regions covered by the "Belt & Road" initiatives of the PRC government; (iii) HK$29.8 million used for general working capital.

The Company intends to use the remaining proceeds, including (i) approximately HK$13.9 million for expansion of mining and metallurgical machineries production, and supply chain management services for mineral business, (ii) approximately HK$7.9 million for business or investment opportunities in countries and regions covered by the "Belt and Road" initiatives of the PRC government and (iii) approximately HK$4.2 million for the Group's general working capital, as intended.

INCOME TAX

Details of the Group's income tax expense for the year 2017 are set out in note 6.

HUMAN RESOURCES

As at 31 December 2017, the Group had 171 (2016: 97) staff in Hong Kong, China and Tajikistan. Compared to the same period last year, the increase in number of staff is mainly attributable to the completion of acquisition of Xingliang mine on 8 February 2017, after which the Group recruited engineers and technical staff for development of Xingliang mine.

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 2017, 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$30.6 million (2016: HK$20.3 million) for the year 2017.

SEGMENT REPORT

The detailed segmental analysis are provided in note 13.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2017.

LITIGATION

As at 31 December 2017, the Group had no significant pending litigation.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group does not have any significant subsequent events.

AUDIT COMMITTEE REPORT

Composition of the Audit Committee

The Company established the audit committee (the "AC") with written terms of reference that sets out the authorities and duties of the committee.

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

The AC comprises four independent non-executive directors, namely Mr. Liew Swee Yean, Mr. Siu Siu Ling Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph, and Mr. Liew Swee Yean is the chairman of the AC.

During the year 2017, the audit committee held four meetings to review and supervise the financial reporting process. The results for the year 2017 had been reviewed by the Audit Committee who was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and adequate disclosures have been made.

Role and Function of the Audit Committee

In order to comply with amendments to the GEM Listing Rules, on 30 March 2012, new terms of reference that supersedes previous terms of reference of the Audit Committee were adopted. The new written terms of reference which describes its authorities and duties is available on the Company's website www.kaisunenergy.com under "Investor Relations" section with heading of "Corporate Governance".

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

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

Audit Committee Meetings

During the year 2017, the AC had held four meetings to review and supervise the financial reporting process and the AC had reviewed the quarterly, interim and annual results, internal controls and risk management systems. The AC was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The AC also carried out and discharged its other duties as set out in the Corporate Governance Code (the "CG Code").

Attendance of each of the independent non-executive directors at the AC meetings during the year ended 31 December 2017 was set out as follows:

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

During the year 2017, 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 2017, the Board, through the AC, reviewed the effectiveness of the Group's system of internal control over financial, operational and compliance issues, broad-based risk management processes, and physical and information systems security. To formalize the annual review of internal control system, the AC made reference to the globally recognised framework with modifications to include some controls which are specific to the Group's operation. The AC concluded that, in general, the Group has set up a sound control environment and installed necessary control mechanisms to monitor and correct noncompliance.

The Board, through the review of the AC, was satisfied that the Group had fully complied with the Code Provisions on internal controls as set forth in the CG Code for the year 2017.

The Group's financial statements for the year ended 31 December 2017 has been reviewed by the AC, who is of the opinion that such statements comply with applicable accounting standards 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. As stated in Annual Report 2016, the Company had engaged Moore Stephens Consulting Limited ("Moore Stephens"), an independent external reviewer, to perform review on the internal control system. Details of internal control system are stated under "RISK MANAGEMENT AND INTERNAL CONTROL REVIEW REPORT" on page 51 and page 52 of this Results Announcement. Except for the deviations described below, the Company has complied with the code provisions set out in the CG code contained in Appendix 15 to the GEM Listing Rules throughout the year 2016 under review.

The Code Provision A.2.1 stipulates that the role of chairman and chief executive officer should be separated and should not be performed by the same individual. From 2 November 2010 to 26 October 2016, Mr. Chan Nap Kee, Joseph, chairman, took up the role of acting chief executive officer and he was redesignated to Chief Executive Officer with effect from 26 October 2016. As Mr. Chan is both Chairman and Chief Executive Officer, Code Provision A.2.1 has been deviated.

The Code Provision A.5.6 stipulates that the nomination committee (or the board) should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report. The Nomination and Corporate Governance Committee of the Company (the "Nomination Committee") would review the board composition from time to time and it considered that the board diversity is in place and therefore written policy is not required. Due to the amendment of the Listing Rules effective 1 September 2013, a board diversity policy (the "Board Diversity Policy") has been adopted in December 2013. The Board Diversity would be considered from a number of aspects, including but not limited to skills, experience, knowledge, expertise, culture, independence, age and gender.

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 2017. 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 CONTROLS 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. As the Group's investment in the Belt and Road becomes more robust, the Board feels that our internal control protocols must grow alongside with it. The Group has gone through an internal control improvement and upgrade process. During the period, this process was led by the Board and the Audit Committee with revision activities carried out and recommendations on establishing new procedures.

The Company has an Internal Audit Function, and Risk Management and Internal Control System are reviewed throughout the year 2017 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. Kaisun has gone through a process of reorganization to prepare for our future cooperation with our strategic partners. We are currently also going through the process of reviewing and improving on our internal audit (which includes critical items such as internal control and risk assessment framework and procedures update) with the aim to provide an update to our current internal control system so as to improve our operational effectiveness and efficiency and better risk management as well as to complement our reorganization.

As stated in the Company's Annual Report 2016, the Company engaged Moore Stephens as our internal control reviewer to conduct a review of our internal control systems and make recommendations to the Company for this purpose. Moore Stephens has made recommendations to the Company and the Board on (i) procurement policies and procedures and (ii) investment policies and procedures. On 13 January 2017, the revised new (i) procurement policies and procedures and (ii) investment policies and procedures have been circulated to all relevant staff members of the Group.

During the year 2017, our Internal Auditor had performed the internal audit on the investment and procurement activities, no significant control deficiency was identified.

Apart from the above, during the year 2017, our Internal Auditor had performed the audits and reviews on the all major business sectors, including Traditional Economy Business Unit, Central Asia Business Unit, New Economy Business Unit, Investments by Investment Committee, no significant control deficiency was identified.

In addition to our qualified accounting staff, the Company has engaged an experienced internal control officer to further improve its risk management and internal control systems.

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 2017, 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 AC 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 AC considered that the staffing is adequate and the staffs are competent to carry out their roles and responsibilities.

SHARED-BASED COMPENSATION SCHEME

The Company operates two share award schemes, Share Award Schemes 2013 and 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.

I. Share Award Scheme 2013

The Company adopted the Share Award Scheme on 10 May 2013. For details of the Share Award Scheme 2013, please refer to the announcement of the Company dated 10 May 2013.

During the year 2016, based on the Company's instructions, the trustee of the Share Award Scheme 2013 purchased a total of 20,110,000 shares of the Company from the open market on the Stock Exchange ("Purchased Shares"). After share consolidation of every ten (10) Shares of the Company into one (1) Consolidated Share which became effective on 16 February 2017, the total number of Purchased Shares in the Share Award Scheme 2013 became 2,011,000.

Following the expiry of the Share Award Scheme 2013 and the adoption of the Share Award Scheme 2016, by mutual agreement between the Company and the Trustee, the total no. of the Purchased Shares of 2,011,000 held by trust for Share Award Scheme 2013 was transferred to the trust for Share Award Scheme 2016. After this transfer of Purchased Shares, the Share Award Scheme 2013 was terminated.

II. 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.

For details of the Share Award Scheme 2016 and proposed issue of new shares under specific mandate, please refer to the Company's announcement dated 14 June 2016 and circular dated 15 June 2016, and the Company's announcement dated 30 June 2016 on poll results of the Extraordinary General Meeting ("EGM") for approving the specific mandate.

Grant of Award shares pursuant to the Share Award Scheme 2016 — by issue of New Shares under Specific Mandate to Selected Employees

The specific mandate (the "Specific Mandate") was granted by the shareholders (the "Shareholders") of the Company pursuant to resolutions of the Shareholders in an extraordinary general meeting of the Company held on 30 June 2016 which has authorised the Board to exercise the powers of the Company to allot and issue up to 113,052,000 new Shares (which has been consolidated into 11,305,200 new Shares following the share consolidation of every ten (10) shares of HK$0.01 each in the issued and unissued share capital of the Company into one (1) consolidated share of HK$0.10 each in the issued and unissued share capital of the Company as approved by the Shareholders in the extraordinary general meeting of the Company held on 15 February 2017, which took effect from 16 February 2017) within one year after the date of approval of such resolution to the Trustee in relation to the 2016 Share Award Scheme for the purpose of satisfying future awards to be granted under the 2016 Share Award Scheme.

On 2 June 2017, the board (the "Board") of directors (the "Directors") of the Company has resolved to grant an award (the "Award") of 11,305,200 ordinary shares (the "Shares") of HK$0.10 each in the share capital of the Company (the "Award Shares") to 17 selected employees of the Group (the "Selected Employees") under the 2016 Share Award Scheme, which was satisfied by way of issue and allotment of new Shares to the trustee appointed by the Company for the purpose of the trust in connection with the 2016 Share Award Scheme (the "Trustee") pursuant to the Specific Mandate.

Please refer to the Company's announcement dated 2 June 2017 for details on grant of award shares pursuant to the Share Award Scheme 2016 to Selected Employees.

During the year ended 31 December 2017, based on the Company's instructions, the trustee of the Share Award Scheme 2016 purchased a total of 2,070,000 shares of the Company from the open market. Together with the total number of 2,011,000 Purchased Shares transferred from Share Award Scheme 2013, the total number of Purchased Shares as at 31 December 2017 in Share Award Scheme 2016 was 4,081,000. During the period, no Purchased Shares were awarded to any director or employee of the Company under the Share Award Scheme 2016.

Grant of Connected Award shares pursuant to the Share Award Scheme 2016 — by Purchased Shares to Directors

On 21 March 2018, the Board has resolved to grant an award of an aggregate of 4,081,000 Connected Award Shares to the Connected Selected Employees under the 2016 Share Award Scheme, which shall be satisfied by the shares of the Company purchased by the Trustee on the market ("**Purchased Shares**").

Reasons for and Benefits in the Award of the Connected Award Shares

The Board considers that the grant of the Connected Award to the Connected Selected Employees, which were determined with reference to, among others, the present contribution and expected contribution of the relevant Connected Selected Employee to the Group, provides incentives to the Connected Selected Employees and will allow the Group to attract and retain talents for the continual operation and development of the Group, in particular in developing the Group's business related to the "Belt and Road" initiatives. The grant of the Connected Award to the Connected Selected Employees recognises their continual support to the Group and their effort will promote the Group's future development, in particular in developing the Group's business related to the "Belt and Road" initiatives.

The Board believes that the grant of the Connected Award is in line with the purposes and objectives of the 2016 Share Award Scheme. The Board (including the independent non-executive Directors) considers that the grant of the Connected Award and the transactions contemplated thereunder are on normal commercial terms that are fair and reasonable, in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

As each of Mr. Chan Nap Kee, Joseph and Mr. Yang Yongcheng, being executive Director, is materially interested in the grant of the Connected Award to himself, he has abstained from voting on the Board's resolution in relation to the grant of the Connected Award to himself. The information in relation to the grant of the Connected Award to the Connected Selected Employees is set out below:

Securities to be awarded:

An aggregate of 4,081,000 Shares to be awarded to the following executive Directors (and therefore connected persons of the Company):

Name of connected person	Number of Connected Award Shares
Mr. Chan Nap Kee	3,081,000 Shares
Mr. Yang Yongcheng	1,000,000 Shares
Total	**4,081,000 Shares**

The aggregate of 4,081,000 Connected Award Shares to be awarded by the Company to the Connected Selected Employees pursuant to the Connected Award represent 0.72% of the total number of Shares in issue at the date of this results announcement. The Connected Award shall be satisfied by the shares of the Company purchased by the Trustee on the market.

Details of Connected Award Shares

The aggregate of 2,011,000 Connected Award Shares were derived from an aggregate of 20,110,000 shares of the Company (which has been consolidated into 2,011,000 Shares following the Share Consolidation) (the "Purchased Shares") purchased by the Trustee on the market in accordance with the Company's instructions pursuant to the 2013 Share Award Scheme during the year ended 31 December 2016. The total consideration of the Purchased Shares was about HK$1,190,067 which was paid by the Trustee out the fund allocated by the Group to the Trustee for the purpose of the 2013 Share Award Scheme.

Following the expiry of the 2013 Share Award Scheme and the adoption of the 2016 Share Award Scheme, by mutual agreement between the Company and the Trustee, all the Purchased Shares were transferred to the trust fund for the purpose of the trust in connection with the 2016 Share Award Scheme.

The aggregate of 2,070,000 Connected Award Shares were purchased by the Trustee on the market in accordance with the Company's instructions pursuant to the 2016 Share Award Scheme during the year ended 31 December 2017. (the "Purchased Shares") The total consideration of the Purchased Shares was about HK$722,850 which was paid by the Trustee out the fund allocated by the Group to the Trustee for the purpose of the 2016 Share Award Scheme.

Hence, the total consideration for the aggregate of 4,081,000 Purchased Shares was HK$1,962,850.

Save for the laws, rules and regulations applicable to Directors for transaction of securities of the Company (including the GEM Listing Rules), the Connected Award Shares are not subject to restrictions for subsequent sale.

Market value of the Connected Award Shares: Based on the closing price of the Shares as at the date of this results announcement, as quoted on the Stock Exchange of HK$0.280 per Share, the market value of the 4,081,000 Connected Award Shares is approximately HK$1,142,680.

Consideration: The Connected Selected Employees are not required to pay any consideration for the acceptance of the Connected Award Shares.

Vesting: Subject to the acceptance by each of the Connected Selected Employees and that he remains as an employee of the Group on the vesting date of the Connected Awarded Shares, the Connected Awarded Shares shall vest in the Connected Selected Employees on the date of grant.

The Board is pleased to announce the audited results of the Group for the year ended 31 December 2017 together with the audited comparative figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Note	2017 HK$	2016 HK$
Revenue	5	**90,679,957**	35,217,800
Cost of goods sold		**(82,507,569)**	(30,361,758)
Gross profit		**8,172,388**	4,856,042
Gain on disposal of financial assets at fair value through profit or loss		**209,070**	4,508,570
Fair value gain on financial assets at fair value through profit or loss		**13,352,360**	29,851,470
Gain on deemed disposal of available-for-sale financial assets		**10,497,022**	—
Excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary		**94,052,901**	—
Other income and gains		**6,739,225**	2,829,717
Administrative and other operating expenses		**(59,579,541)**	(45,710,503)
Profit/(loss) from operations		**73,443,425**	(3,664,704)
Share of profit of associates		**310,841**	—
Profit/(loss) before tax		**73,754,266**	(3,664,704)
Income tax credit/(expense)	6	**4,542,971**	(9,864,319)
Profit/(loss) for the year	7	**78,297,237**	(13,529,023)
Attributable to:			
Owners of the Company		**49,306,943**	(13,416,000)
Non-controlling interests		**28,990,294**	(113,023)
		78,297,237	(13,529,023)
Earnings/(loss) per share (cents)			
Basic	9	**13.07**	(3.58)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	HK$	*HK$*
Profit/(loss) for the year	**78,297,237**	(13,529,023)
Other comprehensive income for the year, net of tax		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**16,612,153**	(1,587,470)
Total comprehensive income for the year	**94,909,390**	(15,116,493)
Attributable to:		
Owners of the Company	**62,734,991**	(15,857,207)
Non-controlling interests	**32,174,399**	740,714
	94,909,390	(15,116,493)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Note	**2017**	2016
		HK$	*HK$*
Non-current assets			
Fixed assets		**17,911,844**	1,975,466
Goodwill		**—**	—
Intangible assets	10	**171,134,649**	—
Investments in associate		**1,810,841**	—
Available-for-sale financial assets		**18,500,000**	2,316,656
Long-term deposits		**—**	4,466,624
Long-term other receivables		**1,482,738**	577,200
		210,840,072	9,335,946
Current assets			
Inventories		**4,291,172**	3,637,564
Trade and bills receivables	11	**43,913,401**	32,238,371
Deposits, prepayments and other receivables		**163,449,049**	122,275,845
Bank and cash balances		**25,999,024**	36,333,327
Financial assets at fair value through profit or loss		**113,911,680**	102,722,920
		351,564,326	297,208,027
Current liabilities			
Trade payables	12	**5,134,847**	3,047,156
Other payables and accruals		**30,740,816**	11,375,893
Current tax liabilities		**2,368,011**	7,500,265
		38,243,674	21,923,314
Net current assets		**313,320,652**	275,284,713
Total assets less current liabilities		**524,160,724**	284,620,659
Non-current liabilities			
Deferred tax liabilities		**43,625,990**	4,925,492
		43,625,990	4,925,492
NET ASSETS		**480,534,734**	279,695,167

	2017	2016
	HK$	*HK$*
Capital and reserves		
Share capital	**57,656,606**	37,684,057
Reserves	**381,457,809**	249,521,933
Equity attributable to owners of the Company	**439,114,415**	287,205,990
Non-controlling interests	**41,420,319**	(7,510,823)
TOTAL EQUITY	**480,534,734**	279,695,167

NOTES

1. GENERAL INFORMATION

Kaisun Energy Group 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 Unit B, 17/F., E. Tat Factory Building, 4 Heung Yip Road, Wong Chuk Hang, 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.

2. BASIS OF PREPARATION

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

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Application of new and revised IFRSs

The International Accounting Standards Board has issued a number of new and revised IFRSs that are first effective for annual periods beginning on or after 1 January 2017. Of these, the following new or revised IFRSs are relevant to the Group:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2017. These new and revised IFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019

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 the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 9 and IFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

IFRS 9 Financial Instruments

IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of IFRS 9 to the Group's consolidated financial statements as follows:

Impairment

IFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, if the Group were to adopt the new impairment requirements at 31 December 2017, accumulated impairment loss at that date would be similar to that recognised under IAS 39.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

Timing of revenue recognition

Currently, revenue from the sale of manufactured goods and trading of raw materials is generally recognised when the risks and rewards of ownership have passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from the provision of logistic services.

For contracts with customers in which the sale of goods and trading of commodities is generally expected to be the only performance obligation, adoption of IFRS 15 is not expected to have any impact on the Group's revenue or profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). IFRS 16 carries forward the accounting requirements for lessors in IAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office and factory property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under IFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

The Group's future minimum lease payments under non-cancellable operating leases for its office and factory premises amounted to HK$168,953 as at 31 December 2017. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

5. REVENUE

	2017	2016
	HK$	*HK$*
Sales of goods		
— Production and exploitation of coal in Tajikistan	**2,441,671**	1,333,870
— Provision of supply chain management services for mineral business	**59,920,584**	21,012,012
— Mining and metallurgical machineries products	**19,907,473**	12,871,918
Provision of services		
— Production of logistics services for mineral business	**4,635,294**	—
— Provision of sponsorship in gaming event	**3,774,935**	—
	90,679,957	35,217,800

6. INCOME TAX (CREDIT)/EXPENSE

	2017	2016
	HK$	*HK$*
Current tax — Hong Kong		
Provision for the year	**—**	268,608
(Over)/under-provision for prior years	**(268,608)**	4,858,876
Current tax — Overseas		
Provision for the year	**—**	13,922
Under-provision for prior years	**—**	33,089
Deferred tax	**(4,274,363)**	4,689,824
	(4,542,971)	9,864,319

Hong Kong Profits Tax has been provided at a rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year ended 31 December 2017.

PRC enterprise income tax has been provided at a rate of 25% (2016: 25%).

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

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

	2017	2016
	HK$	*HK$*
Profit/(loss) before tax	**73,754,266**	(3,664,704)
Tax at the domestic income tax rate of 16.5% (2016: 16.5%)	**12,169,453**	(604,676)
Tax effect of income that is not taxable	**(22,202,513)**	(4,899,171)
Tax effect of expenses that are not deductible	**1,946,740**	7,277,205
Tax effect of tax loss not recognised	**4,043,175**	3,847,547
Tax effect of utilisation of tax losses not previously recognised	**—**	(325,733)
Temporary difference not recognised	**18,927**	8,137
(Over)/under-provision for prior years	**(268,608)**	4,891,965
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(250,145)**	(330,955)
Income tax (credit)/expense	**(4,542,971)**	9,864,319

7. PROFIT/(LOSS) FOR THE YEAR

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

	2017	2016
	HK$	*HK$*
Auditor's remuneration		
Current	**2,500,000**	2,450,000
Under-provision for prior year	**—**	110,000
	2,500,000	2,560,000
Cost of inventories sold of supply chain management services for mineral business	**17,328,699**	9,498,944
Depreciation	**542,302**	2,738,633
Amortisation of intangible assets	**7,150,710**	—
Write off of fixed assets	**644,304**	404,125
Loss on disposal of fixed assets	**2,825**	41,591
Write off of prepayments and other receivables	**—**	12,435
Gain on disposal of financial assets at fair value through profit or loss (held for trading)	**(209,070)**	(4,508,570)
Fair value gain on financial assets at fair value through profit or loss	**(13,352,360)**	(29,851,470)
Reversal of allowance of doubtful debts	**(160,442)**	(380,043)
Operating lease rentals in respect of land and buildings	**1,900,993**	888,440
Net exchange loss	**986,973**	3,615,455

8. DIVIDEND

No dividend has been paid or declared by the Company during the year (2016: HK$Nil).

9. EARNINGS/(LOSS) PER SHARE

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

	2017	2016
	HK$	*HK$*
Earnings/(loss) for the purpose of calculating basic earnings/(loss) per share	**49,306,943**	(13,416,000)

	2017	2016
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	**377,364,232**	375,043,036

No diluted earnings/(loss) per share are presented as the Company did not have any dilutive potential ordinary sharing during the two years ended 31 December 2017.

10. INTANGIBLE ASSETS

	Mining rights
	HK$
Cost	
At 1 January 2016, 31 December 2016 and 1 January 2017	87,199,153
Arising on acquisition of a subsidiary	171,617,048
Exchange differences	(10,582,447)
At 31 December 2017	248,233,754
Accumulated amortisation and impairment losses	
At 1 January 2016, 31 December 2016 and 1 January 2017	87,199,153
Amortisation for the year	7,150,710
Exchange differences	(17,250,758)
At 31 December 2017	77,099,105
Carrying amount	
At 31 December 2017	171,134,649
At 31 December 2016	—

At 31 December 2017, the Group's mining rights are the rights obtained by the Group for production and exploitation of one coal mine (2016: nil) located in the PRC and two (2016: two) coal mines located in Tajikistan. The major content of the coal mine in PRC and Tajikistan is thermal coal and anthracite and bituminous coal respectively. The terms of the mining rights of the coal mines in PRC and Tajikistan are from March 2016 to March 2018 and August 1997 to September 2018 respectively. The application of mining licenses renewal are in progress. The mining rights are stated at cost less accumulated amortisation and impairment losses over the term of the mining rights.

11. TRADE AND BILLS RECEIVABLES

	2017	2016
	HK$	*HK$*
Trade receivables	**52,454,154**	37,768,833
Allowance for doubtful debts	**(8,900,968)**	(8,726,561)
	43,553,186	29,042,272
Bills receivables	**360,215**	3,196,099
	43,913,401	32,238,371

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, and net of allowance, is as follows:

	2017	2016
	HK$	*HK$*
0–30 days	**5,152,716**	2,930,556
31–60 days	**4,580,301**	724,552
61–90 days	**4,389,524**	2,773,347
91 days–1 year	**4,774,210**	6,651,774
Over 1 year	**25,016,650**	19,158,142
	43,913,401	32,238,371

As at 31 December 2017, an allowance was made for estimated irrecoverable trade receivables of approximately HK$8,900,968 (2016: HK$8,726,561).

Reconciliation of allowance of trade receivables:

	2017	2016
	HK$	*HK$*
At 1 January	**8,726,561**	9,424,954
Reversal of allowance for doubtful debts	**(160,442)**	(380,043)
Exchange differences	**334,849**	(318,350)
At 31 December	**8,900,968**	8,726,561

As of 31 December 2017, trade receivables of HK$43,553,187 (2016: HK$28,876,030) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. An ageing analysis of these trade receivables is as follows:

	2017	2016
	HK$	*HK$*
Up to 3 months	**13,762,327**	3,066,114
Over 3 months but less than 1 year	**4,774,210**	6,651,774
Over 1 year	**25,016,650**	19,158,142
	43,553,187	28,876,030

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

	2017	2016
	HK$	*HK$*
HK$	**11,608,388**	12,608,388
RMB	**32,305,013**	19,629,983
	43,913,401	32,238,371

12. TRADE PAYABLES

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

	2017	2016
	HK$	*HK$*
0–30 days	**1,866,191**	255,386
31–60 days	**1,154,379**	138,362
61–90 days	**922,154**	—
91–180 days	**159,732**	1,201,062
181–365 days	**294,081**	—
Over 365 days	**738,310**	1,452,346
	5,134,847	3,047,156

The Group's trade payables are denominated in RMB.

13. SEGMENT INFORMATION

The Group has six reportable segments which are production and exploitation of coal in Tajikistan, production and exploitation of coal in Xinjiang, provision of supply chain management services for mineral business (including logistic services), trading securities, mining and metallurgical machineries production in Shandong and others for the year.

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

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

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

	Provision of supply chain management services for mineral business	Production and exploitation of coal in Xinjiang	Production and exploitation of coal in Tajikistan	Mining and metallurgical machineries production in Shandong	Trading securities	Others	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Year ended 31 December 2017							
Revenue from external customers	64,555,879	—	2,441,671	19,907,472	—	3,774,935	90,679,957
Segment profit/(loss)	(8,223,060)	95,203,937	(1,073,884)	4,087,350	12,369,495	(2,923,236)	99,440,602
Interest revenue	8,450	431,064	—	2,722	478	—	442,714
Depreciation and amortisation	282,143	7,219,169	—	185,765	—	6,135	7,693,212
Income tax credit	—	(1,787,678)	—	—	(2,755,293)	—	(4,542,971)
Other material non-cash items:							
Additions to segment non-current assets	644,388	3,083,286	—	161,787	—	—	6,084,522
As at 31 December 2017							
Segment assets	155,245,110	185,606,850	11,692	33,709,522	113,911,680	120,862	488,605,716
Segment liabilities	7,159,607	41,187,182	3,306,966	6,373,510	2,438,807	—	60,466,072

	Provision of supply chain management services for mineral business *HK$*	Production and exploitation of coal in Tajikistan *HK$*	Mining and metallurgical machineries production in Shandong *HK$*	Trading securities *HK$*	Total *HK$*
Year ended 31 December 2016					
Revenue from external customers	21,012,012	1,333,870	12,871,918	—	35,217,800
Segment (loss)/profit	(9,122,228)	(5,802,856)	419,533	29,401,608	14,896,057
Interest income	8,624	10	866	—	9,500
Depreciation	2,505,793	—	232,840	—	2,738,633
Income tax expense	33,089	13,922	—	4,958,432	5,005,443
Other material non-cash items:					
Additions to segment non-current assets	2,929	—	157,859	—	160,788
As at 31 December 2016					
Segment assets	152,019,065	418,070	18,553,939	102,722,920	273,713,994
Segment liabilities	7,185,837	367,644	3,580,153	5,194,100	16,327,734

Reconciliations of segment revenue and profit or loss:

	2017 **HK$**	2016 *HK$*
Revenue		
Total revenue of reportable segments	**90,679,957**	35,217,800
Consolidated revenue	**90,679,957**	35,217,800
Profit or loss		
Total profit or loss of reportable segments	**99,440,602**	14,896,057
Share of profits of associates	**310,841**	—
Staff costs	**(6,322,880)**	(12,779,023)
Unallocated corporate income	**2,298,827**	2,210,110
Unallocated corporate expense	**(17,430,153)**	(17,856,167)
Consolidated profit/(loss) for the year	**78,297,237**	(13,529,023)

Reconciliations of segment assets and liabilities:

	2017	2016
	HK$	*HK$*
Assets		
Total assets of reportable segments	**488,605,716**	273,713,994
Unallocated corporate assets		
— Deposits placed with a securities broker	**2,996,756**	1,534,511
— Bank and cash balances	**24,361,056**	15,429,394
— Long-term other receivables	**1,482,738**	577,200
— Investments in associates	**1,810,841**	—
— Available-for-sale financial assets	**18,500,000**	2,316,656
— Others	**24,647,291**	12,972,218
Consolidated total assets	**562,404,398**	306,543,973
Liabilities		
Total liabilities of reportable segments	**60,466,072**	16,327,734
Unallocated corporate liabilities	**21,403,592**	10,521,072
Consolidated total liabilities	**81,869,664**	26,848,806

Geographical information:

The Group's revenue by location of operations and information about its non-current assets by location of assets are detailed below:

Revenue

	2017	2016
	HK$	*HK$*
Taiwan	**—**	13,766,688
Tajikistan	**2,441,671**	1,333,870
The PRC except Hong Kong	**31,410,527**	20,117,242
Malaysia	**47,730,104**	—
Vietnam	**5,322,720**	—
Macau	**3,774,935**	—
Consolidated total	**90,679,957**	35,217,800

Non-current assets

	2017	2016
	HK$	*HK$*
Hong Kong	**2,441,751**	135,265
The PRC except Hong Kong	**188,415,583**	1,840,201
Consolidated total	**190,857,334**	1,975,466

Revenue from major customers:

	2017	2016
	HK$	*HK$*
Provision of supply chain management services for mineral business		
Customer a	**47,730,104**	3,824,186
Customer b	**6,867,761**	3,960,936
Customer c	**6,274,562**	5,501,725

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

Hong Kong, 21 March 2018

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

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

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

* *for identification purpose only*