



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

* For identification purpose only

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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this announcement.

This report, 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.



Contents

Corporate Information	3
Financial Summary	4
Chairman’s Statement	5
Management Discussion and Analysis	9
Biography of Directors and Senior Management	11
Report of the Directors	15
Corporate Governance Report	24
Independent Auditor’s Report	33
Consolidated Statement of Profit or Loss	35
Consolidated Statement of Profit or Loss and Other Comprehensive Income	36
Consolidated Statement of Financial Position	37
Consolidated Statement of Changes in Equity	39
Consolidated Statement of Cash Flows	40
Notes to the Consolidated Financial Statements	42

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

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Nap Kee, Joseph
(Chairman and Acting Chief Executive Officer)
 Dr. Chow Pok Yu, Augustine
 Mr. Yang Yongcheng

Independent Non-Executive Directors

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

COMPANY SECRETARY

Mr. Leung Lit For
 Ms. Young Helen

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. Chan Nap Kee, Joseph
 Mr. Leung Lit For

COMPLIANCE OFFICER

Dr. Chow Pok Yu, Augustine

AUDITORS

RSM Hong Kong

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit A, 13/F., Two Chinachem Plaza
 68 Connaught Road Central, Central
 Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Wing Hang Bank Limited
 Bank of Communications Co., Limited

WEBSITE

www.kaisunenergy.com

STOCK CODE

8203

Financial Summary

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

RESULTS

	2015 HK\$'000	Year ended 31 December			
		2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Revenue	<u>18,673</u>	<u>36,878</u>	<u>266,188</u>	<u>583,154</u>	<u>62,680</u>
Loss before tax	<u>(107,476)</u>	(223,524)	(200,837)	(177,356)	(1,059,773)
Income tax credit/(expense)	<u>23,936</u>	3,715	3,821	(828)	—
Less: (Profit)/loss attributable to non-controlling interests	<u>(7,534)</u>	<u>18,357</u>	<u>29,080</u>	<u>3,983</u>	<u>12,062</u>
Loss attributable to owners of the Company	<u>(91,074)</u>	<u>(201,452)</u>	<u>(167,936)</u>	<u>(174,201)</u>	<u>(1,047,711)</u>

ASSETS AND LIABILITIES

	2015 HK\$'000	As at 31 December			
		2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Total assets	<u>311,784</u>	317,706	598,176	884,872	1,187,098
Total liabilities	<u>(15,782)</u>	(56,528)	(119,271)	(202,749)	(329,886)
Owners' funds	<u>304,253</u>	<u>279,186</u>	<u>477,799</u>	<u>653,764</u>	<u>821,879</u>

Chairman's Statement

RESULTS

On behalf of the Board of the Directors of Kaisun Energy Group Limited (the "Company") and its subsidiaries (collectively the "Group"), I am pleased to present the audited consolidated results for the year ended 31 December 2015 (the "Year"). The Group's consolidated revenue for the Year amounted to HK\$18.7 million and total comprehensive income for the Year attributable to owners of the Company amounted to HK\$(103.3) million.

BUSINESS REVIEW

The Group is pleased to announce that financial year 2015 was both eventful and meaningful to the Group's Silk Road business development. Ever since the coal and minerals slump began a few years back, the Group had been looking deeply into itself for another identity. We were looking for a distinctive trait that can separate the Group from the other minerals and energy companies that were struggling to dig itself out of the hole while the investment public do not see any signs of improvement. As a pioneer and operator in Tajikistan of Central Asia (a country that is part of the core Silk Road) since 2011, the Group has been able to establish, build, and maintain numerous business and government relationships. Our networking started in Tajikistan but eventually spread through the whole Central Asia. As a Hong Kong company, what the Group established in Tajikistan and Central Asia was unprecedented. And as fortune favours the bold, the Group was presented with a golden opportunity in the government-led Belt & Road initiative ("B&R") introduced by our President Xi Jinping back in 2013.

The B&R urged businesses and countries around the world to take advantage of the vast opportunities presented by the lesser developed countries along the Silk Road. Through various levels of "connectivity", such as infrastructure (which includes railway, highway, airports, and utilities), financial, cultural, etc., not only will China be able to export our products and industrial equipments, all the countries involved, both investors and investees are able to benefit. One of the critical regions to the B&R as introduced by President Xi is Central Asia. With that information in mind, the Group aimed to position itself as the expert, consultant and also as an informed investor that can bring together interested parties from Central Asian countries, China and the rest of the world.

Nonetheless, every path to success has its own series of challenges and obstacles. The Group was able to face them head on with our seasoned and knowledgeable management and board of directors. While we understand that it is important to expand our horizons to prepare for the future, we also know that our existing operations hold a great deal of importance. Minerals, energy and logistics sector are business opportunities heavily covered in the B&R. Hence, it is up to the Group to adapt and adjust our current business so it fits into our growth plans as we move forward. The following were the Group's five main areas of business focus in 2015:

- 1) Developing new business connections and looking for new opportunities within the B&R framework
- 2) Establishing new businesses with our existing strategic partners
- 3) Reorganising our business units as well as tweaking our existing operations to reflect the Group's business strategies and development in the B&R
- 4) Solidifying the Group's role and reputation as the B&R and Central Asia specialist
- 5) Looking into possible fund raising activities for the Group to acquire business in the Silk Road that has profit track record to strengthen our cash flow

Chairman's Statement

As such, most of the activities above were not explicitly represented by the Group's 2015 financial performance. However, this preparatory work and effort was an integral part of our business and the Group's development moving forward. As a result, this effort was translated into:

- i) the Group is now known by many of our business peers, academics and government officials in Hong Kong as the Central Asia and B&R specialist;
- ii) strategic partnerships established with a couple Global Fortune 500 companies and large business organizations;
- iii) an extended business network that now covers Central Asia, Mongolia, Russia, Georgia. Notwithstanding the B&R countries, our existing operation in Shandong and Shenzhen are still functioning as usual as well as Xinjiang, Shandong, and Inner Mongolia of China.

2015 BELT & ROAD DEVELOPMENT

Strategic Partnerships

The Group's aim is to partner up with large state-owned enterprise ("SOE") to jointly take on potential projects in our ongoing B&R development. During 2015, the Group has gained many influential and powerful strategic partners. Our latest achievement is a strategic cooperation framework agreement with China Energy Engineering Group Northwest Power Construction Engineering Co., Ltd ("NWPC"), in which both the Group and NWPC will explore opportunities in electricity sectors and other infrastructure projects located in countries along B&R. Our strategic partner NWPC belongs to China Energy Engineering Corporation Limited ("CEEC") which ranked 391st among "The Fortune Global 500" in 2015.

This strategic partnership was an addition to our existing cooperation framework with China National Technical Import and Export Corporation ("CNTIC") — a wholly-owned subsidiary of the 426th ranked "Fortune Global 500" in 2015 China General Technology (Group) Holding Ltd., as well as our existing conditional agreement with OJSC Tojikstodirobank ("TSB") — one of the largest privately held commercial banks in Tajikistan of Central Asia, with National Bank of Tajikistan's involvement in its capital reorganization.

In an effort to make the best outcome out of the potential business agreements with the above powerhouses, management of the Group took the initiative to reorganise our existing business units. During the reorganisation process, our existing business units were restructured in the way that will pave way for strategic equity investors to partner with us in order to transform each business unit into standalone operations.

In 2015, joint task forces were established with our strategic partners NWPC, CNTIC and TSB to discuss ways of collaboration, strategy formulation. Feasibility reports on various potential projects were also conducted and studied. The Group believes in leveraging our experience in the "Belt" countries initially in Central Asia in the sectors of energy and mining; logistic services; food and agriculture & financial market. We will let our SOE partners undertake the task of handling day to day operation, while the Group handles local government relationships, corporate management, providing financial advice, and future exit strategy and execution.

Chairman's Statement

Co-organization of Silk Road Strategy Forums

One of our business goals in 2015 was to solidify our position as the Central Asia and B&R specialist. This was especially important as we needed to gain trust and respect from our peers as well as potential business and government partners. Amongst numerous promotional activities, the most notable was a series of seminar on Silk Road Strategy co-organized by the Group. Distinguished guests and speakers of the seminars included former Shanghai Cooperation Organization ("SCO") Secretary General Mr. Dmitry Mezentsev, current SCO Secretary General Mr. Rashid Alimov (Former Ambassador Extraordinary and Plenipotentiary of the Republic of Tajikistan to the People's Republic of China) as well as Financial Secretary of HKSAR government, Mr. John Tsang Chun-wah, GBM, JP. Each of the speakers gave us valuable insights on how Hong Kong can participate in the B&R, as well as the roles that countries and regions such as Tajikistan, Kazakhstan, Central Asia, Xinjiang, Myanmar, etc. can take on in the B&R. It had become a recurring event in 2015.

Our latest conference was titled "Focus on Georgia" held in March 2016, where we had the honour of having Mr. David Saganelidze, who is Chairman and Executive Director of the Georgian state-owned investment fund Partnership Fund, as our keynote speaker. H.E. Mr. David Aptsiauri, the Georgian ambassador to China, on the other hand, acted as chairman at our panel discussion. Every single conference was a great success. The Group played a major part in inviting the above guests and we were able to show Hong Kong our position as the B&R specialist.

With that said, each of these conferences contributed to the Group's identity and was able to leave a strong impression on all of the attendees as well as other co-organizers and speakers. We were able to expand our business and government network considerably due to many organizations, both business and government, approached the Group during and after the events.

EXISTING OPERATIONS

Although it seemed that the Group has shifted its focus and efforts to B&R related activities, management of the Group also gave a great deal of our attention to the Group's existing businesses. Strategic planning in 2015 always had the Group's existing operations in mind. In 2015, management believed that taking a conservative stance was the best approach with our existing operations and implemented measures such as reducing capital expenditures and stricter cost control.

Tajikistan Coal Exploitation

Tajikistan's demand of coal remained stable in 2015, as the country's industrial enterprises shifted from the more expensive natural gas and electricity to more economical coal for heating and other needs. Demand side factor was favourable to the Group but one deciding reason that slowed down the Group's coal production in Tajikistan was their depreciating currency, the Tajikistani Somoni ("TJS"). The Group was forced to take a more conservative approach due to the fact that the Group's coal sale was denominated in the depreciating TJS while our production costs were mostly denominated in other currencies such as Renminbi ("RMB") and United States dollars ("US\$"). However, the Group was ready for coal production when the opportunity presented itself and was able to utilize our resource in Tajikistan for other businesses such as commodity trading and logistics.

In order to reflect this currency depreciation situation, the Group took a further HK\$8,966,352 impairment on our mining right in 2015. Also, for conservative reasons, a provision was made on the trade receivables from our Tajikistan mining operation.

Chairman's Statement

Shandong Mining and Metallurgical Machineries Production & Supply Chain Management Business

Mining and Metallurgical Machineries Production

Even though Tengzhou Kaiyuan Industrial Co. Ltd ("Tengzhou Kaiyuan") — a joint venture of the Company's subsidiary (70% shareholder) and the local Government Owned Enterprise (30% shareholder) reached full production status back in 2014, it was operating under capacity in the year 2015 due to low demands in minerals and the poor economic environment. Nonetheless, production was ongoing. Since our machineries production business has a modest scale, it actually helps us survive in this hostile environment while other large scale operations closed down due to high overhead costs.

Supply Chain Management Business

In 2015, our supply chain management business in Shandong went through all of the necessary preparations and started providing logistics related business to our clients. Much like our machineries production business, overhead costs were kept low in order to keep our exposure to poor economic environment to a minimum. Also, our loading and storage yard was ready to be in service after laying all the ground work.

To summarize, our supply chain management business was setup to be very flexible in nature and it is reflected in our segment loss of only HK\$68,956,249 in the year 2015.

FUTURE BUSINESS DEVELOPMENT

The Group will continue to move forward in our B&R business development plan, which includes:

- 1) An emphasis to pinpoint suitable projects for both the Group and our existing strategic partners such that can materialize our effort
- 2) Continue to search for more strategic partners to co-develop B&R businesses
- 3) Continue to uphold the Group's status as the Central Asia and B&R expert, and aspire to expand our knowledge in more Silk Road countries
- 4) Continue the business unit reorganisation process so everything will fit into our overall plan
- 5) Continue to strive for success from our existing operations while keeping costs at a minimum, which will help provide the flexibility we need to move forward

With that said, we will direct a great deal of our attention to point 1 above and as such, the Group will likely need further fund raising, in addition to our two placings in the year 2015. For details on the two placings, please refer to the Company's announcement dated 7 May 2015 and 17 June 2015. Management of the Group has already identified suitable and strong investors and continue to keep close contacts with them. Further announcements will be made regarding the next step of our investments or fund raising activities when appropriate, as we did for our fund raising in form of placing in 2015.

Management Discussion and Analysis

The following discussion and analysis should be read in conjunction with our financial statements together with the accompanying notes included in this annual report. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board.

FINANCIAL REVIEW

Revenue of the Group for the year 2015 amounted to approximately HK\$18.7 million (2014: HK\$36.9 million). Revenue arising from the provision of supply chain management services for mineral business, production and exploitation of coal in Tajikistan and Shandong mining and metallurgical machineries production amounted to HK\$11.2 million, HK\$1.8 million and HK\$5.7 million respectively.

Gross loss from the Group's operations for the year 2015 was approximately HK\$(4.5) million (2014: HK\$(18.0) million). Gross profit arising from the provision of supply chain management services for mineral business is approximately HK\$145,000, from Shandong mining and metallurgical machineries production is approximately HK\$607,000 and gross loss arising from production and exploitation of coal in Tajikistan amounted to approximately HK\$(5.3) million.

For the year 2015, the total administrative and other operating expenses from the Group's operations is approximately HK\$131.1 million (2014: HK\$214.1 million).

The Group recorded loss for the year 2015 of approximately HK\$(83.5) million (2014: HK\$(219.8) million).

The total comprehensive income attributable to owners of the Company for the year 2015 amounted to approximately HK\$(103.3) million (2014: HK\$(199.2) million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group has bank and cash balances of approximately HK\$103.6 million (2014: HK\$54.6 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 2015 (2014: 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 2015 (2014: Nil).

CAPITAL STRUCTURE

During the Year, the Company have allotted and issued totaled 1,151,400,000 ordinary shares of HK\$0.01 each in the capital of the Company by way of placing.

FOREIGN EXCHANGE EXPOSURE

Majority of the trading transactions, assets and liabilities of the Group were denominated in HK\$, TJS, US\$ and RMB. As at 31 December 2015, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

Management Discussion and Analysis

INCOME TAX

Details of the Group's income tax credit for the year 2015 are set out in note 10 to the consolidated financial statements.

HUMAN RESOURCES

As at 31 December 2015, the Group had 101 (2014: 78) staff in Hong Kong, China and Tajikistan. 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, the Group had not experienced any significant labour disputes which led to the disruption of its normal business operations. The Directors consider the Group's relationship with its employees to be good.

The total staff costs, including Directors' emoluments, amounted to approximately HK\$26.4 million (2014: HK\$20.2 million) for the year 2015.

SEGMENT REPORT

The detailed segmental analysis are provided in note 36 to the consolidated financial statements.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2015.

LITIGATION

As at 31 December 2015, the Group had no significant pending litigation.

Biography of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chan Nap Kee, Joseph, aged 55, is the chairman and acting chief executive officer, member of remuneration committee and nomination and corporate governance committee of the Group. He was appointed as an executive director in September 2008. He received his master degree majoring in international marketing from the University of Strathclyde and a diploma in China Investment and Trade from Peking University.

Mr. Chan has 30 years of experience in commercial and investment banking, and asset management. From 1994 to now, Mr. Chan has been a founding partner of Oriental Patron Financial Group where he is also an executive director of Oriental Patron Asia Limited. Oriental Patron Asia Limited is the investment manager of OP Financial Investments Limited (Stock Code: 1140), a company listed on the Main Board of the Stock Exchange. Mr. Chan is also a non-executive director of HNA Infrastructure Company Limited (Stock Code: 357), a company listed on the Main Board of the Stock Exchange since October 2007. He was appointed non-executive director of North Asia Strategic Holdings Limited (Stock Code: 8080), a company listed on the Growth Enterprise Market of the Stock Exchange from February 2013 until 4 March 2016, and redesignated as an independent non-executive director and further appointed an additional member of each of audit committee, remuneration committee, and nomination committee of the Company. He is chairman of Silk Road Economic Development Research Centre.

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

Save as disclosed above, as at the date of this report, Mr. Chan did not have other major appointments and professional qualifications, did not hold any positions in the Group and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Save as disclosed above, Mr. Chan did not have any relationship with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report. As at the date of this report, Mr. Chan was interested in 115,351,760 shares, representing approximately 3.06% of the issued share capital of the Company. Save as disclosed above, as at the date of this report, Mr. Chan did not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Dr. Chow Pok Yu, Augustine, aged 63, was appointed as an executive director in November 2008. He was director of Harmony Asset Limited (Stock Code: 0428), a company listed on the Hong Kong Stock Exchange, until 26 May 2015. He is director of two overseas listed companies namely Celsion Corporation (AMEX: CLSN) and Medifocus Inc. (TSX Venture: MFS). He is chairman of Harmony Asset Management Limited.

Dr. Chow has vast experience in managing public listed companies that are involved in manufacturing, marketing and financial services, and specializes in mergers and acquisitions.

Dr. Chow holds a MSc from London Business School and PhD from University of South Australia. He also holds PhD and Engineering Doctorate from City University of Hong Kong.

Save as disclosed above, as at the date of this report, Dr. Chow did not have other major appointments and professional qualifications, did not hold any positions in the Group and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Biography of Directors and Senior Management

Save as disclosed above, Dr. Chow did not have any relationship with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report. As at the date of this report, Dr. Chow was interested in 4,000,000 shares, representing approximately 0.11% of the issued share capital of the Company. Save as disclosed above, as at the date of this report, Dr. Chow did not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Yang Yongcheng, aged 46. He was appointed as an executive director in February 2009. He graduated from the Yikezhao League School of Finance (伊盟財經學校) in Inner Mongolia of the PRC and the China Central Radio & TV University, majoring in financial accounting. He holds an EMBA from the Zhongnan University of Economics and Law.

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

Save as disclosed above, as at the date of this report, Mr. Yang did not have other major appointments and professional qualifications and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Save as disclosed above, Mr. Yang did not have any relationship with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report. As at the date of this report, Mr. Yang was interested in 4,100,000 shares, representing approximately 0.11% of the issued share capital of the Company. Save as disclosed above, as at the date of this report, Mr. Yang did not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liew Swee Yean, aged 52, is the chairman of audit committee and member of nomination and corporate governance committee of the Board.

Mr. Liew has over 20 years of experience in finance and general management and is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Liew holds a Master of Business Administration (Executive) Degree from the City University of Hong Kong.

Save as disclosed above, as at the date of this report, Mr. Liew did not have other major appointments and professional qualifications and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Save as disclosed above, Mr. Liew did not have any relationship with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report. As at the date of this report, Mr. Liew was interested in 2,040,000 shares, representing approximately 0.05% of the issued share capital of the Company. Save as disclosed above, as at the date of this report, Mr. Liew did not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Biography of Directors and Senior Management

Mr. Siu Siu Ling, Robert, aged 63, is the chairman of nomination and corporate governance committee and member of audit committee. He is a sole proprietor of the firm Messrs. Robert Siu & Co., Solicitors. Mr. Siu is an independent non-executive director of Finet Group Limited (Stock Code: 8317), Central Wealth Financial Group Limited (previous name: China For You Group Company Limited) (Stock Code: 572) and Skyway Securities Group Limited (Stock Code: 1141), all of which are listed on the Hong Kong Stock Exchange. Mr. Siu was appointed as a director of MBMI Resources Inc., a company listed on Toronto Stock Exchange (TSX-V: MBR) from December 2012 to March 2015.

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

Save as disclosed above, as at the date of this report, Mr. Siu did not have other major appointments and professional qualifications and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Save as disclosed above, Mr. Siu did not have any relationship with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report. As at the date of this report, Mr. Siu was interested in 2,040,000 shares, representing approximately 0.05% of the issued share capital of the Company. Save as disclosed above, as at the date of this report, Mr. Siu did not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Dr. Wong Yun Kuen, aged 58, is the chairman of remuneration committee and member of audit committee. He received two B.S. degrees in Geology and Mathematics from University of Wyoming, and Master and Ph.D. degree in Geophysics from Harvard University, and was "Distinguished Visiting Scholar" in finance at Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for many years, and has considerable experience in corporate finance, investment and derivative products. He is an Adjunct Professor of Syracuse University, USA, and a member of Hong Kong Securities Institute and a life member of American Geophysical Union.

He is the Chairman and executive director of UBA Investments Limited, and the independent non-executive director of Bauhaus International (Holdings) Limited, China Sandi Holdings Limited, Kingston Financial Group Limited, DeTai New Energy Group Limited, GT Group Holdings Limited, Sincere Watch (Hong Kong) Limited and Far East Holdings International Limited.

Save as disclosed above, as at the date of this report, Dr. Wong did not have other major appointments and professional qualifications and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Save as disclosed above, Dr. Wong did not have any relationship with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report. As at the date of this report, Dr. Wong was interested in 3,500,000 shares, representing approximately 0.09% of the issued share capital of the Company. Save as disclosed above, as at the date of this report, Dr. Wong did not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Biography of Directors and Senior Management

Mr. Anderson Brian Ralph, aged 72, is member of audit committee and remuneration committee. He holds a Bachelor of Science Degree in Metaliferous Mining Engineering from the Camborne School of Mines, the University of Exeter and a Master of Science Degree in Petroleum Reservoir Engineering from the University of London.

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

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

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

Mr. Anderson is a founding member and a director of Acura Limited, an energy marketing and consulting firm, and is the chairman and managing director of Anderson Energy (Hong Kong) Limited, an energy consulting firm advising corporate clients globally.

Save as disclosed above, as at the date of this report, Mr. Anderson Brian Ralph did not have other major appointments and professional qualifications and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Save as disclosed above, Mr. Anderson did not have any relationship with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report. As at the date of this report, Mr. Anderson was interested in 1,500,000 shares, representing approximately 0.04% of the issued share capital of the Company. Save as disclosed above, as at the date of this report, Mr. Anderson did not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

SENIOR MANAGEMENT

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

Report of the Directors

The board (“Board”) of directors (“Directors”) of the Company is pleased to submit its report together with the audited consolidated financial statements (“Financial Statements”) of the Company and its subsidiaries (collectively as “the Group”) for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES AND SEGMENT ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 32 to the Financial Statements.

An analysis of the Group’s performance for the year ended 31 December 2015 by segments is set out in note 36 to the Financial Statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss on page 35.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2015.

BUSINESS REVIEW

A review of the business of the Group for the year and a discussion on the Group’s future business development and the principal risks and uncertainties facing the Group are provided in the Chairman’s statement, Management Discussion and Analysis from pages 5 to 10. In addition, the financial risk management objectives and policies of the Group can be found in note 6 of the Financial Statements. An analysis of the Group’s performance during the year using financial key performance indicators is provided in the Financial Summary on page 4. No important event affecting the Group has occurred since the end of the financial year under review.

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

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

RESERVES

Movements in the reserves of the Group during the year ended 31 December 2015 are set out in the consolidated statement of comprehensive income and consolidated statement of changes in equity of the Group.

DONATIONS

Charitable and other donations made by the Group during the year ended 31 December 2015 amounted to HK\$Nil (2014: HK\$Nil).

Report of the Directors

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 16 to the Financial Statements.

SHARE CAPITAL

Particulars of the share capital of the Company are set out in note 28 to the Financial Statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2015 amounted to HK\$266,569,207 (2014: HK\$253,630,658). Under Section 34 of the Companies Law of the Cayman Islands, the reserves are available for distribution to shareholders subject to the provisions of the articles of association of the Company (the "Articles") and no distribution shall be paid to shareholders of the Company ("Shareholders") out of the reserves unless the Company shall be able to pay its debts as they fall due in the ordinary course of business of the Group.

FIVE YEARS FINANCIAL SUMMARY

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

PERMITTED INDEMNITY PROVISION

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

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

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries has purchased or sold any of its listed securities, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 42,360,000 shares of the Company at a total consideration of about HK\$3,912,835.

Report of the Directors

PENSION SCHEME

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

SHARED-BASED COMPENSATION SCHEME

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

SHARE AWARD SCHEME

The Company adopted the Share Award Scheme on 10 May 2013. The purpose of the Share Award Scheme is to recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. Unless terminated earlier by the Board, the Share Award Scheme operates until 9 May 2017. The Remuneration Committee shall not make any further award of awarded shares which will result in the aggregate nominal value of the Shares awarded under the Share Award Scheme exceeding ten per cent of the issued share capital of the Company at the time of such award.

Please refer to the announcement of the Company dated 10 May 2013 for details of the Share Award Scheme.

During the year ended 31 December 2015, based on the Company’s instructions, the trustee of the Share Award Scheme had purchased a total of 42,360,000 shares of the Company on the Stock Exchange at a total consideration of about HK\$3,912,835.

On 30 December 2015, 34,040,000 shares and 14,000,000 shares were award to directors and employees of the Company under the Share Award Scheme.

Report of the Directors

DIRECTORS

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

Executive Directors:

Mr. Chan Nap Kee, Joseph (*Chairman and Acting Chief Executive Officer*)

Dr. Chow Pok Yu, Augustine

Mr. Yang Yongcheng

Independent Non-Executive Directors:

Mr. Liew Swee Yean

Mr. Siu Siu Ling, Robert

Dr. Wong Yun Kuen

Mr. Anderson Brian Ralph

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

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

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

In accordance with Article 87 of the Articles, Mr. Yang Yongcheng, Dr. Wong Yun Kuen and Mr. Siu Siu Ling, Robert will retire from offices by rotation at the forthcoming AGM, and being eligible, offer themselves for re-election at the forthcoming AGM.

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

Report of the Directors

As Mr. Liew Swee Yuen, Mr. Siu Siu Ling, Robert and Dr. Wong Yun Kuen served for more than 9 years in year 2016, accordingly, their further appointment in 2016 should be subject to a separate resolution to be approved by shareholders, which will be attained by way of re-election at the AGM. Mr. Liew Swee Yuen, Mr. Siu Siu Ling, Robert and Dr. Wong Yun Kuen offer themselves for re-election at the AGM.

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

DIRECTORS' SERVICE CONTRACTS

The term of office for each of Mr. Liew Swee Yuen, Mr. Siu Siu Ling Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph, being the independent non-executive directors, is for a term of one year and may be extended for such period as agreed in writing by the directors concerned and the Company. Currently, Mr. Liew Swee Yuen has been appointed as an independent non-executive director up to 7 November 2016, Mr. Siu Siu Ling Robert has been appointed as an independent non-executive director up to 31 December 2016, Dr. Wong Yun Kuen has been appointed as an independent non-executive director up to 29 September 2016, while Mr. Anderson Brian Ralph has been appointed as an independent non-executive director up to 22 January 2017. Save as disclosed above, none of the directors has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Details of the directors' emoluments are set out in note 12 to the Financial Statements.

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN CONTRACTS

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

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2015, the interests and short positions of the directors and the chief executives in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by the directors are as follows:

Long position in Shares and underlying Shares

Name of Directors	Capacity	Number of Shares	Number of Underlying Shares	Approximate percentage of the total issued Shares as at 31 December 2015
Chan Nap Kee, Joseph	Beneficial owner	115,351,760 (Note 1)	—	3.06%
Chow Pok Yu, Augustine	Beneficial owner	4,000,000 (Note 2)	—	0.11%
Yang Yongcheng	Beneficial owner	4,100,000 (Note 3)	—	0.11%
Liew Swee Yean	Beneficial owner	2,040,000 (Note 4)	—	0.05%
Siu Siu Ling, Robert	Beneficial owner	2,040,000 (Note 4)	—	0.05%
Wong Yun Kuen	Beneficial owner	3,500,000 (Note 4)	—	0.09%
Anderson Brian Ralph	Beneficial owner	1,500,000 (Note 5)	—	0.04%

Save as disclosed above, as at 31 December 2015, none of the directors or chief executive of the Company had any interest or short position in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Ordinance) which is required to be notified to the Company and the Stock Exchange pursuant to divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or any interests required to be entered in the register maintained in accordance with Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors.

Note:

- 1: Of these, 20,040,000 shares were awarded to Mr. Chan Nap Kee, Joseph as Director under the Share Award Scheme adopted since 10 May 2013 ("Share Award Scheme").
- 2: These were the shares awarded to Dr. Chow Pok Yu Augustine as Director under the Share Award Scheme.
- 3: Of these 4,000,000 shares were awarded to Mr. Yang Yongcheng as Director under the Share Award Scheme.
- 4: Of these, 1,500,000 shares were awarded to each of Mr. Liew Swee Yean, Mr. Siu Siu Ling Robert and Dr. Wong Yun Kuen as Director under the Share Award Scheme.
- 5: These were the shares awarded to Mr. Anderson Brian Ralph as Director under the Share Award Scheme.

Report of the Directors

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

- (a) As at 31 December 2015, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interest disclosed above in respect of the directors, the following shareholders had notified the Company of relevant interests and short positions in the Shares and underlying Shares:

Long positions in Shares and underlying Shares

Name of Shareholders	Capacity and nature of interest	Number of shares	Number underlying		Approximate percentage of the total issued Shares as at 31 December 2015
			Shares	Total interest	
<i>Substantial shareholders</i>					
Zhang Zhi Ping	Interest of a controlled corporation	218,490,000	—	218,490,000 (Note 1)	5.80%
Zhang Gaobo	Interest of a controlled corporation	218,490,000	—	218,490,000 (Note 1)	5.80%
Oriental Patron Financial Group Limited ("OPFGL")	Interest of a controlled corporation	218,490,000	—	218,490,000 (Note 1)	5.80%

Notes:

- OPFGL holds 218,490,000 Shares. OPFGL is 51% owned by Zhang Zhi Ping and is 49% owned by Zhang Gaobo.

Of these 218,490,000 Shares, 86,380,000 Shares are held by Pacific Top Holding Limited ("PTHL"). PTHL is wholly owned by Oriental Patron Financial Services Group Limited ("OPFSGL"), OPFSGL is 95% held by OPFGL. Zhang Zhi Ping, Zhang Gaobo, OPFGL and OPFSGL are deemed to be interested in the interests held by PTHL under the SFO.

Save as disclosed above, the Directors were not aware of any other person (other than the directors and the chief executives of the Company) who, as at 31 December 2015, had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 & 3 of Part XV of the SFO.

Report of the Directors

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

Cost of sales	
— the largest supplier	34.75%
— five largest suppliers combined	50.76%
Sales	
— the largest customer	47.37%
— five largest customers combined	69.10%

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with most of the code provisions as set out in the Code of Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules during the year ended 31 December 2015. Details of compliance and deviation are set out in the Corporate Governance Report on pages 24 to 32.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

PRE-EMPTIVE RIGHTS

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

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 32 to the Financial Statements.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

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

Report of the Directors

AUDITORS

At the Company's last Annual General Meeting, RSM Nelson Wheeler was re-appointed as auditor of the Company. On 26 October 2015 our auditor changed the name under its practices to RSM Hong Kong and accordingly has signed its report under its new name.

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

There is no change of auditors of the Company since its incorporation.

For and on behalf of the Board

Chan Nap Kee, Joseph

Chairman

Hong Kong, 22 March 2016

Corporate Governance Report

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining a high standard of corporate governance. The Board believes that sound and reasonable corporate practices are essential for the growth of the Group and for safeguarding and maximizing Shareholders interest.

The Company has adopted the code provisions (“Code Provision”) set out in the Corporate Governance Code (the “CG code”) contained in Appendix 15 to GEM Listing Rules. The Company has complied with all applicable code provisions in the CG code throughout the financial year 2015, except for the following deviations:

The Code Provision A2.1 stipulates that the role of chairman and chief executive officer should be separated and should not be performed by the same individual. Since 2 November 2010 to the date of this report, Mr. Chan Nap Kee Joseph, chairman, took up the role of acting chief executive officer as well, which deviates from Code Provision A2.1. As the Company is developing its business in energy and resources sector and has recently acquired coal mining assets outside China, the Remuneration Committee is searching for the right person to take up the role of Chief Executive Officer to carry out the strategic plans and policies as established by the board of directors. In the meantime, Mr. Chan Nap Kee Joseph, our Chairman, took up the role of Acting Chief Executive Officer until the suitable person is selected. The Company will publish announcement on appointment of Chief Executive Officer when appropriate.

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.

Under Code Provision A6.7, independent non-executive directors and other non-executive directors should attend general meetings. Due to other commitment, Mr. Anderson Brian Ralph was unable to attend the annual general meeting of the Company held on 11 May 2015.

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. 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.

Corporate Governance Report

THE BOARD OF DIRECTORS

Composition of the Board of Directors (the "Board")

As at 31 December 2015, the Board comprised seven directors, including three executive directors, namely Mr. Chan Nap Kee Joseph, Dr. Chow Pok Yu Augustine and Mr. Yang Yongcheng and four independent non-executive directors, namely Mr. Liew Swee Yean, Mr. Siu Siu Ling Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph. Mr. Chan Nap Kee Joseph is the chairman and the acting chief executive officer of the Board. One of the independent non-executive directors has appropriate professional qualifications, or accounting or related financial management expertise. Biographical details of the directors are set out on pages 11 to 14 of this annual report.

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

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

Independent Non-Executive Directors

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

Role and Function of the Board

The principal role of the Board is to formulate the operational strategies and establish an internal control system together with a high standard of corporate governance to ensure proper management of the Group. The daily operational matters of the Group are delegated by the Board to the management.

Board Meetings

Six regular Board meetings were held during the year ended 31 December 2015. The Board meetings involved the active participation of the directors either in person or through other electronic means of communication.

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

Corporate Governance Report

Attendance of each of the directors at Board meetings during the year ended 31 December 2015 is set out as follows:

Number of Board Meetings	6	
<i>Executive Directors:</i>		
Mr. Chan Nap Kee, Joseph (<i>Chairman and Acting Chief Executive Officer</i>)	6/6	100%
Dr. Chow Pok Yu, Augustine	6/6	100%
Mr. Yang Yongcheng	6/6	100%
<i>Independent Non-Executive Directors:</i>		
Mr. Liew Swee Yean	6/6	100%
Mr. Siu Siu Ling, Robert	6/6	100%
Dr. Wong Yun Kuen	6/6	100%
Mr. Anderson Brian Ralph	3/6	50%
Average attendance rate	92.85%	

INTERNAL CONTROL

The Board has overall responsibilities for maintaining and reviewing the effectiveness of the system of internal control of the Group. The internal control system is to safeguard the assets of the Group and the shareholders' investment and to ensure the reliability of financial reporting as well as compliance with the relevant requirements of the GEM Listing Rules. During the year ended 31 December 2015, the Board had reviewed the effectiveness of the system of internal control of the Group. The review had covered all material aspects of internal control including financial, operational and compliance controls and risk management functions of the Group. The board also consider the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programme and budget.

COMPANY SECRETARIES

All Directors have access to the advice and services of the Joint Company Secretaries, Mr. Leung Lit For and Miss Young Helen. Both Mr. Leung and Miss Young have confirmed that they have taken no less than 15 hours of the relevant professional training for the year ended 31 December 2015 in compliance with Rule 5.15 of the GEM Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Code Provision A2.1 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 the date of this report, Mr. Chan Nap Kee Joseph, chairman, took up the role of acting chief executive officer as well, which deviates from Code Provision A2.1.

Corporate Governance Report

REMUNERATION COMMITTEE

Composition of the Remuneration Committee

The Company established the Remuneration Committee in March 2006. On 30 March 2012, for more effective functioning of the board, there was a redesignation of Director's role and function in order to comply with the amendments to the GEM Listing Rules effective on 1 April 2012.

The current Remuneration Committee comprised one executive director and two independent non-executive directors, namely Mr. Chan Nap Kee Joseph, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph. Dr. Wong Yun Kuen is the chairman of the Remuneration Committee.

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

Remuneration Policy

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

Remuneration Committee Meetings

The Remuneration Committee has held one meeting during the year ended 31 December 2015. During the meeting, the Remuneration Committee had reviewed and approved the increment in salary, housing allowance, bonus payment and share award for the executive directors and the senior management by way of resolutions passed by all committee members. However, the executive directors did not participate in determining their own remuneration.

During the year under review, the Remuneration Committee had undertaken the following duties:

- (i) approved the salary, housing allowance and bonus payment for an executive director and the senior management of the Company; and
- (ii) administered the share award scheme of the Company.

Corporate Governance Report

Attendance of each of the directors at the Remuneration Committee meetings for the year ended 31 December 2015 is set out as follows:

Number of Remuneration Committee Meetings	1	
Dr. Wong Yun Kuen (<i>Committee Chairman</i>)	1/1	100%
Mr. Chan Nap Kee, Joseph	1/1	100%
Mr. Anderson Brian Ralph	0/1	0%
Average attendance rate	66.67%	

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

On 30 March 2012, the Company established a Nomination and Corporate Governance Committee (“NC”) with written terms of reference which deals clearly with its authorities and duties. The NC comprises three members, namely Mr. Siu Siu Ling (chairman of NC), Mr. Liew Swee Yean and Mr. Chan Nap Kee, Joseph.

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

Written terms of reference were adopted in compliance with the GEM Listing Rules, and is available on the Company’s website www.kaisunenergy.com under “Investor Relations” section with heading of “Corporate Governance”.

Below is the summary of the Board Diversity Policy:

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance and hence the purpose of the Board Diversity Policy aims to build and maintain a Board with a diversity of Directors, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender. These differences will be taken into account in determining the optimum composition of the Board. The NC will discuss the measurable objectives for implementing diversity on the Board from time to time and recommend them to the Board for adoption.

The NC will report annually on the composition of the Board under diversified perspectives, and monitor the implementation of this policy to ensure the effectiveness of this policy. It will also discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Attendance of each of the directors at the NC meetings for the year ended 31 December 2015 is set out as follows:

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

AUDITORS’ REMUNERATION

For the year ended 31 December 2015, the fee paid or payable to external auditors in respect of audit and non-audit services amounted to HK\$2,880,000 and HK\$34,000 respectively.

Corporate Governance Report

PREPARATION OF ACCOUNTS

The Directors are responsible for overseeing the preparation of the annual accounts which give a true and fair view of the Group's state of affairs of the results and cash flows for the year under review. In preparing the accounts for the year ended 31 December 2015, the directors have approved adoption of all the applicable standards and interpretations of International Financial Reporting Standards ("IFRSs").

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

AUDIT COMMITTEE

Composition of the Audit Committee

The Company established the audit committee ("Audit Committee") on 9 December 2003.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

The Audit Committee 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 Audit Committee.

During the year under review, the audit committee held four meetings to review and supervise the financial reporting process. The results for the year have 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 Audit Committee 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 Audit Committee is provided with sufficient resources to discharge its responsibilities and is supported by the Finance Department of the Company. The Audit Committee is accountable to the Board.

Corporate Governance Report

Audit Committee Meetings

During the year ended 31 December 2015, the Audit Committee has held four meetings to review and supervise the financial reporting process and Audit Committee has reviewed the quarterly, interim and annual results and system of internal controls. The Audit Committee 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 Audit Committee 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 Audit Committee meetings during the year ended 31 December 2015 is set out as follows:

Number of Audit Committee Meetings	4	
Mr. Liew Swee Yean (<i>Committee Chairman</i>)	4/4	100%
Mr. Siu Siu Ling, Robert	4/4	100%
Dr. Wong Yun Kuen	4/4	100%
Mr. Anderson Brian Ralph	1/4	25%
Average attendance rate	81.25%	

During the year 2015, the Audit Committee 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 2015, the Board, through the Audit Committee, 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 Audit Committee made reference to the globally recognised framework with modifications to include some controls which are specific to the Group's operation. The Audit Committee concluded that, in general, the Group has set up a sound control environment and installed necessary control mechanisms to monitor and correct noncompliance.

Corporate Governance Report

The Board, through the review of the Audit Committee, is satisfied that the Group has fully complied with the Code Provisions on internal controls as set forth in the CG Code for the year ended 31 December 2015.

The Group's financial statements for the year ended 31 December 2015 have been reviewed by the Audit Committee, who is of the opinion that such statements comply with applicable accounting standard and legal requirements, and that adequate disclosures have been made.

CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS, SENIOR MANAGEMENT AND STAFF

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

According to the records maintained by the Company, the current Directors received the following training during the year ended 31 December 2015:

Name and title of director	Updates on Laws, Rules and others	Training provider	Time spent
Mr. Chan Nap Kee, Joseph, Chairman and Acting Chief Executive Officer	The HKVAC 5th Asia Private Equity Forum (21 January 2015)	Hong Kong Venture Capital and Private Equity Association (HKVAC)	6.5 hours
	HKVAC 14th China Private Equity Summit (1 June 2015)		6.5 hours
	The Copper Market: Plain Sailing or Perfect Storm (19 May 2015)	Thomas Reuters	1 hour
	The State Insurance in Hong Kong	Debevoise & Plimpton LLP	1.5 hours
	Total		15.5 hours
Mr. Yang Yongcheng, Executive Director	Seminar on Regulatory Updates Relating to Listed Companies in Hong Kong (10 August 2015)	Hong Kong Institute of Certified Public Accountants	2 hours
	Total:		2 hours
Mr. Liew Swee Yean, Independent Non- Executive Director	UK/Hong Kong Equity Capital Markets Updates (22 January 2015)	Stephenson Harwood	1 hour
	Managing Legal Risk (24 June 2015)		1 hour
	Corporate Governance for NGOs — Dialogue with NGOs senior management (11 June 2015)	Accounting Development Foundation Limited	2 hours
	Hong Kong Tax Update 2014/15 (7 September 2015)		3 hours
	Private Equity 101 for Accountants (29 October 2015)		2 hours
	Seminar on "Hong Kong and PRC Tax Updates 2015, from an International Perspective (7 October 2015)	The Association of Hong Kong Accountants	3 hours
	Effective Negotiation Skills (14 November 2015)	HMI Consulting Limited	3.5 hours
	YMC and MBIG joint seminar: Debunking the myths of China's growth, RMB policy and the Hong Kong dollar peg (17 November 2015)	Hong Kong Institute of Certified Public Accountants	1.5 hours
	Total		17 hours

Corporate Governance Report

Name and title of director	Updates on Laws, Rules and others	Training provider	Time spent
Dr. Wong Yun Kuen, Independent Non-Executive Director	Connected Transactions (25 March 2015)	Patrick Mak & Tse Solicitors	1 hour
	Corruption prevention — upholding the probity of a company (23 June 2015)	Deloitte Touche Tohmatsu	2 hours
	KPMG INED Forum (22 September 2015)	KPMG	2 hours
	Implications of New Hong Kong Companies Ordinance and Requirements of Business Review to 2015 Annual Reports (8 October 2015)	The Chamber of Hong Kong Listed Companies	1 hour
	Teach “Money and Banking” (September to November, 2015)	Act as Lecturer for SCOPE, City University of Hong Kong	10 hours
	Total		16 hours
Mr. Siu Siu Ling, Robert, Independent Non-Executive Director	Dealing with Difficult Lawyer Acting for a Party in a Mediation (23 April 2015)		1.5 hours
	BYOD Series: Managing Data Risk in Using your Mobile Device, Be More Productive and Effective with Use of the Law Society App (27 April 2015)		1 hour
	CJR Training Programme Specialised Session — Module 2: Originating Process and Pleadings (13 May 2015)		1.5 hours
	CJR Training Programme Specialised Session — Module 3: Offers to settle (22 May 2015)		1.5 hours
	CJR Training Programme Specialised Session — Module 1: Case Management (22 May 2015)	Hong Kong Academy of Law Limited	1.5 hours
	Role of Counsellors under the Reverse Mortgage Programme of the HKMC (including the new enhancements) (14 September 2015)		2.5 hours
	Contracts (Rights of Third Parties) Ordinance (23 September 2015)		2 hours
	The Solicitors’ Account Rules as amended by the Solicitors’ Accounts (Amendment) Rules 2012 (16 September 2015)		1.5 hours
	Smart Contract (19 October 2015)		1 hour
	Anti-Money Laundering Seminar for Lawyers (30 September 2015)	The Law Society of Hong Kong and The Narcotics Division, Security Bureau of The HKSAR Government	1.5 hours
	Total		15.5 hours
Mr. Anderson Brian Ralph Independent Non-Executive Director	Comparisons between Hong Kong and PRC Company Law (18 November, 2015)	Hong Kong Institute of Directors	3 hours
	Total		3 hours

DIRECTORS’ RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

The statement by the Auditors of the Company about their reporting responsibilities is set out on page 33 of this report.

Independent Auditor's Report



TO THE SHAREHOLDERS OF KAISUN ENERGY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Kaisun Energy Group Limited (the "Company") and its subsidiaries set out on pages 35 to 88, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Certified Public Accountants
Hong Kong

22 March 2016

Consolidated Statement of Profit or Loss

For the year ended 31 December 2015

	Note	2015 HK\$	2014 HK\$
Revenue	8	18,673,469	36,878,233
Cost of goods sold		<u>(23,196,558)</u>	<u>(54,886,091)</u>
Gross loss		(4,523,089)	(18,007,858)
Other income and gains	9	16,839,110	27,729,042
Administrative and other operating expenses		<u>(131,095,306)</u>	<u>(214,052,041)</u>
Loss from operations		(118,779,285)	(204,330,857)
Impairment loss on intangible assets	18	(8,966,352)	(18,879,916)
Gain/(loss) on disposal of subsidiaries	33	20,269,458	(313,351)
Loss before tax		(107,476,179)	(223,524,124)
Income tax credit	10	23,936,454	3,715,072
Loss for the year	11	<u>(83,539,725)</u>	<u>(219,809,052)</u>
Attributable to:			
Owners of the Company		(91,073,480)	(201,452,358)
Non-controlling interests		7,533,755	(18,356,694)
		<u>(83,539,725)</u>	<u>(219,809,052)</u>
Loss per share (cents)			
Basic	15	<u>(2.78)</u>	(7.71)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	2015 HK\$	2014 HK\$
Loss for the year	(83,539,725)	(219,809,052)
Other comprehensive income for the year, net of tax		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>(10,028,735)</u>	1,492,668
Total comprehensive income for the year	<u>(93,568,460)</u>	<u>(218,316,384)</u>
Attributable to:		
Owners of the Company	<u>(103,324,920)</u>	(199,202,216)
Non-controlling interests	<u>9,756,460</u>	(19,114,168)
	<u>(93,568,460)</u>	<u>(218,316,384)</u>

Consolidated Statement of Financial Position

At 31 December 2015

	Note	2015 HK\$	2014 HK\$
Non-current assets			
Fixed assets	16	5,197,403	17,032,319
Goodwill	17	—	—
Intangible assets	18	—	17,010,275
Available-for-sale financial assets	19	—	—
		<u>5,197,403</u>	<u>34,042,594</u>
Current assets			
Inventories	21	3,403,369	2,763,237
Trade and bills receivables	22	38,281,935	36,409,244
Deposits, prepayments and other receivables	23	151,581,312	189,860,858
Bank and cash balances	24	103,616,026	54,629,721
Financial assets at fair value through profit or loss	20	9,703,480	—
		<u>306,586,122</u>	<u>283,663,060</u>
Current liabilities			
Trade payables	25	4,263,938	7,973,597
Other payables and accruals	26	8,762,867	17,108,430
Current tax liabilities		2,519,325	1,857,198
		<u>15,546,130</u>	<u>26,939,225</u>
Net current assets		<u>291,039,992</u>	<u>256,723,835</u>
Total assets less current liabilities		<u>296,237,395</u>	<u>290,766,429</u>
Non-current liabilities			
Deferred tax liabilities	27	235,668	29,588,607
		<u>235,668</u>	<u>29,588,607</u>
NET ASSETS		<u>296,001,727</u>	<u>261,177,822</u>

Consolidated Statement of Financial Position

At 31 December 2015

	Note	2015 HK\$	2014 HK\$
Capital and reserves			
Share capital	28	37,684,057	26,170,057
Reserves	30	266,569,207	253,015,762
Equity attributable to owners of the Company		304,253,264	279,185,819
Non-controlling interests		(8,251,537)	(18,007,997)
TOTAL EQUITY		296,001,727	261,177,822

Approved by the Board of Directors on 22 March 2016 and are signed on its behalf by:

CHAN Nap Kee, Joseph

Dr. CHOW Pok Yu, Augustine

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company							
	Share capital	Shares held under share award scheme	Share premium	Foreign currency translation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$	(note 31) HK\$	(note 30(b)(i)) HK\$	(note 30(b)(ii)) HK\$	HK\$	HK\$	HK\$	HK\$
At 1 January 2014	26,170,057	(1,203,667)	1,176,818,023	(8,415,983)	(715,569,167)	477,799,263	1,106,171	478,905,434
Total comprehensive income for the year	—	—	—	2,250,142	(201,452,358)	(199,202,216)	(19,114,168)	(218,316,384)
Purchase of shares held under the share award scheme	—	(570,094)	—	—	—	(570,094)	—	(570,094)
Award of shares held under share award scheme	—	1,158,866	—	—	—	1,158,866	—	1,158,866
Changes in equity for the year	—	588,772	—	2,250,142	(201,452,358)	(198,613,444)	(19,114,168)	(217,727,612)
At 31 December 2014 and 1 January 2015	26,170,057	(614,895)	1,176,818,023	(6,165,841)	(917,021,525)	279,185,819	(18,007,997)	261,177,822
Total comprehensive income for the year	—	—	—	(12,251,440)	(91,073,480)	(103,324,920)	9,756,460	(93,568,460)
Issue of shares on placement (note 28)	11,514,000	—	116,263,470	—	—	127,777,470	—	127,777,470
Purchase of shares held under the share award scheme	—	(3,912,835)	—	—	—	(3,912,835)	—	(3,912,835)
Award of shares held under share award scheme	—	4,527,730	—	—	—	4,527,730	—	4,527,730
Changes in equity for the year	11,514,000	614,895	116,263,470	(12,251,440)	(91,073,480)	25,067,445	9,756,460	34,823,905
At 31 December 2015	37,684,057	—	1,293,081,493	(18,417,281)	(1,008,095,005)	304,253,264	(8,251,537)	296,001,727

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 HK\$	2014 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(107,476,179)	(223,524,124)
Adjustments for:		
Depreciation	3,149,838	8,231,279
Amortisation of intangible assets	5,772,871	20,141,276
Award of shares held under share award scheme	4,527,730	1,158,866
Allowance for trade receivables	9,608,830	—
Allowance for deposits, prepayments and other receivables	45,984,189	98,321,696
Bad debts written off	—	39,961,665
Impairment loss on intangible assets	8,966,352	18,879,916
Fair value gain on financial assets at fair value through profit or loss	(1,428,290)	—
Gain on disposal of financial assets at fair value through profit or loss	(9,064,930)	—
(Gain)/loss on disposal of subsidiaries (note 33)	(20,269,458)	313,351
Write off of prepayments and other receivables	6,433,608	2,923,443
Write off of available-for-sale financial assets	—	70,814
Write off of fixed assets	8,092,043	10,452,217
Waiver of other payables	—	(6,866,220)
Interest income	(5,346,752)	(637,778)
Operating loss before working capital changes	(51,050,148)	(30,573,599)
Increase in inventories	(640,132)	(12,656)
(Increase)/decrease in trade and bills receivables	(11,319,585)	19,323,205
(Increase)/decrease in deposits, prepayments and other receivables	(13,799,304)	37,692,740
Decrease in trade payables	(3,709,659)	(8,586,832)
Decrease in other payables and accruals	(3,313,705)	(43,176,978)
Cash used in operations	(83,832,533)	(25,334,120)
Purchase of financial assets at fair value through profit or loss	(25,961,330)	—
Net proceeds from disposal of financial assets at fair value through profit or loss	26,751,070	—
Income tax paid	(788,033)	(607,024)
Net cash used in operating activities	(83,830,826)	(25,941,144)

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 HK\$	2014 HK\$
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	5,346,752	637,778
Purchases of fixed assets	(1,085,663)	(659,084)
Net proceeds from disposal of subsidiaries (note 33)	780	(1,552)
Net cash generated from/(used in) investing activities	<u>4,261,869</u>	<u>(22,858)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares on placement	127,777,470	—
Payment on share award scheme	(3,912,835)	(570,094)
Net cash generated from/(used in) financing activities	<u>123,864,635</u>	<u>(570,094)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	44,295,678	(26,534,096)
Effect of foreign exchange rate changes	4,690,627	6,563,579
CASH AND CASH EQUIVALENTS AT 1 JANUARY	54,629,721	74,600,238
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	<u>103,616,026</u>	<u>54,629,721</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	<u>103,616,026</u>	<u>54,629,721</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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 A, 13/F., Two Chinachem Plaza, 68 Connaught Road Central, Central, Hong Kong. The Company’s shares are listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. The principal activities of its subsidiaries are set in note 32 to the consolidated financial statements.

2. BASIS OF PREPARATION

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

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND REQUIREMENTS

(a) Application of new and revised IFRSs

In the current year, the Group has adopted all the new and revised IFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2015.

Amendment to IFRS 8 (Annual Improvements to IFRSs 2010–2012 Cycle)

The amendment requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, and clarifies that reconciliations of the total of the reportable segments’ assets to the entity’s assets are required only if the segment assets are reported regularly. These clarifications had no effect on the Group’s consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

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

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2015. The directors anticipate that the new and revised IFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised IFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

List of New and revised IFRSs in issue but not yet effective

IFRS 9	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customers ¹
IFRS 16	Leases ²
Amendments to IAS 1	Disclosure Initiative ³
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ³
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle ³

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15 has also been applied.

³ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

(c) New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial year. Although the Company is not incorporated in Hong Kong, the GEM Listing Rules require the companies to comply with the new Hong Kong Companies Ordinance (Cap. 622). As a result, there are changes to presentation and disclosure of certain information in the consolidated financial statements.

(d) Amendments to the Rules Governing the Listing of Securities on GEM of the Stock Exchange

The Stock Exchange in April 2015 released revised Chapter 18 of the GEM Listing Rules in relation to disclosure of financial information in annual reports that are applicable for accounting periods ending on or after 31 December 2015, with earlier application permitted. The Company has adopted the amendments resulting in changes to the presentation and disclosures of certain information in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value).

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

(a) Consolidation

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Consolidation (Continued)

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

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

(b) Business combination and goodwill

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign currency translation

(i) Functional and presentation currency

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

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

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

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

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

(iii) Translation on consolidation

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign currency translation (Continued)

(iii) Translation on consolidation (Continued)

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

(d) Fixed assets

Fixed assets including buildings and leasehold land (classified as finance leases), held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

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

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

(e) Leases

Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(f) Intangible assets

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Intangible assets (Continued)

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

(g) Inventories

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

(h) Recognition and derecognition of financial instruments

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

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(i) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Group classifies its financial assets in the following category: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are either financial assets classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these financial assets are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial assets (Continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss. Interest calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss.

(j) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(k) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at banks and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(l) Financial liabilities and equity instruments

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Trade and other payables

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

(n) Equity instruments

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

(o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales of manufactured goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

(p) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

(q) Share-based payments

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Share-based payments (Continued)

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

(r) Borrowing costs

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

(s) Taxation

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Taxation (Continued)

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

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

(t) Impairment of non-financial assets

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

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

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

(u) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

In addition, for trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Impairment of financial assets (Continued)

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

In respect of available-for-sale equity securities, an increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in revaluation reserve; impairment losses are not reversed through profit or loss.

(v) Provisions and contingent liabilities

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

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

(w) Events after the reporting period

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Fixed assets and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's fixed assets. This estimate is based on the historical experience of the actual useful lives and residual values of fixed assets of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

The carrying amount of fixed assets as at 31 December 2015 was HK\$5,197,403 (2014: HK\$17,032,319).

Impairment of intangible assets

The Group assesses whether there are any indicators of impairment for intangible assets at the end of each reporting period. Intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, the directors must estimate the expected future cash flows from the assets or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of intangible assets at the end of the reporting period was HK\$Nil (2014: HK\$17,010,275) after impairment losses of HK\$8,966,352 (2014: HK\$18,879,916) was recognised during 2015. Details of the impairment losses calculation are provided in note 18 to the consolidated financial statements.

Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts, in particular of a loss event, requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

As at 31 December 2015, accumulated impairment loss for bad debt and doubtful debts amounted to HK\$153,914,715 (2014: HK\$98,321,696).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

At 31 December 2015, if the HK\$ had weakened 0.5 per cent against the US\$ with all other variables held constant, consolidated loss after tax for the year would have been HK\$34,276 (2014: HK\$5,492) lower, arising mainly as a result of the foreign exchange gain on other receivables denominated in US\$. If the HK\$ had strengthened 0.5 per cent against the US\$ with all other variables held constant, consolidated loss after tax for the year would have been HK\$34,276 (2014: HK\$5,492) higher, arising mainly as a result of the foreign exchange loss on other receivables denominated in US\$.

At 31 December 2015, if the HK\$ had weakened 0.5 per cent against the RMB with all other variables held constant, consolidated loss after tax for the year would have been HK\$482,236 (2014: HK\$594,117) lower, arising mainly as a result of the foreign exchange gain on bank and cash balances and other receivables denominated in RMB. If the HK\$ had strengthened 0.5 per cent against the RMB with all other variables held constant, consolidated loss after tax for the year would have been HK\$482,236 (2014: HK\$594,117) higher, arising mainly as a result of the foreign exchange loss on bank and cash balances and other receivables denominated in RMB.

(b) Price risk

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

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

If equity prices had been 10% (2014: 10%) higher/lower consolidated loss after tax for the year ended 31 December 2015 would decrease/increase by HK\$970,348 (2014: HK\$Nil). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. The directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

It has policies in place to ensure that sales are made to customers with an appropriate credit history. As at 31 December 2015, the Group's largest trade receivables represent approximately 27% (2014: 61%) of the total trade receivables. The Group performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers. The allowance for doubtful debts is based upon a review of the expected collectability of all trade and other receivables.

(d) Liquidity risk

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

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

	Less than 1 year HK\$	Between 1 and 2 years HK\$	Between 2 and 5 years HK\$	Over 5 years HK\$
At 31 December 2015				
Trade payables	4,263,938	—	—	—
Other payables and accruals	8,762,867	—	—	—
At 31 December 2014				
Trade payables	7,937,597	—	—	—
Other payables and accruals	17,108,430	—	—	—

(e) Interest rate risk

The Group's exposure to interest rate risk arises from its bank deposits. These deposits bear interests at variable rates varied with the then prevailing market condition.

At 31 December 2015, if interest rates at that date had been 10 basis points lower with all other variables held constant, consolidated loss after tax for the year would have been HK\$151,014 (2014: HK\$66,106) higher, arising mainly as a result of lower interest income on bank deposits. If interest rates had been 50 basis points higher, with all other variables held constant, consolidated loss after tax for the year would have been HK\$755,068 (2014: HK\$330,531) lower, arising mainly as a result of higher interest income on bank deposits.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

6. FINANCIAL RISK MANAGEMENT (Continued)

(f) Categories of financial instruments at 31 December 2015

	2015 HK\$	2014 HK\$
Financial assets		
Financial assets at fair value through profit or loss:		
Held for trading	9,703,480	—
Loans and receivables (including cash and cash equivalents)	290,767,050	278,234,045
Financial liabilities		
Financial liabilities at amortised cost	<u>13,026,805</u>	<u>25,082,027</u>

(g) Fair values

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

7. FAIR VALUE MEASUREMENTS

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

7. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosures of level in fair value hierarchy at 31 December 2015:

Description	Fair value measurements using: Level 1 HK\$
Recurring fair value measurements:	
Financial assets	
Financial assets at fair value through profit or loss	
Listed securities	<u>9,703,480</u>

(b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2015:

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

8. REVENUE

	2015 HK\$	2014 HK\$
Sales of goods		
— Production and exploitation of coal	1,853,732	18,528,522
— Provision of supply chain management services for mineral business	11,162,182	16,216,459
— Mining and metallurgical machineries products	<u>5,657,555</u>	<u>2,133,252</u>
	<u>18,673,469</u>	<u>36,878,233</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

9. OTHER INCOME AND GAINS

	2015 HK\$	2014 HK\$
Gain on disposal of financial assets at fair value through profit or loss	9,064,930	—
Fair value gain on financial assets at fair value through profit or loss	1,428,290	—
Interest income on:		
— Bank deposits	393,150	637,778
— Deposits received from suppliers	4,953,602	—
Compensation received	—	6,693,121
Waiver of other fee payables	—	6,866,220
Subcontracting income	—	13,260,000
Sundry income	999,138	271,923
	<u>16,839,110</u>	<u>27,729,042</u>

10. INCOME TAX CREDIT

	2015 HK\$	2014 HK\$
Current tax — Hong Kong Provision for the year	1,464,295	—
Current tax — Overseas Provision for the year	—	697,316
Underprovision for prior years	1,875	622,931
Deferred tax (<i>note 27</i>)	<u>(25,402,624)</u>	<u>(5,035,319)</u>
	<u>(23,936,454)</u>	<u>(3,715,072)</u>

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the year ended 31 December 2015. No provision for Hong Kong profits tax is required for the year ended 31 December 2014 since the Group has no assessable profit for that year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

10. INCOME TAX CREDIT (Continued)

PRC enterprise income tax has been provided at a rate of 25% (2014: 25%).

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

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

	2015 HK\$	2014 HK\$
Loss before tax	<u>(107,476,179)</u>	<u>(223,524,124)</u>
Tax at the domestic income tax rate of 16.5% (2014: 16.5%)	(17,733,570)	(36,881,480)
Tax effect of income that is not taxable	(28,716,800)	(6,566,587)
Tax effect of expenses that are not deductible	14,795,480	14,428,235
Tax effect of tax loss not recognised	6,743,178	24,457,415
Temporary difference not recognised	(48,426)	25,596
Under provision for current year	—	3,803
Under provision for prior year	1,875	622,931
Effect of different tax rates of subsidiaries operating in other jurisdiction	<u>1,021,809</u>	<u>195,015</u>
Income tax credit	<u>(23,936,454)</u>	<u>(3,715,072)</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

11. LOSS FOR THE YEAR

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

	2015 HK\$	2014 HK\$
Auditor's remuneration		
Current	2,600,000	2,500,000
Under-provision for prior year	280,000	150,000
	2,880,000	2,650,000
Cost of inventories sold of supply chain management services for mineral business	11,016,854	15,970,911
Depreciation	3,149,838	8,231,279
Allowance of trade receivables	9,608,830	—
Allowance for deposits, prepayments and other receivables	45,984,189	98,321,696
Bad debts written off		
— trade receivables	—	19,161,665
— prepayment and other receivables	—	20,800,000
Amortisation of intangible assets	5,772,871	20,141,276
Write off of fixed assets	8,092,043	10,452,217
Write off of prepayments and other receivables	6,433,608	2,923,443
Write off of available-for-sale financial assets	—	70,814
Waivers of other payables	—	(6,866,220)
Impairment loss on intangible assets	8,966,352	18,879,916
Gain on disposal of financial assets at fair value through profit or loss (held for trading)	(9,064,930)	—
Operating lease rentals in respect of land and buildings	1,610,698	2,164,313
Net exchange loss	9,108,386	12,873,555

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

	2015 HK\$	2014 HK\$
Employee benefits expense:		
— Salaries, bonus and allowances	21,624,660	18,816,581
— Equity-settled share-based payments	4,527,730	1,158,866
— Retirement benefit scheme contribution	275,111	247,476
	<u>26,427,501</u>	<u>20,222,923</u>

Five highest paid individuals

The five highest paid individuals in the Group during the year included two (2014: two) directors whose emoluments are reflected in the analysis presented in note 13. The emoluments of the remaining three (2014: three) individuals are set out below:

	2015 HK\$	2014 HK\$
Basic salaries, bonuses, allowances and benefits in kind	3,549,396	3,983,061
Equity-settled share-based payments	471,246	386,289
Retirement benefits scheme contributions	18,000	16,750
	<u>4,038,642</u>	<u>4,386,100</u>

The emoluments fell within the following bands:

	2015	2014
HK\$Nil to HK\$1,000,000	—	1
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$1,500,001 to HK\$2,000,000	1	—
HK\$2,000,001 to HK\$2,500,000	—	1

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

13. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking								Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	Fees	Salaries	Discretionary bonus	(Note (i)) Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of office as director	Housing allowance			
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<i>Executive directors:</i>										
CHAN Nap Kee, Joseph	—	2,596,000	—	1,888,754	16,750	—	—	—	—	4,501,504
Dr. CHOW Pok Yu, Augustine	—	1,400,000	—	376,997	16,750	—	—	—	—	1,793,747
YANG Yongcheng	—	864,986	—	376,997	—	—	—	—	—	1,241,983
<i>Independent non-executive directors:</i>										
LIEW Swee Yean	118,000	—	—	141,374	—	—	—	—	—	259,374
SIU Siu Ling, Robert	118,000	—	—	141,374	—	—	—	—	—	259,374
Dr. WONG Yun Kuen	118,000	—	—	141,374	—	—	—	—	—	259,374
ANDERSON Brian Ralph	118,000	—	—	141,374	—	—	—	—	—	259,374
Total for 2015	472,000	4,860,986	—	3,208,244	33,500	—	—	—	—	8,574,730

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

13. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

Certain comparative information of directors' emoluments for the year ended 31 December 2014 disclosed in accordance with the predecessor Hong Kong Companies Ordinance (Cap. 32) have been restated in order to comply with the scope and requirements of the new Hong Kong Companies Ordinance (Cap. 622).

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	Fees	Salaries	Discretionary bonus	(Note (i)) Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of office as director	Housing allowance		
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<i>Executive directors:</i>									
CHAN Nap Kee, Joseph	—	2,619,907	—	—	16,750	—	—	—	2,636,657
Dr. CHOW Pok Yu, Augustine	—	1,400,000	—	—	16,750	—	—	—	1,416,750
YANG Yongcheng	—	817,662	—	—	—	—	—	—	817,662
<i>Independent non-executive directors:</i>									
LIEW Swee Yean	114,000	—	—	—	—	—	—	—	114,000
SIU Siu Ling, Robert	114,000	—	—	—	—	—	—	—	114,000
Dr. WONG Yun Kuen	114,000	—	—	—	—	—	—	—	114,000
ANDERSON Brian Ralph	114,000	—	—	—	—	—	—	—	114,000
Total for 2014	456,000	4,837,569	—	—	33,500	—	—	—	5,327,069

Neither the chief executive nor any of the directors waived any emoluments during the year (2014: HK\$Nil).

Note:

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

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

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

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2014: HK\$Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

14. DIVIDEND

No dividend has been paid or declared by the Company during the year (2014: HK\$Nil).

15. LOSS PER SHARE

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

	2015 HK\$	2014 HK\$
Loss for the purpose of calculating basic loss per share	<u>(91,073,480)</u>	<u>(201,452,358)</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>3,278,932,494</u>	<u>2,613,626,604</u>

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary sharing during the two years ended 31 December 2015.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

16. FIXED ASSETS

	Leasehold land HK\$	Buildings HK\$	Leasehold improvements HK\$	Plant and machinery HK\$	Office equipment HK\$	Furniture and fixtures HK\$	Motor vehicles HK\$	Total HK\$
Cost								
At 1 January 2014	—	21,960,794	908,529	30,462,620	1,742,790	26,974	3,898,487	59,000,194
Additions	—	—	244,058	103,129	93,895	17,082	200,920	659,084
Disposal of subsidiaries	—	—	—	—	(84,919)	—	—	(84,919)
Written off	—	(15,249,038)	—	(12,222,340)	(1,165,567)	(7,089)	(2,291,042)	(30,935,076)
Exchange differences	—	(494,388)	(9,157)	(2,110,890)	(27,434)	(343)	(89,408)	(2,731,620)
At 31 December 2014 and 1 January 2015	—	6,217,368	1,143,430	16,232,519	558,765	36,624	1,718,957	25,907,663
Additions	182,967	—	559,767	100,026	18,212	27,052	197,639	1,085,663
Written off	—	—	(577,160)	(13,182,127)	—	—	(959,567)	(14,718,854)
Exchange differences	(6,211)	(414,538)	(34,021)	(2,080,207)	(10,466)	(1,679)	(18,029)	(2,565,151)
At 31 December 2015	176,756	5,802,830	1,092,016	1,070,211	566,511	61,997	939,000	9,709,321
Accumulated depreciation and impairment losses								
At 1 January 2014	—	6,601,910	324,987	13,238,413	779,381	20,412	1,153,167	22,118,270
Charges for the year	—	2,834,882	203,553	4,094,160	234,278	5,913	858,493	8,231,279
Disposal of subsidiaries	—	—	—	—	(13,776)	—	—	(13,776)
Written off	—	(6,803,026)	—	(12,132,004)	(653,845)	(2,363)	(891,621)	(20,482,859)
Exchange differences	—	(203,731)	(620)	(752,516)	(12,401)	(62)	(8,240)	(977,570)
At 31 December 2014 and 1 January 2015	—	2,430,035	527,920	4,448,053	333,637	23,900	1,111,799	8,875,344
Charges for the year	3,049	1,201,346	151,566	1,582,430	117,348	5,907	88,192	3,149,838
Written off	—	—	(468,943)	(5,209,152)	—	—	(948,716)	(6,626,811)
Exchange differences	(103)	(149,685)	(4,653)	(577,600)	(5,034)	(391)	(148,987)	(886,453)
At 31 December 2015	2,946	3,481,696	205,890	243,731	445,951	29,416	102,288	4,511,918
Carrying amount								
At 31 December 2015	173,810	2,321,134	886,126	826,480	120,560	32,581	836,712	5,197,403
At 31 December 2014	—	3,787,333	615,510	11,784,466	225,128	12,724	607,158	17,032,319

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

17. GOODWILL

	HK\$
Cost	
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	<u>115,955,924</u>
Accumulated impairment losses	
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	<u>115,955,924</u>
Carrying amount	
At 31 December 2015	<u>—</u>
At 31 December 2014	<u>—</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

18. INTANGIBLE ASSETS

	Mining rights
	HK\$
Cost	
At 1 January 2014	197,866,362
Exchange differences	<u>(19,897,007)</u>
At 31 December 2014 and 1 January 2015	177,969,355
Disposal of subsidiaries	(54,663,352)
Exchange differences	<u>(36,106,850)</u>
At 31 December 2015	<u>87,199,153</u>
Accumulated amortisation and impairment losses	
At 1 January 2014	138,695,930
Amortisation for the year	20,141,276
Impairment loss	18,879,916
Exchange differences	<u>(16,758,042)</u>
At 31 December 2014 and 1 January 2015	160,959,080
Amortisation for the year	5,772,871
Impairment loss	8,966,352
Disposal of subsidiaries	(54,663,352)
Exchange differences	<u>(33,835,798)</u>
At 31 December 2015	<u>87,199,153</u>
Carrying amount	
At 31 December 2015	<u>—</u>
At 31 December 2014	<u>17,010,275</u>

At 31 December 2015, the Group's mining rights are the rights obtained by the Group for production and exploitation of two (2014: three) coal mines located in Tajikistan. The major content of the coal mine is anthracite and bituminous coal. The terms of the mining rights of these coal mines are from August 1997 to September 2018. The mining rights are stated at cost less accumulated amortisation and impairment losses over the term of the mining rights.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

18. INTANGIBLE ASSETS (Continued)

The Group carried out reviews of the recoverable amount of its mining rights in 2015, having regard to the falling demand. These assets are used in the Group's production and exploitation of coal segment. The review led to the recognition of an impairment loss of HK\$8,966,352 for mining rights that have been recognised in profit or loss. The recoverable amount of the mining rights has been determined on the basis of their value in use using discounted cash flow method. The discount rate used was 22.6%. The discount rate used when the recoverable amount of these assets was previously estimated in 2014 was 22.4%.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 HK\$	2014 HK\$
Unlisted equity securities, at cost	—	70,814
Written off	—	(70,814)
	<u>—</u>	<u>—</u>

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 HK\$	2014 HK\$
Equity securities, at fair value		
Listed in Hong Kong	<u>9,703,480</u>	<u>—</u>
Analysed as:		
Current assets	<u>9,703,480</u>	<u>—</u>

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

	2015 HK\$	2014 HK\$
Held for trading	<u>9,703,480</u>	<u>—</u>

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

21. INVENTORIES

	2015 HK\$	2014 HK\$
Raw materials, consumable goods and spare parts	3,182,224	2,219,338
Work in progress	221,145	543,899
	<u>3,403,369</u>	<u>2,763,237</u>

22. TRADE AND BILLS RECEIVABLES

	2015 HK\$	2014 HK\$
Trade receivables	46,513,575	36,347,521
Bills receivables	1,193,314	61,723
Allowance for doubtful debts	<u>(9,424,954)</u>	—
	<u>38,281,935</u>	<u>36,409,244</u>

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:

	2015 HK\$	2014 HK\$
0–30 days	13,964,013	1,053,000
31–60 days	637,230	2,170,933
61–90 days	236,276	977,569
Over 90 days	<u>23,444,416</u>	<u>32,207,742</u>
	<u>38,281,935</u>	<u>36,409,244</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

22. TRADE AND BILLS RECEIVABLES (Continued)

As at 31 December 2015, an allowance was made for estimated irrecoverable trade receivables of approximately HK\$9,424,954 (2014: HK\$Nil).

Reconciliation of allowance of trade receivables:

	2015 HK\$	2014 HK\$
At 1 January	—	1,560,625
Allowance for the year	9,608,830	—
Written off	—	(1,403,692)
Exchange differences	(183,876)	(156,933)
At 31 December	<u>9,424,954</u>	<u>—</u>

As of 31 December 2015, trade receivables of HK\$28,052,995 (2014: HK\$22,559,291) 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:

	2015 HK\$	2014 HK\$
Up to 3 months	1,858,766	303,903
Over 3 months	<u>26,194,229</u>	<u>22,255,388</u>
	<u>28,052,995</u>	<u>22,559,291</u>

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

	2015 HK\$	2014 HK\$
HK\$	16,763,388	22,255,388
RMB	21,518,547	11,043,090
TJS	—	3,110,766
	<u>38,281,935</u>	<u>36,409,244</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

23. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2015 HK\$	2014 HK\$
Deposits placed with a securities broker	55,362,753	54,460,817
Deposits placed with suppliers	67,751,278	107,022,625
Utilities and other deposits	687,773	622,636
Prepayments	1,498,672	2,665,778
Transportation fee receivables	9,012,957	18,871,821
Other receivables	17,267,879	6,217,181
	<u>151,581,312</u>	<u>189,860,858</u>

24. BANK AND CASH BALANCES

As at 31 December 2015, the bank and cash balances of the Group denominated in RMB amounted to HK\$1,912,765 (2014: HK\$1,237,013).

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

25. TRADE PAYABLES

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

	2015 HK\$	2014 HK\$
0–30 days	662,170	422,847
31–60 days	16,431	58,406
61–90 days	—	8,604
91–180 days	4,654	228,655
Over 365 days	3,580,683	7,255,085
	<u>4,263,938</u>	<u>7,973,597</u>

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

	2015 HK\$	2014 HK\$
RMB	4,263,938	7,553,467
TJS	—	420,130
	<u>4,263,938</u>	<u>7,973,597</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

26. OTHER PAYABLES AND ACCRUALS

	2015 HK\$	2014 HK\$
Accruals	4,029,297	7,089,765
Other payables	4,733,570	10,018,665
	<u>8,762,867</u>	<u>17,108,430</u>

27. DEFERRED TAX

The following are the deferred tax liabilities and assets recognised by the Group.

	Fair value adjustment of mining rights HK\$	Fair value adjustment of fixed assets HK\$	Financial assets at fair value through profit or loss HK\$	Total HK\$
At 1 January 2014	(34,810,833)	549,651	—	(34,261,182)
Credit to profit or loss for the year (note 10)	5,035,319	—	—	5,035,319
Exchange differences	(418,015)	55,271	—	(362,744)
At 31 December 2014 and 1 January 2015	(30,193,529)	604,922	—	(29,588,607)
Credit/(debit) to profit or loss for the year (note 10)	26,162,452	(524,160)	(235,668)	25,402,624
Exchange differences	4,031,077	(80,762)	—	3,950,315
At 31 December 2015	<u>—</u>	<u>—</u>	<u>(235,668)</u>	<u>(235,668)</u>

At the end of the reporting period the Group has unused tax losses of HK\$5,012,730 (2014: HK\$27,075,954) available for offset against future profits. No deferred tax asset has been recognised in respect of the HK\$5,012,730 (2014: HK\$27,075,954) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$643,130, HK\$2,122,508, HK\$938,033, HK\$463,085 and HK\$845,974 that will expire in 2016, 2017, 2018, 2019 and 2020 (2014: HK\$19,417,220, HK\$4,449,598 and HK\$3,209,136 that will expire in 2015, 2016 and 2017) respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

28. SHARE CAPITAL

	Number of shares	Amount HK\$
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	<u>10,000,000,000</u>	<u>100,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 January 2014, 31 December 2014 and 1 January 2015	2,617,005,700	26,170,057
Issue of shares on placement	<u>1,151,400,000</u>	<u>11,514,000</u>
At 31 December 2015	<u>3,768,405,700</u>	<u>37,684,057</u>

Note:

On 27 April 2015, the Company and CNI Securities Group Limited entered into a placing agreement in respect of the placement of 523,400,000 new ordinary shares of HK\$0.01 each to independent investors at a price of HK\$0.089 per share. The placement was completed on 7 May 2015 and the premium on the issue of shares, amounting to approximately HK\$41,348,600, net of share issue expenses of HK\$2,329,130, was credited to the Company's share premium account.

On 2 June 2015, the Company and Orient Securities (Hong Kong) Limited entered into a placing agreement in respect of the placement of 628,000,000 new ordinary shares of HK\$0.01 each to independent investors at a price of HK\$0.14 per share. The placement was completed on 17 June 2015 and the premium on the issue of shares, amounting to approximately HK\$81,640,000, net of share issue expenses of HK\$4,396,000, was credited to the Company's share premium account.

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

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

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Total debt comprises borrowings (except for bank overdrafts), loan from government, convertible notes and obligations under finance leases. Adjusted capital comprises all components of equity (i.e. share capital, retained profits and other reserves) except for non-controlling interests.

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

The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2015, 90.69% (2014: 89.0%) of the shares were in public hands.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

(a) Statement of financial position of the Company

	Note	2015 HK\$	2014 HK\$
Non-current assets			
Investments in subsidiaries		62	850
Current assets			
Prepayments and other receivables		70,319,895	54,995,210
Amounts due from subsidiaries		161,669,090	231,721,480
Bank and cash balances		78,734,488	477,650
		310,723,473	287,194,340
Current liabilities			
Accruals		2,801,409	3,210,631
Amounts due from subsidiaries		3,668,862	4,798,739
		6,470,271	8,009,370
Net current assets		304,253,202	279,184,970
NET ASSETS		304,253,264	279,185,820
CAPITAL AND RESERVES			
Share capital		37,684,057	26,170,057
Reserves	29(b)	266,569,207	253,015,763
TOTAL EQUITY		304,253,264	279,185,820

Approved by the Board of Directors on 22 March 2016 and are signed on its behalf by:

 CHAN Nap Kee, Joseph

 Dr. CHOW Pok Yu, Augustine

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

(b) Reserve movement of the Company

	Share premium <i>(note 30(b)(i))</i> HK\$	Shares held under share award scheme <i>(note 31)</i> HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2014	1,176,818,023	(1,203,667)	(723,985,150)	451,629,206
Loss for the year	—	—	(199,202,215)	(199,202,215)
Purchase of shares held under the share award scheme	—	(570,094)	—	(570,094)
Award of shares held under share award scheme	—	1,158,866	—	1,158,866
At 31 December 2014 and 1 January 2015	1,176,818,023	(614,895)	(923,187,365)	253,015,763
Loss for the year	—	—	(103,324,921)	(103,324,921)
Issue of shares on placement <i>(note 28)</i>	116,263,470	—	—	116,263,470
Purchase of shares held under the share award scheme	—	(3,912,835)	—	(3,912,835)
Award of shares held under share award scheme	—	4,527,730	—	4,527,730
At 31 December 2015	<u>1,293,081,493</u>	<u>—</u>	<u>(1,026,512,286)</u>	<u>266,569,207</u>

30. RESERVES

(a) Group

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

(b) Nature and purpose of reserves

(i) Share premium

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

30. RESERVES (Continued)

(b) Nature and purpose of reserves (Continued)

(ii) Foreign currency translation reserve

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

31. SHARE-BASED PAYMENTS

Share award scheme

On 10 May 2013, the Company adopted a share award scheme (the "Share Award Scheme") under which shares of the Company (the "Awarded Shares") may be awarded to selected employees (including without limitation any directors) of any members of the Group (the "Selected Employees") pursuant to the terms of the scheme rules and trust deed of the Share Award Scheme. The purpose of the Share Award Scheme are (i) to recognise the contributions by certain employees of any members of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group. The Share Award Scheme became effective on the adoption date and, unless otherwise terminated or amended, will remain in force till 9 May 2017.

The remuneration committee of the Company for the time being, or any other sub-committee of the board of directors of the Company delegated with the power and authority to administer the Share Award Scheme ("the Committee") may from time to time cause to be paid cash or made available to the trustee of the Share Award Scheme (the "Trustee") by way of settlement or otherwise contributed by the Group to the Trust as determined by the Committee from time to time for purchase of the shares of the Company and other purposes set out in the Share Award Scheme and the trust deed entered into between the Company and the Trustee (the "Trust Deed"). The Committee from time to time instruct the Trustee in writing to purchase the shares of the Company on the Stock Exchange. Once purchased, the shares of the Company are to be held by the Trustee for the benefit of the employees under the Trust on and subject to the terms and conditions of the Share Award Scheme and the Trust Deed.

The grant of Award Shares (the "Award") to any Selected Employee is at no consideration. Where the Award is proposed to be made to any Selected Employee who is a director of the Company (including an independent non-executive director of the Company), such grant must first be approved by all members of the remuneration committee of the Company, or in the case where the grant is proposed to be made to any member of the remuneration committee of the Company, by all of the other members of the remuneration committee of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

31. SHARE-BASED PAYMENTS (Continued)

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

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

No further award of Awarded Shares will make which will result in the aggregate nominal value of the shares awarded under the Share Award Scheme exceeding 10% of the issued share capital of the Company at the time of such award. The maximum aggregate nominal value of Awarded Shares which may be awarded to a Selected Employee under the Share Award Scheme shall not exceed 2% of the issued share capital of the Company as at the time of such award.

48,040,000 Awarded Shares (2014: 9,000,000) was awarded during the year ended 31 December 2015.

Movements of shares held under the Share Award Scheme during the year are as follows:

	2015		2014	
	Number of share	Amount HK\$	Number of share	Amount HK\$
At 1 January	5,680,000	614,895	9,270,000	1,203,667
Purchased during the year	42,360,000	3,912,835	5,410,000	570,094
Award during the year	(48,040,000)	(4,527,730)	(9,000,000)	(1,158,866)
At 31 December	—	—	5,680,000	614,895

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

32. SUBSIDIARIES

Particulars of subsidiaries as at 31 December 2015 are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid up capital/ chartered fund	Attributable equity interest	Principal activities
Directly held				
Kaisun Energy Corporation	British West Indies	US\$1 Ordinary	100%	Investment holding
Kaisun Energy Management Ltd	British Virgin Islands	US\$1 Ordinary	100%	Investment holding
Main Logic International Ltd	British Virgin Islands	US\$1 Ordinary	100%	Investment holding
Better Business International Limited	British Virgin Islands	US\$1 Ordinary	100%	Investment holding
Alpha Vision Energy Limited	British Virgin Islands	US\$1 Ordinary	100%	Investment holding
Bigrich Development Limited	British Virgin Islands	US\$1 Ordinary	100%	Investment holding
Longfield Development Limited	British Virgin Islands	US\$1 Ordinary	100%	Investment holding
First Concept Development Limited	British Virgin Islands	US\$1 Ordinary	100%	Investment holding
Indirectly held				
West Glory Development Limited	British Virgin Islands	US\$10,000 Ordinary	100%	Investment holding
Saddleback Mining Limited	United Kingdom	GBP100 Ordinary	100%	Investment holding
Kaisun Mining Corporation LLC	Tajikistan	TJS70,000	100%	Investment holding and exploitation of coal and coal processing
Kaisun Energy Trading Limited	Hong Kong	HK\$10,000 Ordinary	100%	Provision of supply chain management
Wealth Platinum Limited	British Virgin Islands	US\$1 Ordinary	100%	Investment holding
Star Continental Limited	British Virgin Islands	US\$100 Ordinary	52%	Investment holding

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

32. SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operation	Issued and paid up capital/ chartered fund	Attributable equity interest	Principal activities
Indirectly held (Continued)				
Essential Win Limited	British Virgin Islands	US\$1 Ordinary	100%	Investment holding
Sangghalt LLC	Tajikistan	TJS109,800	95.63%	Production and exploitation of coal and coal processing
Kamarob LLC	Tajikistan	TJS4,500,000 (TJS2,000,000 paid-up)	52%	Production and exploitation of coal and coal processing
Anway Enterprises Limited	British Virgin Islands	US\$1 Ordinary	100%	Investment holding
Goodstar Development Limited	British Virgin Islands	US\$1 Ordinary	100%	Investment holding
新疆凱運國際貿易有限公司	PRC	Paid up capital RMB10,000,000	100%	Provision of supply chain management services
深圳凱順鴻欣貿易有限公司	PRC	Paid up capital RMB500,000	100%	Provision of supply chain management services
滕州凱源實業有限公司	PRC	Registered capital HK\$20,000,000 Paid up capital HK\$14,000,000	70%	Manufacturing of coal mining related equipment
山東凱萊能源物流有限公司	PRC	Registered capital HK\$50,000,000 Paid up capital HK\$17,500,000	70%	Provision of supply chain management services
Kaisun Energy Logistic Limited	Hong Kong	HK\$10,000	100%	Not yet commence business
Kaisun Energy Equipment Limited	Hong Kong	HK\$10,000	100%	Investment holding
Kaisun Silk Road Limited	Hong Kong	HK\$1	52%	Not yet commence business

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

32. SUBSIDIARIES (Continued)

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

Name Principal place of business/country of incorporation	Kamarob LLC		滕州凱源實業有限公司		山東凱萊能源 物流有限公司
	Tajikistan/Tajikistan		PRC/PRC		PRC/PRC
	2015 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
% of ownership interests/voting rights held by NCI	48%	48%	30%	30%	30%
At 31 December:					
Non-current assets	—	—	1,923,857	2,253,537	569,316
Current assets	—	—	10,298,928	5,302,893	15,998,126
Non-current liabilities	—	—	—	—	—
Current liabilities	(15,242,641)	(20,081,912)	(3,151,767)	(541,095)	(248,954)
Net (liabilities)/assets	(15,242,641)	(20,081,912)	9,071,018	7,015,335	16,318,488
Accumulated NCI	(7,316,467)	(13,879,580)	(223,545)	2,104,600	(354,453)
Year ended 31 December:					
Revenue	—	—	5,657,554	2,133,252	11,548,472
Loss	—	(9,681,481)	(3,004,874)	(2,115,027)	(699,849)
Total comprehensive income	—	(9,681,481)	(3,004,874)	(2,115,027)	(699,849)
Loss allocated to NCI	—	(14,364,589)	(901,462)	(634,508)	(209,955)
Dividends paid to NCI	—	—	—	—	—
Net cash used in from operating activities	—	(41,067)	(5,523,545)	(2,279,409)	(13,690,592)
Net cash used in investing activities	—	—	—	—	—
Net cash generated from financing activities	—	—	5,600,000	2,383,057	17,500,000
Net (decrease)/increase in cash and cash equivalents	—	(41,067)	76,455	103,648	3,809,408

As at 31 December 2015, the bank and cash balances of the Group’ subsidiaries in the PRC denominated in RMB amounted to HK\$1,912,765 (2014: HK\$1,234,192). Conversion of RMB into foreign currencies is subject to the PRC’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

33. NOTED TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Disposal of subsidiaries

On 16 December 2015, the Group disposed its subsidiaries, First Progressive Asia Limited, Rovat LLC, Kingdom Expo Limited and Kingdom Equipments LLC.

Net liabilities at the date of disposal were as follows:

	HK\$
Deposits, prepayment and other receivables	819
Other payables and accruals	<u>(5,031,858)</u>
Net liabilities disposed of	(5,031,039)
Release of foreign currency translation reserve	(15,237,639)
Gain on disposal of subsidiaries	<u>20,269,458</u>
Total consideration	<u>780</u>
Consideration satisfied by	
Cash	<u>780</u>
Net cash inflow arising on disposal:	
Cash consideration received	780
Cash and cash equivalents disposed of	<u>—</u>
	<u>780</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

33. NOTED TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

Disposal of subsidiaries (Continued)

On 1 September 2014, the Group disposed its subsidiaries, Active Million Limited, Vuromun LLC, Union Peace Limited and Union Management LLC.

Net assets at the date of disposal were as follows:

	HK\$
Fixed assets	71,143
Deposits, prepayment and other receivables	209,615
Bank and cash balances	1,568
Other payables and accruals	<u>(153,809)</u>
Net assets disposed of	128,517
Release of foreign currency translation reserve	184,850
Loss on disposal of subsidiaries	<u>(313,351)</u>
Total consideration	<u><u>16</u></u>
Consideration satisfied by	
Cash	<u><u>16</u></u>
Net cash inflow arising on disposal:	
Cash consideration received	16
Cash and cash equivalents disposed of	<u>(1,568)</u>
	<u><u>(1,552)</u></u>

34. CONTINGENT LIABILITIES

At 31 December 2015, the Group did not have any significant contingent liabilities (2014: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

35. LEASE COMMITMENTS

At 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015 HK\$	2014 HK\$
Within one year	832,315	1,472,306
In the second to fifth years inclusive	—	832,315
	<u>832,315</u>	<u>2,304,621</u>

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

36. SEGMENT INFORMATION

The Group has three reportable segments which are production and exploitation of coal in Tajikistan, provision of supply chain management services for mineral business and mining and metallurgical machineries production in Shandong 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 the consolidated financial statements. Segment profits or losses do not include dividend income and gains or losses from investments. Segment assets do not include amounts due from related parties and investments. Segment liabilities do not include derivative instruments. Segment non-current assets do not include financial instruments and deferred tax assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

36. SEGMENT INFORMATION (Continued)

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

	Provision of supply chain management services for mineral business HK\$	Production and exploitation of coal in Tajikistan HK\$	Mining and metallurgical machineries production in Shandong HK\$	Total HK\$
Year ended 31 December 2015				
Revenue from external customers	11,162,182	1,853,732	5,657,555	18,673,469
Segment loss	(68,956,249)	(9,998,198)	(4,761,653)	(83,716,100)
Interest revenue	207,337	—	1,049	208,386
Depreciation and amortisation	1,423,759	7,236,896	262,054	8,922,709
Income tax expense	—	—	1,874	1,874
Other material non-cash items:				
Impairment of assets	—	8,966,352	—	8,966,352
Additions to segment non-current assets	857,304	—	24,473	881,777
As at 31 December 2015				
Segment assets	127,367,354	1,182	12,461,448	139,829,984
Segment liabilities	<u>4,480,952</u>	<u>4,751,663</u>	<u>1,600,459</u>	<u>10,833,074</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

36. SEGMENT INFORMATION (Continued)

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

	Provision of supply chain management services for mineral business HK\$	Production and exploitation of coal in Tajikistan HK\$	Mining and metallurgical machineries production in Shandong HK\$	Total HK\$
Year ended 31 December 2014				
Revenue from external customers	16,216,459	18,528,522	2,133,252	36,878,233
Segment loss	(128,095,558)	(52,962,117)	(4,576,149)	(185,633,824)
Interest revenue	—	—	2,034	2,034
Depreciation and amortisation	192,248	21,567,587	148,752	21,908,587
Income tax expense	—	622,931	3,803	626,734
Other material non-cash items:				
Impairment of assets	—	18,879,916	—	18,879,916
Additions to segment non-current assets	—	96,344	889,572	985,916
As at 31 December 2014				
Segment assets	142,509,622	25,341,244	7,556,430	175,407,296
Segment liabilities	<u>1,727,965</u>	<u>12,811,068</u>	<u>541,095</u>	<u>15,080,128</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

36. SEGMENT INFORMATION (Continued)

Reconciliations of segment revenue and profit or loss:

	2015 HK\$	2014 HK\$
Revenue		
Total revenue of reportable segments	18,673,469	36,878,233
Consolidated revenue	<u>18,673,469</u>	<u>36,878,233</u>
Profit or loss		
Total profit or loss of reportable segments	(83,716,100)	(185,633,824)
Deferred tax	25,402,624	5,035,319
Staff costs	(17,216,636)	(11,917,443)
Unallocated corporate income	11,220,573	17,658,842
Unallocated corporate expense	(19,230,186)	(44,951,946)
Consolidated loss for the year	<u>(83,539,725)</u>	<u>(219,809,052)</u>

Reconciliations of segment assets and liabilities:

	2015 HK\$	2014 HK\$
Assets		
Total assets of reportable segments	139,829,984	175,407,296
Financial assets at fair value through profit or loss	9,703,480	—
Unallocated corporate assets	162,250,061	142,298,358
Consolidated total assets	<u>311,783,525</u>	<u>317,705,654</u>
Liabilities		
Total liabilities of reportable segments	10,833,074	15,080,128
Deferred tax liabilities	235,668	29,588,607
Unallocated corporate liabilities	4,713,056	11,859,097
Consolidated total liabilities	<u>15,781,798</u>	<u>56,527,832</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

36. SEGMENT INFORMATION (Continued)

Geographical information:

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

Revenue

	2015 HK\$	2014 HK\$
Tajikistan	1,853,732	18,528,522
The PRC except Hong Kong	16,819,737	18,349,711
Consolidated total	<u>18,673,469</u>	<u>36,878,233</u>

Non-current assets

	2015 HK\$	2014 HK\$
Hong Kong	204,585	195,623
Tajikistan	—	27,895,053
The PRC except Hong Kong	4,992,818	5,951,918
Consolidated total	<u>5,197,403</u>	<u>34,042,594</u>

Revenue from major customers:

	2015 HK\$	2014 HK\$
Provision of supply chain management services for mineral business		
Customer a	—	16,216,459
Customer b	8,845,197	—