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

Annual Report 2017

* For identification purpose only

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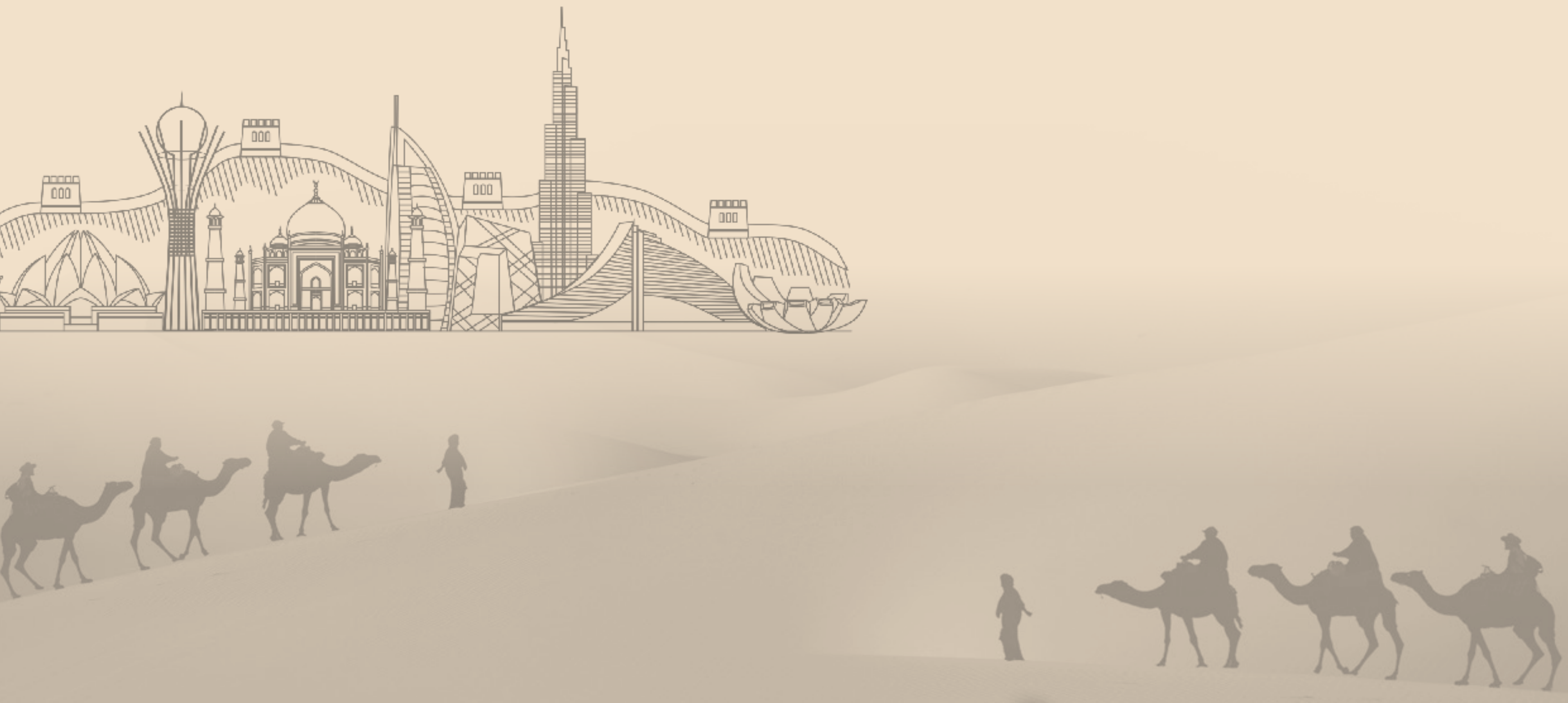
This report, for which the directors (the "Directors") of Kaisun Energy Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM for the purpose of giving information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



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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 Chief Executive Officer)
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 Yean
Mr. Chan Nap Kee, Joseph

Authorised Representatives

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

Compliance Officer

Mr. Yang Yongcheng

Auditors

RSM Hong Kong

Registered Office

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Cayman Islands

Head Office and Principal Place of Business in Hong Kong

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

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

	Year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**90,680**	35,218	18,673	36,878	266,188
Profit/(loss) before tax	**73,754**	(3,665)	(107,476)	(223,524)	(200,837)
Income tax credit/(expense)	**4,543**	(9,864)	23,936	3,715	3,821
Less: (Profit)/loss attributable to non-controlling interests	**(28,990)**	113	(7,534)	18,357	29,080
Profit/(loss) attributable to owners of the Company	**49,307**	(13,416)	(91,074)	(201,452)	(167,936)

ASSETS AND LIABILITIES

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

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

Chairman's Statement

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

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

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

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

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

Chairman's Statement

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

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

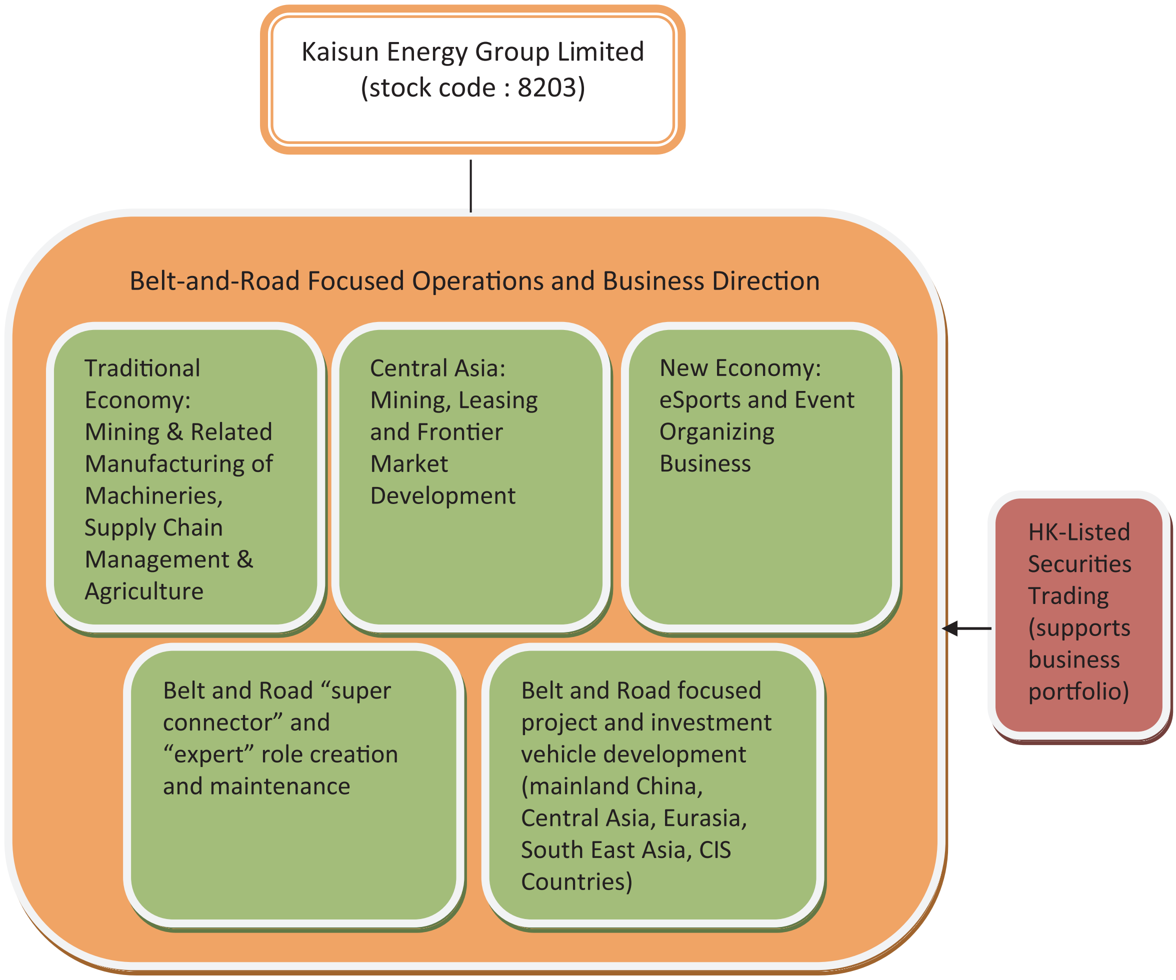
Now, I am very pleased to say that led by the Board and management of the Group, a proper structure to reflect our three main sectors was established; with a robust internal control and risk management system in place and the burden of the after effects of the commodities slump was already past history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

Management Discussion and Analysis

OVERVIEW

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

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



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

Management Discussion and Analysis

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

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

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

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

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

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

I. TRADITIONAL ECONOMY BUSINESS UNIT ("TEBU")

Description of Traditional Economy Business Unit

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

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

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

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

Management Discussion and Analysis

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

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

Highlights of the Development of TEBU in 2017

Investment and Operation in Mining:

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

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

Supply Chain Management and Services:

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

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

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

Shandong Logistics Business:

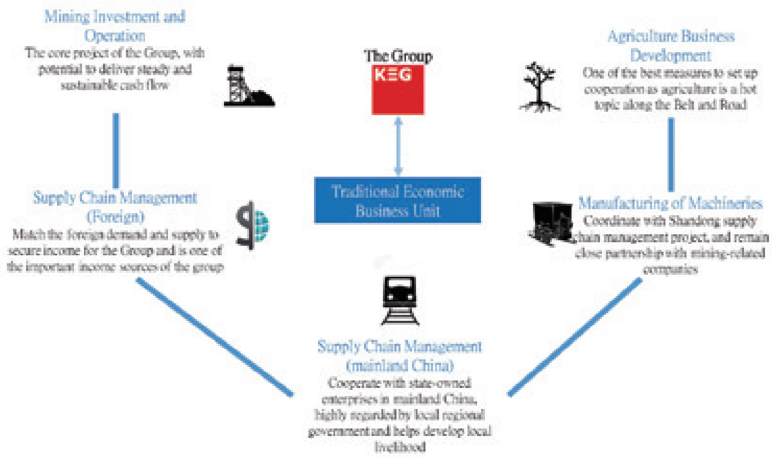
- Mr. Li Feng, the mayor of Zaozhuang City in Shandong Province, and his team visited the Group and discussed with the management for the Belt and Road development opportunities in Shandong.

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

Management Discussion and Analysis

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

Reporting System



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

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

Management Discussion and Analysis

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

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

Macro-environment Faced by TEBU

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

1. ***Coal and Supply Chain Service Business:***

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

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

Management Discussion and Analysis

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


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

国家发展改革委 国家能源局
关于印发煤炭工业发展"十三五"规划的通知

发改能源〔2016〕2714号

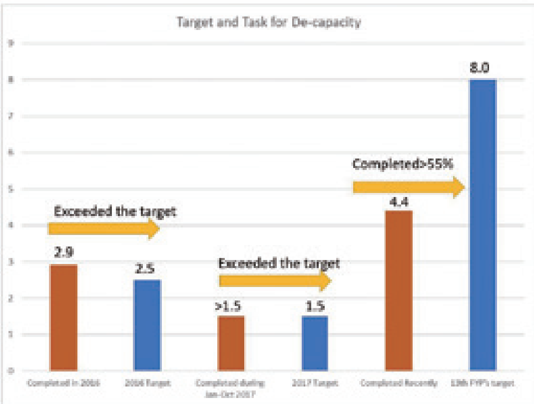
各省（自治区、直辖市）发展改革委（能源局）、煤炭行业管理部门、新疆生产建设兵团发展改革委，各有关中央企业：

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

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

Management Discussion and Analysis

- De-capacity task in good progress:



(Data source: Wind, CICC market research department)

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

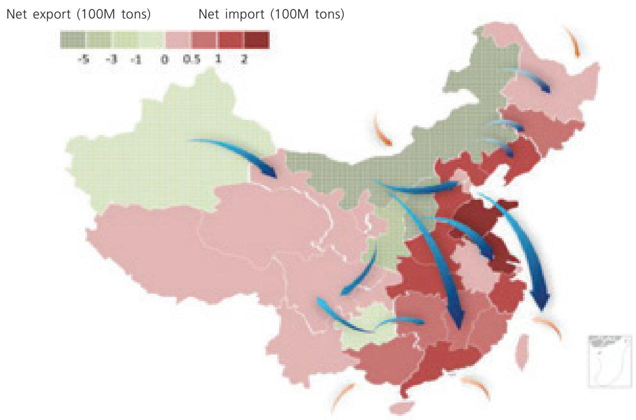
- Increasing supply from "advanced capacity":

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

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

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

Management Discussion and Analysis



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

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

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

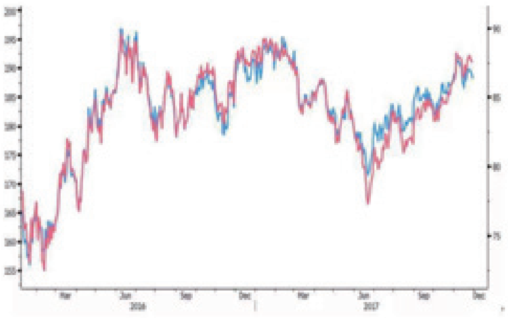
To sum up, the provinces of Xinjiang, Inner Mongolia and Shanxi will be leading and assisting the sustainable development of China's coal industry starting the announcement of 13th FYP. Due to the effects of the policy and rise of international oil price, the superiority of railway transportation of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

Management Discussion and Analysis

2. *Commodity Supply Chain Management*

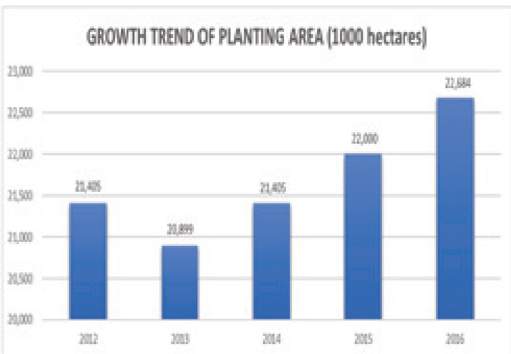
CRB/Bloomberg

CPI index for 2016 and 2017



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

3. *Agriculture Development*



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

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

With the rising standard of living, the number of organic vegetable consumers is increasing while the conventional food market is in a rut. According to "Analysis Report During 13th FYP On The Pollution-free Non-seasonal Vegetable Industry And Relevant Investment Strategy" released by Newsijie, the total turnover for vegetable within China in 2016 had reached RMB72.248 billion.

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

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

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

Management Discussion and Analysis

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

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

TEBU 2017 Business Review:

1. Investment in Coal Mining and Operation

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

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

Front Door of Xingliang

Preliminary Excavation of Pit

Side-slope Protection Construction

Some Equipment Display

Management Discussion and Analysis

2. *Supply Chain Management Services*

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

3. *Shandong Logistics Centre*

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

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

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

Management Discussion and Analysis

Freight Station of Railway:

High Freight Station-Loading and storage of coal:

Lower Freight Station-transporting coal

Management Discussion and Analysis

4. *Manufacturing of Machineries:*

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

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

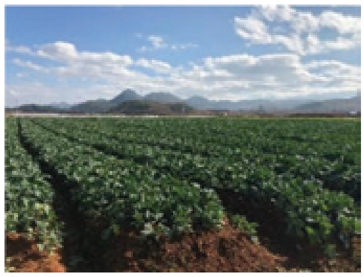
Images of Products and Production Site:

Management Discussion and Analysis

5. Agriculture Investment & Development

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


Production Base in Yunnan


Production Base in Ningxia


Production Base in Huizhou

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

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

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

Management Discussion and Analysis

TEBU Development Plan for 2018

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

1. ***Coal investment and operation***

- We will begin the comprehensive construction of underground work of the Xingliang mine so that it can reach annual production capacity of up to 900,000 tons.

- During construction of the mine, pilot coal production will be 30,000 tons in 2018, and we estimate the production volume will reach 300,000 tons in 2019 and 600,000 tons in 2020.

- For better implementation of sales strategy, market research and analysis of coal market will be prepared seasonally for formulating sales strategy. Furthermore, we will arrange meetings with power supply enterprise and chemical production enterprise to establish the sales network with a view to enter the sales agreements with potential customers.

- Set up the Internet of things (IoT) to analyse the performance of the production, machinery status, and human resources for centralised management and control purpose.

- To facilitate local livelihood project that can help relieve tight supply of domestic coal during the winter months.

- Extend the production chain to the downstream and develop for coal washing business.

- Deepen cooperation with Turpan Energy Functional Department to increase the Group's energy reserves in Xinjiang.

2. ***Supply Chain Management***

Mainland China:

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

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

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

Mongolia:

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

3. *Agricultural business development*

- Enhance the internal control system of Cheung Lee.

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

- Seek to enhance cooperation with other enterprises.

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

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

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

4. *Supply Chain Management (Foreign)*

- Enhance the quality control of the products.

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

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

5. *Manufacturing of machineries and R&D*

- Extend the production line by further investment to enhance the production capacity.

- Accelerate the research and development process, and design new model to fulfil customer's needs.

- Enhance the R&D of accessories and to provide after sale services, thus to create a long-standing collaboration with the customers.

Management Discussion and Analysis

II. CENTRAL ASIA BUSINESS UNIT

Kaisun's Central Asia Strategy

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

Performance Review in 2017:

Finance Lease Business

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

Coal Mining in Tajikistan

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

1. Kaisun Will Continue To Explore Business In Tajikistan

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

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

In the economic and trade aspect, China-Tajikistan trade volume exceeded USD1 billion dollars in 2017. Both sides will maintain close contacts and timely communication at the highest level. 2017 marks the 25th anniversary of the establishment of diplomatic ties between China and Tajikistan. Leader from both countries had three fruitful meetings respectively in Astana, Beijing and Xiamen.

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

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

Management Discussion and Analysis

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

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

2. **Keep an eye on Uzbekistan market and potential projects**

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

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

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

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

Management Discussion and Analysis

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

III. NEW ECONOMY BUSINESS UNIT ("NEBU")

New Economy Business Unit ("NEBU") Establishment and Development Highlights

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

    a) Grand strategy: Belt & Road

    b) Business type: new economy industry related

    c) Investment: asset light in nature

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

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

    i) eSports business (new economy event organizing)

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

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

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

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

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

Management Discussion and Analysis

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

eSports business:

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

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

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

Event organizing and consultancy business:

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

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

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

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

NEBU Procurement unit:

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

Investment in UK Belt & Road Fund Management Company:

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

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

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

Management Discussion and Analysis

Preference shares in Xin Ying financial platform:

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

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

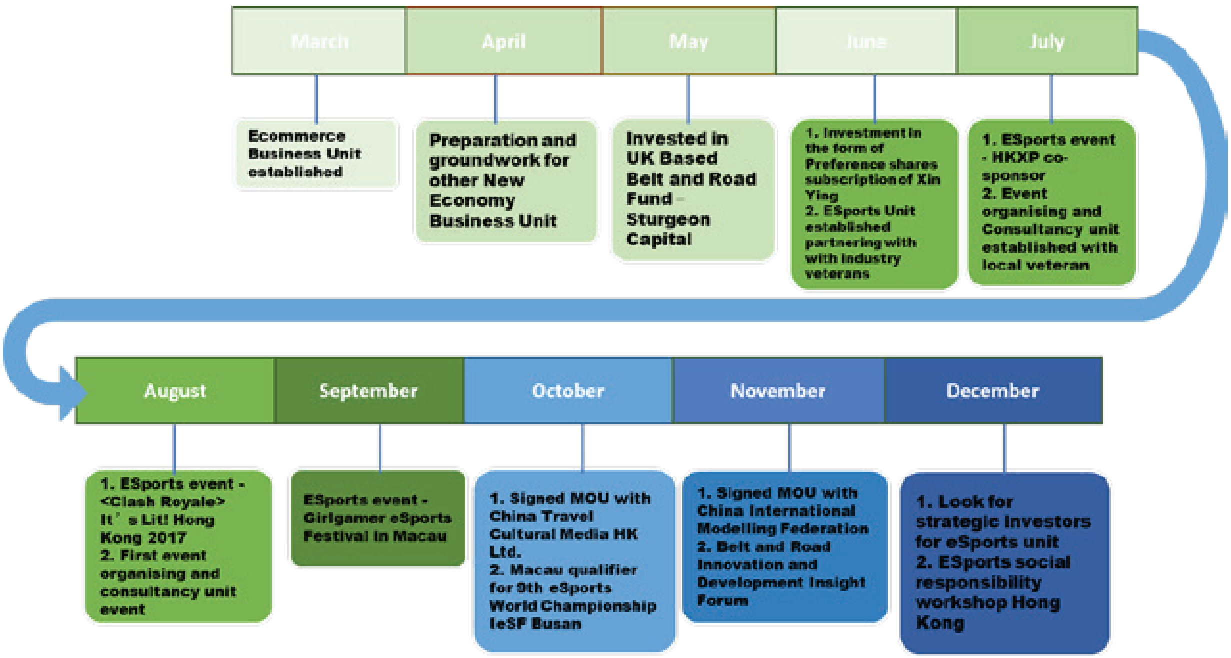
A. THE ESTABLISHMENT AND DEVELOPMENT OF THE NEW ECONOMY BUSINESS UNIT

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

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

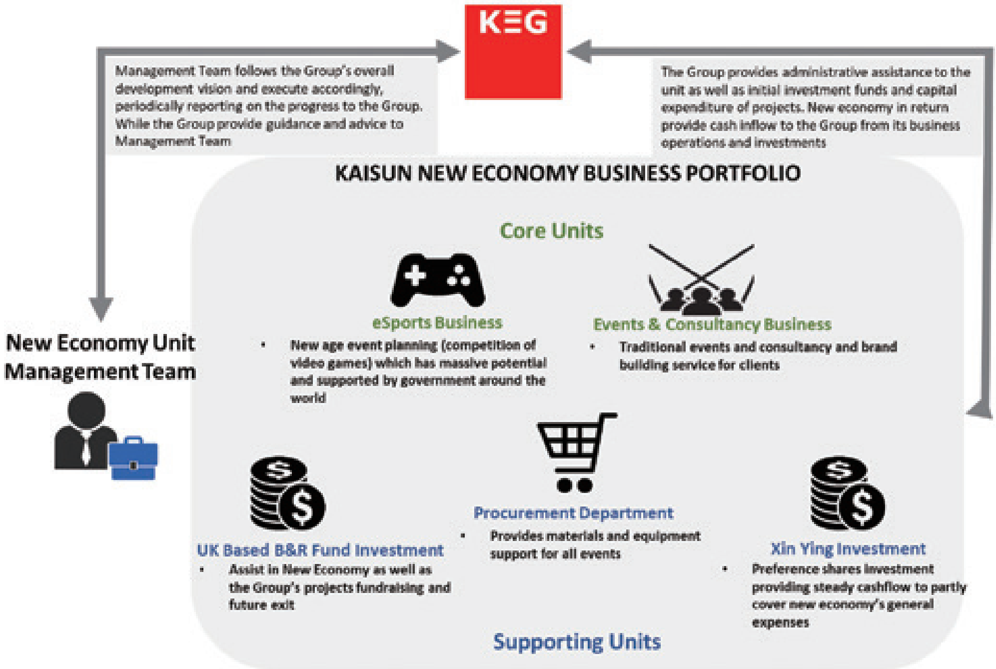
Other business opportunities including investment in Belt and Road, fund management companies, hosting sporting events, e-Commerce, online financial platforms, etc. were also explored. In the end, management of the NEBU believes that event organization which includes eSports and Belt & Road related events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

Management Discussion and Analysis



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

Management Discussion and Analysis



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

B. NEW ECONOMY BUSINESS UNIT PERFORMANCE REVIEW

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

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

Management Discussion and Analysis

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

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

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

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

Management Discussion and Analysis

SWOT Analysis of New Economy Business Unit

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

S

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

W

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

O

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

T

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

Management Discussion and Analysis

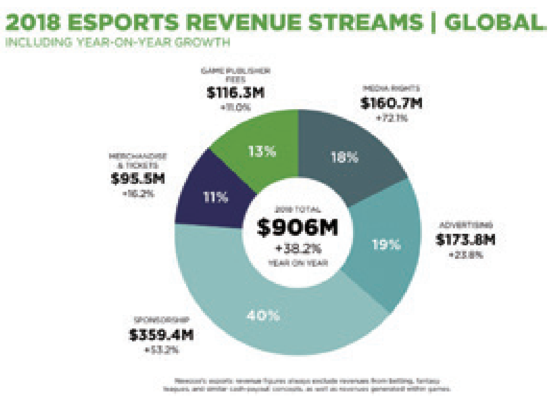
C. INDIVIDUAL NEW ECONOMY BUSINESS UNIT REVIEW AND HIGHLIGHTS

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

C1. eSports Business Unit

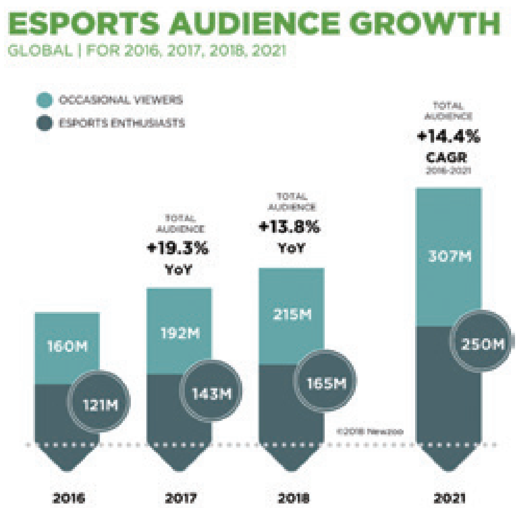
For a more detailed explanation on what eSports is and why the NEBU is interested in the industry please refer to the MD&A section of annual report of the Group for the year ended 2016. But in a nutshell, eSports is the competition of video games and it is one of the latest forms of entertainment that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

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



Management Discussion and Analysis

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



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

Management Discussion and Analysis


The 2018-19 Budget

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

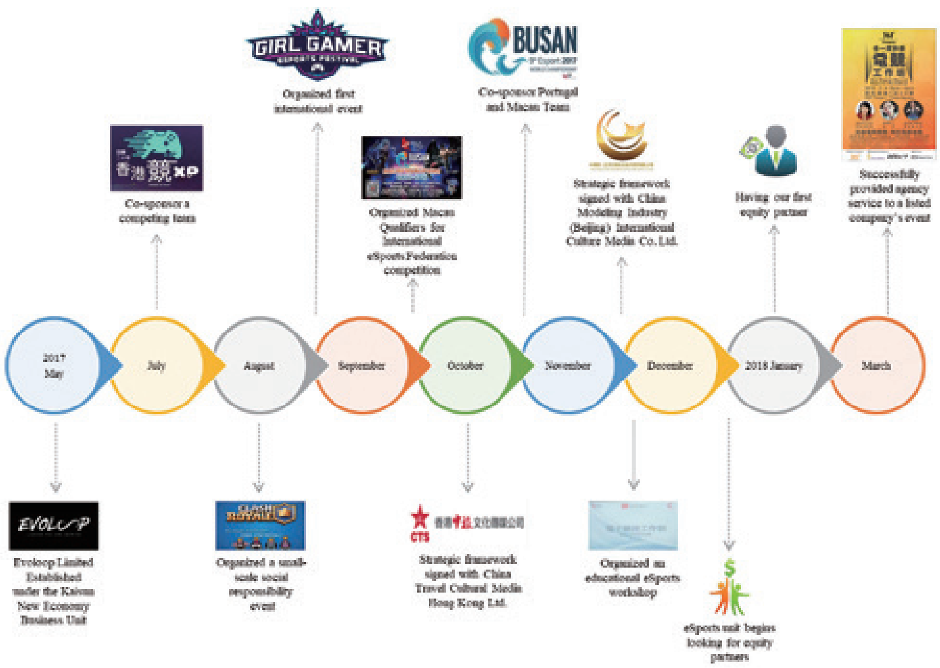
Budget Speech

Innovation and Technology

E-sports

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

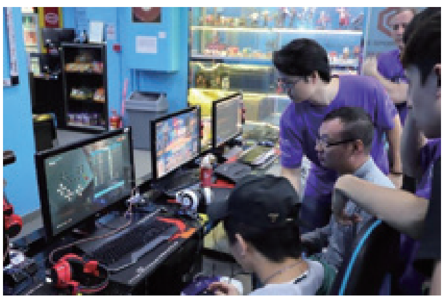
Kaisun NEBU eSports establishment and development timeline



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

Management Discussion and Analysis

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



Management Discussion and Analysis

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

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

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

Management Discussion and Analysis

C2. Event Organizing and Consultancy Business Unit

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

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

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

Management Discussion and Analysis

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

Management Discussion and Analysis

D. NEW ECONOMY BUSINESS UNIT PROSPECTS

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

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

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

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

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

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

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

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

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

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

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

IV. HONG KONG-LISTED SECURITIES TRADING

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

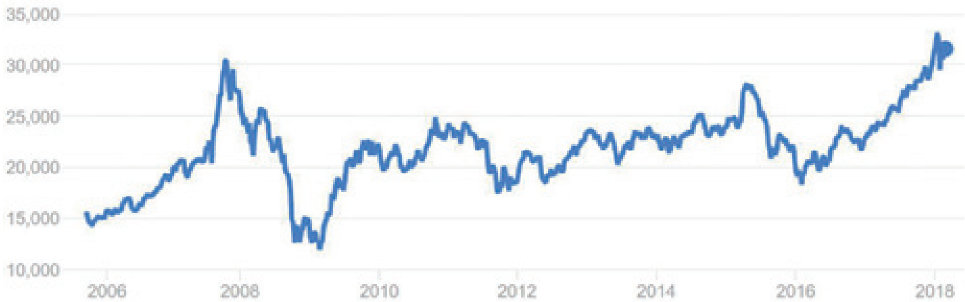
The atmosphere of the global and Hong Kong stock market was positive last year and our Hong Kong listed securities trading has performed better than expected under the management of the investment committee, and the capital gain has been used on the development and covering administration cost of our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

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

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

Management Discussion and Analysis

Hang Seng Index 2006–2017



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

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

FINANCIAL REVIEW

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

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

Management Discussion and Analysis

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

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

According to our announcement dated 11 April 2017 in relation to the acquisition of Xingliang coal mine in Xinjiang of PRC, on 12 October 2016, subsidiary of the Group invested 10% of equity shares of Xingliang coal mine for the consideration of about HK$1.1 million. As at 31 December 2016, the Group recognized this investment as available-for-sales financial assets.

On 8 February 2017, subsidiary of the Group further acquired 90% of Xingliang coal mine for a total of 100% shareholding. Upon completion of the acquisition, the fair value of the 100% net assets acquired was approximately HK$116.1 million and therefore fair value of 10% of the initial investment would be approximately HK$11.6 million.

According to the HKFRS3 "Business Combination", the difference in the carrying value of the available-for-sales financial assets and the fair value of the net assets acquired was recorded as the gain on deemed disposal of the available-for-sales financial assets, which was approximately HK$10.5 million.

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

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

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

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

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

Management Discussion and Analysis

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

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

Notes:

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

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

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

Management Discussion and Analysis

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

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

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

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

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

Notes:

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

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

Management Discussion and Analysis

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

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group has bank and cash balances of approximately HK$26.0 million (2016: HK$36.3 million) and cash balances of approximately HK$3.1 million (2016: HK$1.5 million) hold in securities brokers. The fair value of listed securities hold by the Group amounted to HK$113.9 million (2016: HK$102.7 million).

FINAL DIVIDEND

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

GEARING RATIO

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

CAPITAL STRUCTURE

On 16 January 2017, the Company issued and allotted Rights Shares and after the Share consolidation become effective on 16 February 2017, the total number of Right Shares became 188,420,285.

On 2 June 2017, the Company issued and allotted 11,305,200 shares under specific mandate pursuant to the grant of award shares under the Company's shares award scheme 2016.

FOREIGN EXCHANGE EXPOSURE

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

RIGHTS ISSUE AND USE OF PROCEEDS

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

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

Management Discussion and Analysis

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

INCOME TAX

Details of the Group's income tax expense for the year 2017 are set out in note 10.

HUMAN RESOURCES

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

The Group continues to employ, promote and reward its staff with reference to their performance and experience. In addition to their basic salaries, the Group's employees are also entitled to other fringe benefits such as provident fund. The management will continue to closely monitor the human resources requirements of the Group, and will also put emphasis on the staff quality. During the year 2017, the Group had not experienced any significant labour disputes which led to the disruption of its normal business operations. The Directors consider the Group's relationship with its employees to be good.

The total staff costs, including Directors' emoluments, amounted to approximately HK$26.1 million (2016: HK$20.3 million) for the year 2017.

SEGMENT REPORT

The detailed segmental analysis are provided in note 38.

CONTINGENT LIABILITIES

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

LITIGATION

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

Biography of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chan Nap Kee, Joseph, aged 57, is the chairman and 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 MSc in International Marketing from the University of Strathclyde, BSc in Aviation Management from Coventry University and a diploma in China Investment and Trade from Peking University.

Mr. Chan has over 30 years of experience in commercial and investment banking, and asset management. From 1994 to now, Mr. Chan has been a founding partner of Oriental Patron Financial Group where he is also an executive director of Oriental Patron Asia Limited and a non-executive director of Oriental Patron Securities Limited.

In December 2016, Mr. Chan was re-appointed as Non-executive director of HNA Infrastructure Company Limited (Stock Code: 357), a company listed on the Main Board of the Stock Exchange. He is also as a 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 North Asia Strategic Holdings Limited. On social services, Mr. Chan is Chairman of Silk Road Economic Development Research Centre, Executive Vice President of Hong Kong Energy and Minerals United Associations, Vice Chairman of China Hong Kong Economic Trading International Association and Vice President of Hong Kong Hubei Fraternity, Chairman of Banking, Finance & Securities Committee of Hong Kong Macau and Myanmar Chamber of Commerce & Industry, and Honorary Advisor of Xinjiang Association of Hong Kong.

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

Mr. Yang Yongcheng, aged 48, was appointed as an executive Director in February 2009, and Compliance Officer with effect from 31 December 2016. He graduated from the Yikezhao League School of Finance (伊盟財經學校) in Inner Mongolia of the PRC and the China Central Radio & TV University, majoring in financial accounting. He holds an EMBA from the Zhongnan University of Economics and Law.

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

Biography of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liew Swee Yean, aged 54, 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. He was an independent non-executive director of Siberian Mining Group Company Limited, a company listed on the Main Board of the Stock Exchange, until 18 February 2014.

Mr. Siu Siu Ling, Robert, aged 65, is Chairman of Nomination and Corporate Governance Committee, member of audit committee and remuneration committee. He is a sole proprietor of the firm Messrs. Robert Siu & Co., Solicitors. Mr. Siu is an independent non-executive director of Finet Group Limited (Stock Code: 8317) and Future World Financial Holdings Limited (Stock Code: 572), all of which are listed on the Hong Kong Stock Exchange.

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

He was an independent non-executive director of DT Capital Limited (Stock Code: 356) until 28 July 2014 and CMBC Capital Holdings Limited (Stock Code: 1141) until 28 June 2017, all of which are listed on the Main Board of the Stock Exchange. Mr. Siu was also appointed as a director of MBMI Resources Inc., a company listed on Toronto Stock Exchange (TSX-V: MBR) from December 2012 to March 2015.

Dr. Wong Yun Kuen, aged 60, is the Chairman of Remuneration Committee and member of audit committee. He received two B.S. degrees in Geology and Mathematics from University of Wyoming, and Master and Ph.D. degree in Geophysics from Harvard University, and was "Distinguished Visiting Scholar" in finance at Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for many years, and has considerable experience in corporate finance, investment and derivative products. He is a member of Hong Kong Securities Institute and a life member of American Geophysical Union.

He is the Chairman and executive director of both Far East Holdings International Limited when he was re-designated from independent non-executive director with effect from 18 July 2017, and UBA Investments Limited, executive director of Ngai Shun Holdings Limited, non-executive director of China Sandi Holdings Limited and the independent non-executive director of Kingston Financial Group Limited, DeTai New Energy Group Limited, GT Group Holdings Limited, Tech Pro Technology Development Limited and Synergis Holdings Limited.

He was also an independent non-executive director of Huajun Holdings Limited until 25 September 2014, Huge China Holdings Limited until 1 January 2015, Kong Sun Holdings Limited until 7 November 2014 and KuangChi Science Limited until 23 August 2014, Bauhaus International (Holdings) Limited until 26 December 2016 and Sincere Watch (Hong Kong) Limited until 1 December 2017, all listed on the Stock Exchange.

Biography of Directors and Senior Management

Mr. Anderson Brian Ralph, aged 74, 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.

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 2017.

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 34 to the Consolidated Financial Statements.

An analysis of the Group's performance for the year ended 31 December 2017 by segments is set out in note 38 to the Consolidated Financial Statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss on page 90.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2017.

BUSINESS REVIEW

A review of the business of the Group for the year 2017 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 6 to 47. In addition, the financial risk management objectives and policies of the Group can be found in note 6 of the Consolidated Financial Statements. An analysis of the Group's performance during the year 2017 using financial key performance indicators is provided in the Financial Summary on page 4.

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

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

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

Report of the Directors

RESERVES

Movements in the reserves of the Group during the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity of the Group.

DONATIONS

Charitable and other donations made by the Group during the year ended 31 December 2017 amounted to HK$Nil (2016: HK$Nil).

FIXED ASSETS

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

SHARE CAPITAL

Particulars of the share capital of the Company are set out in note 30 to the Consolidated Financial Statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2017 amounted to HK$267,900,161 (2016: HK$191,963,775). 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 2017, 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 2,070,000 Shares of the Company at a total consideration of about HK$772,850.

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 two share award schemes, Share Award Scheme 2013 and Share Award Scheme 2016, for the purpose of assisting in recruiting, retaining and motivating key staff members. Eligible participants of the schemes include the Company's directors (including independent non-executive directors) and other employees of the Group.

I. Share Award Scheme 2013

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

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

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

II. Share Award Scheme 2016

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

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

Report of the Directors

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

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

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

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

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

Report of the Directors

DIRECTORS

The Directors during the year 2017 and up to the date of this report were:

Executive Directors:

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

Independent Non-Executive Directors

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

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

During the year 2017, 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 and Mr. Anderson Brian Ralph 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.

As Mr. Liew Swee Yean, Mr. Siu Siu Ling, Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph served for more than 9 years in year 2017, accordingly, his further appointment in 2018 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 Yean, Mr. Siu Siu Ling, Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph offer himself for re-election at the AGM.

Report of the Directors

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

DIRECTORS' SERVICE CONTRACTS

The term of office for each of Mr. Liew Swee Yean, Mr. Siu Siu Ling Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph, being the independent non-executive directors, is for a term of one year and may be extended for such period as agreed in writing by the directors concerned and the Company. Currently, Mr. Liew Swee Yean has been appointed as an independent non-executive director up to 7 November 2018, Mr. Siu Siu Ling Robert has been appointed as an independent non-executive director up to 31 December 2018, Dr. Wong Yun Kuen has been appointed as an independent non-executive director up to 29 September 2018, while Mr. Anderson Brian Ralph has been appointed as an independent non-executive director up to 22 January 2019.

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 13 to the Consolidated Financial Statements.

DIRECTORS' REMUNERATION

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

DIRECTORS' 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 2017 under review.

DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY

The interest of the directors in the Shares of the Company, after allotment of rights shares on 16 January 2017 and share consolidation of 10 shares into 1 share which became effective on 16 February 2017, were as follow:

Name of Directors	Capacity	Number of shares as at 31 December 2017	Approximate percentage of the total issued Shares as at 31 December 2017
Chan Nap Kee, Joseph	Beneficial owner	161,882,298 *(Note 1)*	28.08%
Yang Yongcheng	Beneficial owner	615,000 *(Note 2)*	0.11%
Wong Yun Kuen	Beneficial owner	525,000 *(Note 3)*	0.09%
Liew Swee Yean	Beneficial owner	204,000 *(Note 3)*	0.04%
Siu Siu Ling, Robert	Beneficial owner	204,000 *(Note 3)*	0.04%
Anderson Brian Ralph	Beneficial owner	150,000 *(Note 3)*	0.03%

Save as disclosed above, as at 31 December 2017, none of the directors or chief executive of the Company had any interest or short position in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Ordinance) which is required to be notified to the Company and the Stock Exchange pursuant to divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or any interests required to be entered in the register maintained in accordance with Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors.

Notes:

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

2. Of these, 400,000 shares were shares awarded to Mr. Yang Yongcheng as Director on 30 December 2015 under the Share Award Scheme 2013.

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

Report of the Directors

INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN SHARES OF THE COMPANY

As at 31 December 2017, so far as is known to the Directors of the Company, the persons who had an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholders	Capacity and nature of interest	Number of shares as at 31 December 2017	Approximate percentage of the total issued shares as at 31 December 2017
Mr. Chan Nap Kee, Joseph	Beneficial Owner	161,882,298	28.08%
Ms. Yeung Po Yee, Bonita	Interest of spouse *(Note 1)*	161,882,298	28.08%
Mr. Zhang Xiongfeng	Beneficial Owner	49,320,000	8.55%
Ms. Wu Mingqin	Interest of spouse *(Note 2)*	49,320,000	8.55%

Notes:

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

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

Save as disclosed above, the Directors were not aware of any other person (other than the directors and the chief executives of the Company) who, as at 31 December 2017, 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.

CONTINUING CONNECTED TRANSACTIONS

Agreement for Supply of Coal for three years

On 30 November 2017, Shandong Kailai entered into the Master Coal Supply Agreement with Yihe and Zaozhuang Bayi in relation to the supply of coal by Shandong Kailai to Yihe for a term of three years commencing from 1 January 2018 to 31 December 2020 (both dates inclusive). It is expected that the transaction amount for the transactions under the Master Coal Supply Agreement for the three years ending 31 December 2020 will not exceed the annual caps of HK$414 million, HK$448.5 million and HK$448.5 million, respectively.

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

Report of the Directors

Master Coal Supply Agreement

Date and parties

Date : 30 November 2017

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

Principal terms of the Master Coal Supply Agreement

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

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

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

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

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

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

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

5. the quantity of coal;

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

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

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

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

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

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year 2017 under review.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of cost of sales and sales for the year 2017 attributable to the Group's major suppliers and customers are as follows:

Cost of sales	
— the largest supplier	57.0%
— five largest suppliers combined	74.1%
Sales	
— the largest customer	52.6%
— five largest customers combined	75.1%

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 2017. Details of compliance and deviation are set out in the Corporate Governance Report on pages 62 to 84.

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.

Report of the Directors

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 34 to the Consolidated Financial Statements.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

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

AUDITORS

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

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

Our company has not changed the auditor since its incorporation.

For and on behalf of the Board

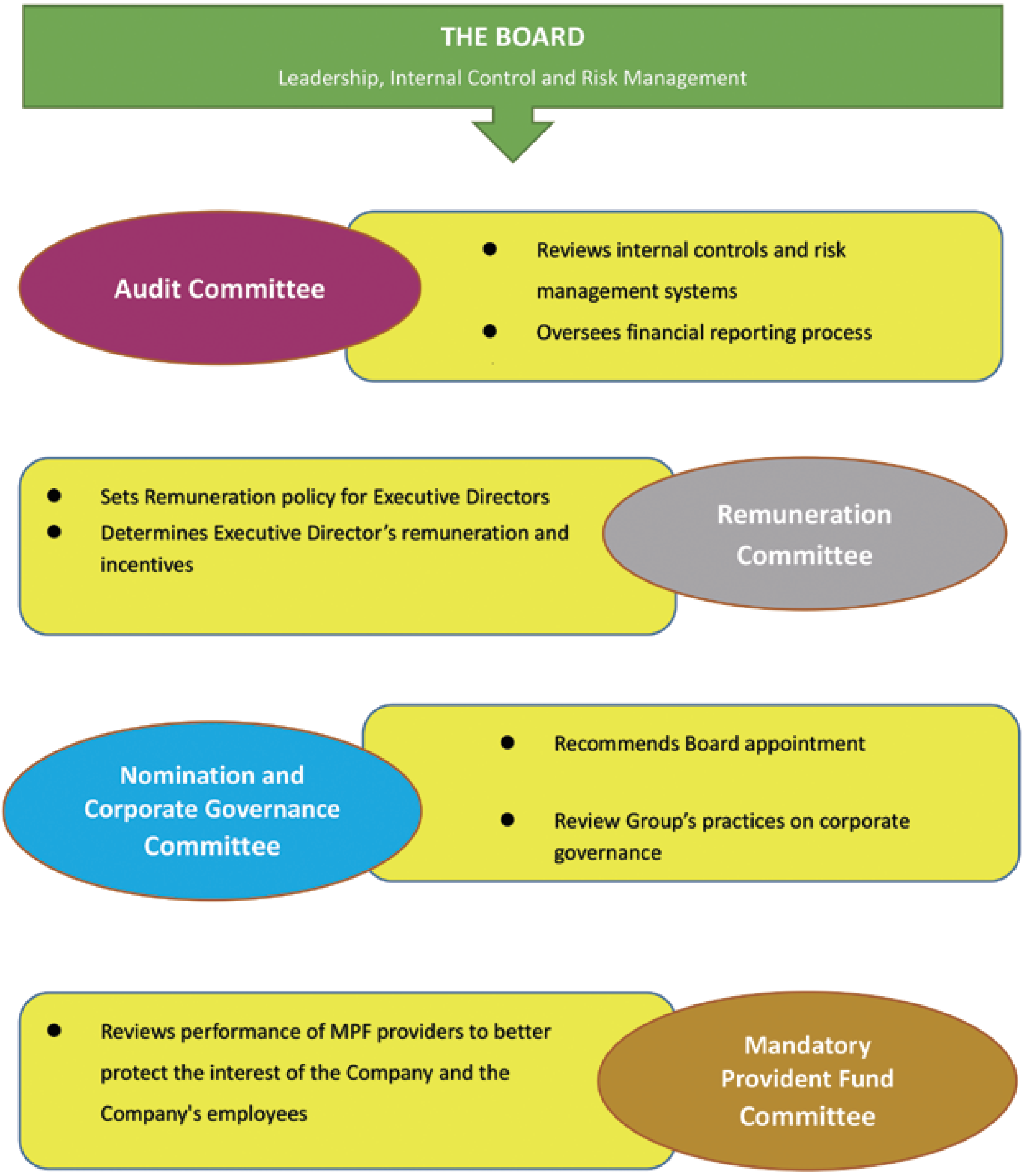
Chan Nap Kee, Joseph
Chairman

Hong Kong, 21 March 2018

Corporate Governance Report

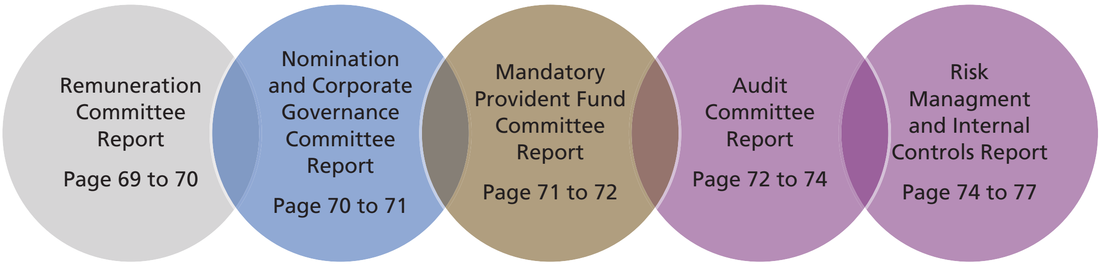
OUR GOVERNANCE FRAMEWORK

Kaisun operates with a clear and effective governance structure



Corporate Governance Report

Further information



Kaisun's governance framework serves as a guide for the Board and management in the performance and fulfillment of their respective obligations to Kaisun and its stakeholders. The key components of Kaisun's governance framework, including guidelines, policies and procedures ensures (i) the existence of a capable and qualified Board with diverse backgrounds and skills; (ii) the establishment of appropriate roles for the Board and various committees; and (iii) a collaborative and constructive relationship between the Board and the management.

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

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

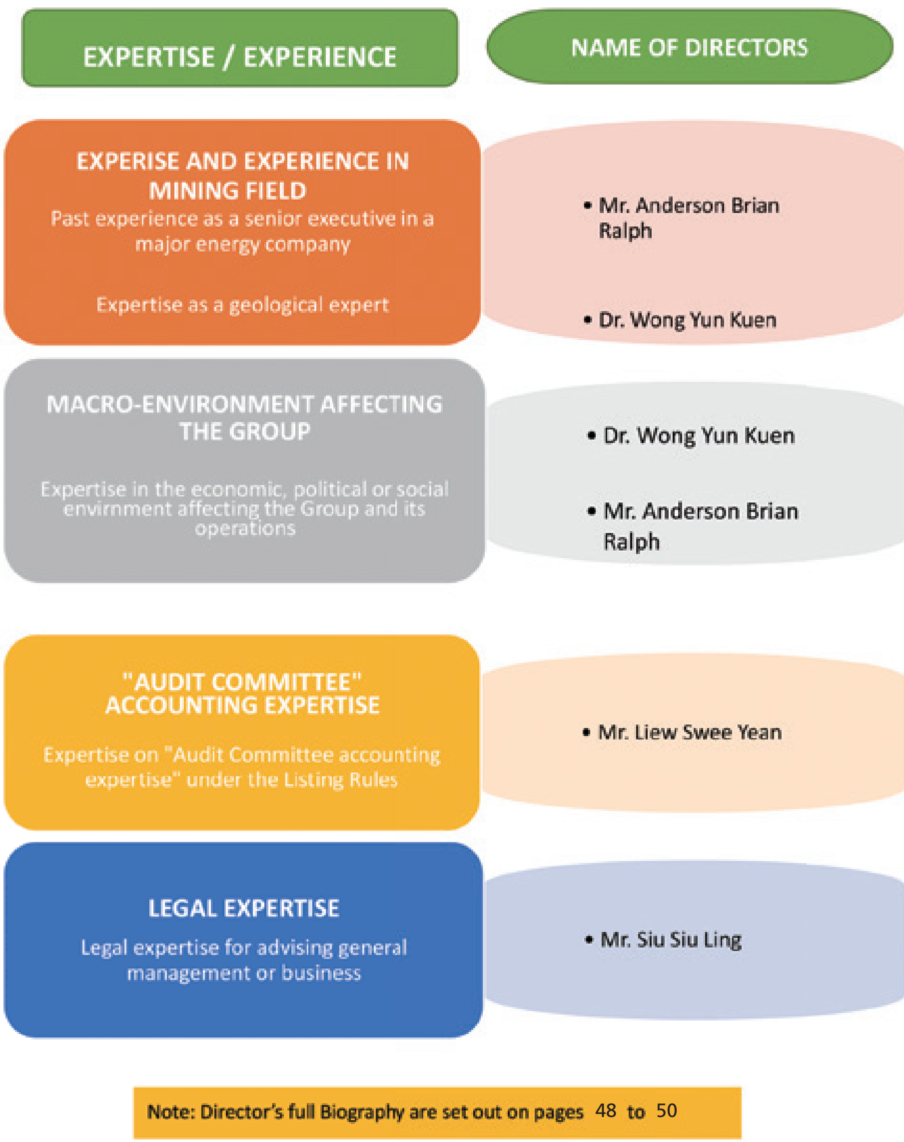
The Board also regularly assesses and enhances its governance framework, practices and principles in light of regulatory regimes as well as Company needs.

Corporate Governance Report

APPOINTMENT OF FOUR INDEPENDENT DIRECTORS WITH A DIVERSE BACKGROUND

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

During 2017, there were 4 Independent Non-executive Directors drawn from diverse and complementary backgrounds spanning mining, accounting and legal professional. They bring valuable experience and insight in the following areas of experience and expertise, driving the corporate strategy and growth of the Group:



Corporate Governance Report

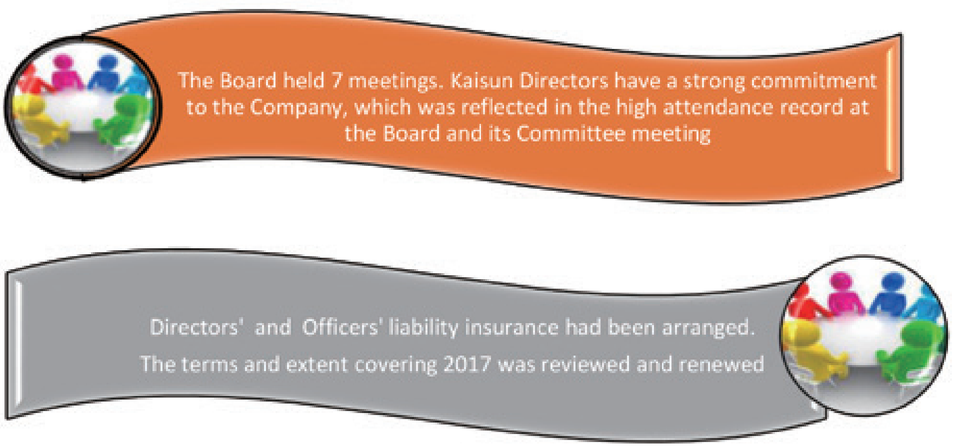
HOW THE BOARD WORKS TOGETHER

As both appreciate their respective roles, the Board and management are supportive of the development and maintenance of a healthy corporate governance culture.

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

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

Summary of key features at Kaisun Board during 2017



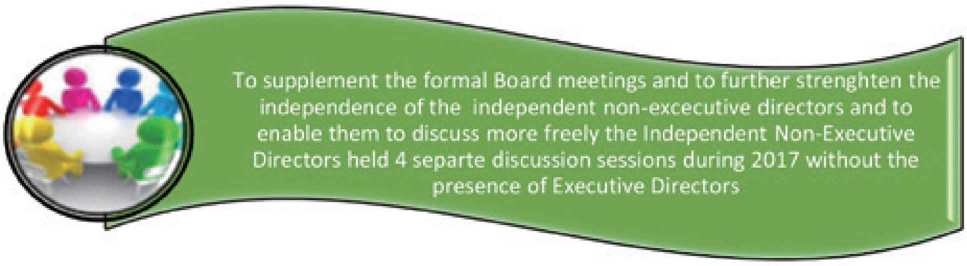
Corporate Governance Report

Independent Non- Executive Directors (INED) participated in Company's events , including Mr. Brian Anderson delivered welcome speech in Girl Gamer 2017 Esports Festival, and Mr. Liew Swee Yee was Speaker in the Belt and Road Forum

Mr. Anderson Brian Ralph delivered welcome speech in Girl Gamer 2017 Esports Festival. Through participating in Company's events, our INED continued to monitor the business progress of the Company.

Mr. Liew Swee Yean, was speaker in Belt and Road Forum, monitoring our participation in the Belt and Road and saw the difficulties the Company went through as a pioneer in the Belt and Road in the capacity of an INED.

Corporate Governance Report



CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintain good standard of corporate governance practices and procedures. As stated in Annual Report 2016, the Company had engaged Moore Stephens Consulting Limited ("Moore Stephens"), an independent external reviewer, to perform review on the internal control system. Details of internal control system are stated under "RISK MANAGEMENT AND INTERNAL CONTROL REVIEW REPORT" on page 74 and page 77 of this Results Announcement. Except for the deviations described below, the Company has complied with the code provisions set out in the CG code contained in Appendix 15 to the GEM Listing Rules throughout the year 2016 under review.

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

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

Corporate Governance Report

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors ("Directors") of the Company on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year 2017. The Company has also made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

THE BOARD OF DIRECTORS

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

As at 31 December 2017, the Board comprised six directors, including two executive directors, namely Mr. Chan Nap Kee Joseph and Mr. Yang Yongcheng and four independent non-executive directors, namely Mr. Liew Swee Yean, Mr. Siu Siu Ling Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph. Mr. Chan Nap Kee Joseph is the chairman and the chief executive officer of the Board.

Mr. Yang Yongcheng was appointed as Compliance officer effective from 31 December 2016.

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 48 to 50 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 a risk management and 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

Seven regular Board meetings were held during the year ended 31 December 2017. The Board meetings involved the active participation of the directors either in person or by telephone or through other electronic means of communication.

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

Corporate Governance Report

Attendance of each of the directors at Board meetings during the year ended 31 December 2017 is set out as follows:

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

Annual General Meeting

All Directors attended the Annual General Meeting held on 30 June 2017.

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 2016 in compliance with Rule 5.15 of the GEM Listing Rules.

Chairman and Chief Executive Officer

The Code Provision A.2.1 stipulates that the role of chairman and chief executive officer should be separated and should not be performed by the same individual.

From 2 November 2010 to 26 October 2016, Mr. Chan Nap Kee Joseph, chairman, took up the role of acting chief executive officer and he was redesignated to Chief Executive Officer with effect from 26 October, 2016. As Mr. Chan is both Chairman and Chief Executive Officer, Code Provision A.2.1 has been deviated.

REMUNERATION COMMITTEE REPORT

Composition of the Remuneration Committee

The Company established the Remuneration Committee. 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".

Corporate Governance Report

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 two share award schemes under which the Company may award Company's shares purchased or shares allotted and issued by the Company to the directors/employees of the Company as award.

Remuneration Committee Meetings

The Remuneration Committee has held three meetings during the year ended 31 December 2017. During the meetings, 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 2017 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 schemes of the Company.

Attendance of each of the directors at the Remuneration Committee meetings for the year ended 31 December 2016 is set out as follows:

Number of Remuneration Committee Meetings	**1**	
Dr. Wong Yun Kuen *(Committee Chairman)*	3/3	100%
Mr. Chan Nap Kee, Joseph	3/3	100%
Mr. Anderson Brian Ralph	3/3	100%
Average attendance rate	100%	

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE REPORT

Composition of the Nomination and Corporate Governance Committee

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 Nomination and Corporate Governance Committee meetings for the year ended 31 December 2017 is set out as follows:

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

MANDATORY PROVIDENT FUND COMMITTEE REPORT

To better protect the interest of the Company and the Company's employees, during October 2017, the Company established the Mandatory Provident Fund ("MPF") Committee to monitor service charges and follow up services of the Company's MPF service provider.

The MPF Committee comprises five employees from different units of the Company, and the Chairman being an independent non-executive Director of the Company. Mr. Liew Swee Yean was elected as Chairman of the MPF Committee.

Corporate Governance Report

In December 2017, the MPF Committee reviewed the performance of our existing MPF provider and compared this with performance of other MPF providers, then sent the results of comparison of MPF providers to all staff. As the Company had just changed the provider for slightly over one year, it was recommended to keep the existing MPF provider. The MPF Committee will continue to monitor the performance of the MPF provider, then update all colleagues from time to time.

AUDITORS' REMUNERATION

For the year ended 31 December 2017, the fee paid or payable to external auditors in respect of audit and non-audit services amounted to HK$2.5 million and HK$35,800 respectively.

PREPARATION OF ACCOUNTS

The Directors are responsible for overseeing the preparation of the annual accounts which give a true and fair view of the Group's state of affairs of the results and cash flows for the year 2016 under review. In preparing the accounts for the year ended 31 December 2016, the directors have approved adoption of all the applicable standards and interpretations of International Financial Reporting Standards ("IFRSs").

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

AUDIT COMMITTEE REPORT

Composition of the Audit Committee

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

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

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

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

Role and Function of the Audit Committee

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

Corporate Governance Report

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

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

Audit Committee Meetings

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

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

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

During the year 2017, the AC had undertaken the following duties:

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

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

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

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

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

Corporate Governance Report

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

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

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

The Group's financial statements for the year ended 31 December 2017 has been reviewed by the AC, who is of the opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

RISK MANAGEMENT AND INTERNAL CONTROLS REPORT

The Board has overall responsibility for the risk management and internal control systems of the Company and for reviewing their effectiveness. The risk management and internal control systems of the Company are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. As the Group's investment in the Belt and Road becomes more robust, the Board feels that our internal control protocols must grow alongside with it. The Group has gone through an internal control improvement and upgrade process. During the period, this process was led by the Board and the Audit Committee with revision activities carried out and recommendations on establishing new procedures.

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

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

Corporate Governance Report

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

During the year 2017, we have carried the corporate reorganization, all operations and decisions have been taken by the CEOs of different business units and the investment committee. Our Executive Directors have followed the comments, guidance, advice and directions of the Board to monitor and supervise the CEOs of different business units and the investment committee. If there was any significant issue and decision, our Executive Directors would discuss with the management of business unit and give their comments, guidance and advice. All Executive Directors would only join for decision making upon the request by the CEO of business unit.

Internal Audits and Reviews

In order to strengthen our corporate governance, since 2017, the Board and the management have implemented the internal audits and reviews for the Group and the external advisor would be appointed to chair the whole process of the internal audits and reviews. The internal audits and reviews report would be delivered together with the Annual Report annually. We have appointed Dr. Augustine Chow, a former director of KEG retired in 2016 as our advisor to chair this internal reviews.

Therefore, our Internal Auditor had performed this internal audits and reviews on all major business units, including Traditional Economy Business, Central Asia Business Unit, New Economy Business Unit and Investment by Investment Committee, and no significant control deficiency was identified. The management team and Executive Directors have been properly following the comments, advice, guidance, and decisions from the Board.

Corporate Governance Report

Our major findings and recommendations of internal audits and reviews during the year 2017 was summarized as below:

1) *Investment Activities*

No.	Findings	Recommendations
1)	For stock trading activities, we noted that the stock trading activities have properly followed the relevant internal control procedures and approved by investment committee for execution. However, we found that there was no separate record on stocks trading activities and heavily relied on the statements issued by the securities brokers.	All results of stock trading transactions should be notified to all relevant parties to show if transactions were done or not.
2)	For stock trading activities, few documents have been found for the completion of the stock trading transactions and most of them were on verbally basis.	The Stock Trading Record for every stock trading transactions details should be made, which should include, but not limited to, name of broker, date of transaction, transaction (buy or sell), stock code and name of stock, quantity, considerations, and transaction costs (commission, levies and other charges). The Stock Trading Record should be reconciled with the securities statements issued by brokers and adjustments should be made and clarified if necessary.

All recommendations have been accepted by the Investment Committee and the remediation work has been carried out accordingly.

2) *New Economy Business Unit*

No.	Findings	Recommendations
1)	For E-Commerce business, we noted that the operating company had operated only for few months and the accounting records were properly maintained under PRC GAAP.	There should have been clearer direction on the business and roadmap on the promotion of the products.
2)	For E-Commerce business, the traffic information showed that the website was not attractive and lack of sufficient income to support its operating costs. Business model was not clear and there was no focus on what kind of products were provided.	Feasibility study should have been taken place beforehand in order to check how long and how far the business could go.

Corporate Governance Report

All recommendations were accepted by the New Economy Business Unit and E-Commerce business was converted into Procurement Department used for internal support functions.

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

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL EFFECTIVENESS

The Board had conducted an annual review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2017, covering the material financial, operational and compliance controls, and considered that the Group's risk management and internal control systems are effective and adequate. The AC had also annually reviewed the adequacy of resources, qualifications, experience and training programs of the Group's internal audit staff and accounting and financial reporting staff and because most of our accounting staff have professional qualifications with audit and financial experience as well, the AC considered that the staffing is adequate and the staffs are competent to carry out their roles and responsibilities.

TIMELY IMPLEMENTATION OF LATEST REGULATORY CHANGE

A new licensing regime for trust or company service providers ("TCSPs") will commence with effect from 1 March 2018. Under the new licensing regime, TCSPs are required to apply for a license from the Hong Kong Companies Registry.

As the Group has professional staff possessing the required professional qualification, the Group took the initiative to use a subsidiary to apply for a license from the Hong Kong Companies Registry in March 2018. The timely implementation of the latest regulatory change reflected the Group's quick adaptability to regulatory changes and further strengthen the corporate governance of the Group.

CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS, SENIOR MANAGEMENT AND STAFF

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

Corporate Governance Report

The current Directors received the following training during the year ended 31 December 2017:

Name and title of director	Updates on Laws, Rules and others	Training provider	Time spent
Mr. Joseph Chan Nap Kee, Chairman and Chief Executive Officer	The HKVCA Asia Private Equity Forum (18 January 2017)	Hong Kong Venture Capital and Private Equity Association (HKVAC)	6.5 hours
	The HKVCA 16th China Private Equity Summit (26 May 2017)		6.5 hours
	HKVAC ESG Brownbag Luncheon Talk — Going IPO? ESG practice matters in Hong Kong listing (27 June 2017)		1.5 hours
	Hong Kong Venture Capital Forum 2017 (10 July 2017)		4.5 hours
	Seminar on IPO in Hong Kong (13 February 2017)	Professional Services Alliance	2.5 hours
	Belt & Road: China's Expansion Abroad — webinar (26 April 2017)	BMI Research	0.75 hour
	Where is China Heading? Focus on the 19th Party Congress — webinar (7 September 2017)		0.75 hour
	Engaging Young Talent in Your Organization (27 April 2017)	The Canadian Chamber of Commerce in Hong Kong	1.5 hours
	Leveraged and Inverse ETF and Products by CSOP Asset Management (13 June 2017)	Oriental Patron	1.5 hours
	When the Belt meets the Road in Hong Kong Round Table (16 June 2017)	Hong Kong Energy and Minerals United Association	2.5 hours
	Recent development on Belt and Road Initiative (30 June 2017)	Chu Hai College of Higher Education — One Belt One Road Research Institute	3 hours

Corporate Governance Report

Name and title of director	Updates on Laws, Rules and others	Training provider	Time spent
	The 1st Belt & Road International Financial Cooperation Summit (4 September 2017)	Dashun Foundation	3.5 hours
	Belt and Road Summit 2017 (11 September 2017)	Hong Kong Trade Development Council	2 hours
	Seminar on finance of large scale trade of commodities and its legal risks (19 September 2017)	Hong Kong Energy and Minerals United Associations	3 hours
	Onshore guarantees, offshore loans (21 September 2017)	Stephenson Harwood	1.5 hours
	Annual Conference — New Challenges for Directors of Listed Companies (22 September 2017)	Hong Kong Independent Non-Executive Director Association	3 hours
	China Daily Asia Leadership Roundtable Luncheon "Guangdong-HK-Macau Greater Bay Area from the Belt & Road Perspective: Opportunities and Challenges" (9 October 2017)	China Daily	0.5 hours
	Land & Housing Policy Summit (23 October 2017)	Our Hong Kong Foundation	2.5 hours
	EY's preparing for scale webinar series — with ANDE (24 October 2017)	Ernst and Young	1 hour
	Total		**48.5 hours**

Corporate Governance Report

Name and title of director	Updates on Laws, Rules and others	Training provider	Time spent
Mr. Yang Yongcheng, Executive Director	Seminar on "A Look at the Opportunities and Challenges of the Belt and Road Initiatives from Employment Tax Perspective" (29 June 2017)	The Association of Hong Kong Accountants	2 hours
	2017 Asia Economy — A Fragile Recovery (8 August 2017)	Hong Kong Institute of Certified Public Accountants	1.5 hours
	Duties of directors and the role and functions of board committees (9 August 2017)	Director Training Webcasts by Hong Kong Stock Exchange	1 hour
	"Risk Management and Internal Control, ESG Reporting" (9 August 2017)		1 hour
	Total:		**5.5 hours**
Mr. Liew Swee Yean, Independent non-executive director	The Certificate in Seizing the Belt and Road Initiative Opportunities from Hong Kong (22 February 2017)	RSM Hong Kong	2 hours
	Vertical price restraints: When can they be anti-competitive (12 October 2017)	Stephenson Harwood	1 hour
	PRC Corporate Law Series — making sense of PRC laws (26 October 2017)		1 hour
	ACCA Technical Seminar on "SFC's Enforcement Trends and Priorities — Corporate Fraud and Misconduct (26 October 2017)	ACCA Hong Kong	1.5 hours
	ACCA Technical Seminar on "Hong Kong Tax Updates 2017" (11 November 2017)		4 hours
	Big Data Concepts and Use Cases (30 October 2017)	The Association of Hong Kong Accountants	2 hours

Corporate Governance Report

Name and title of director	Updates on Laws, Rules and others	Training provider	Time spent
	Typical Cases of Labour Disputes on Dissolution of Labor Contracts in China (4 November 2017)	Professional Information for You	3.5 hours
	BDO Seminar: Latest regulatory development on Anti-Money Laundering and Counter-Terrorist Financing for Designated Non- Financial Businesses and Professions (9 November 2017)	BDO Limited	2 hours
	HKEX consultations on capital raisings by listed issuers and delisting framework (9 November 2017)	Hong Kong Institute of Certified Public Accountants	1.5 hours
	Corporate Governance & Regulatory Updates (20 November 2017)	Tricor Services Limited	3 hours
	Technology disrupt for the banking industry (29 November 2017)	Accounting Development Foundation Limited	2 hours
	Total		**23.5 hours**
Dr. Wong Yun Kuen	"Regulatory update on Pre-IPO investments" and "Issues related to controlling shareholder" (27 April 2017)	Patrick Mak & Tse	1 hour
	The Dynamics of Shareholder Engagement & Shareholder Activism in Hong Kong Conference (10 November 2017)	Hong Kong Investor Relations Association	6 hours
	Duties of directors and the role and functions of board committees (6 April 2017)	Director Training Webcasts by Hong Kong Stock Exchange	1 hour
	Taught "Money and Banking" (September to November, 2017)	Act as Lecturer for SCOPE, City University of Hong Kong	20 hours
	Total		**28 hours**

Corporate Governance Report

Name and title of director	Updates on Laws, Rules and others	Training provider	Time spent
Mr. Siu Siu Ling, Robert, Independent non-executive director	Anti-Money Laundering (14 July 2017)	The Hong Kong Academy of Law	1.5 hour
	Professional Conduct (16 August 2017)		1 hour
	Hong Kong e-Legislation (28 August 2017)		1.5 hours
	Dispute Resolution Clauses in Cross Border Contracts (5 September 2017)		1 hour
	Originating Process and Pleadings (6 September 2017)		1.5 hours
	Case Management (6 September 2017)		1.5 hours
	Update on Legal Aid Schemes (8 September 2017)		2 hours
	Sanctioned Offers and Sanctioned Payments (14 September 2017)		1.5 hours
	Costs (14 September 2017)		1 hour
	Evidence, Trial & Appeals (22 September 2017)		1.5 hours
	Total		**14 hours**
Mr. Brian Ralph Anderson, Independent non-executive director	Duties of directors and the role and functions of board committees (6 April, 2017)	Director Training Webcasts by Hong Kong Stock Exchange	1 hour
	Total		**1 hour**

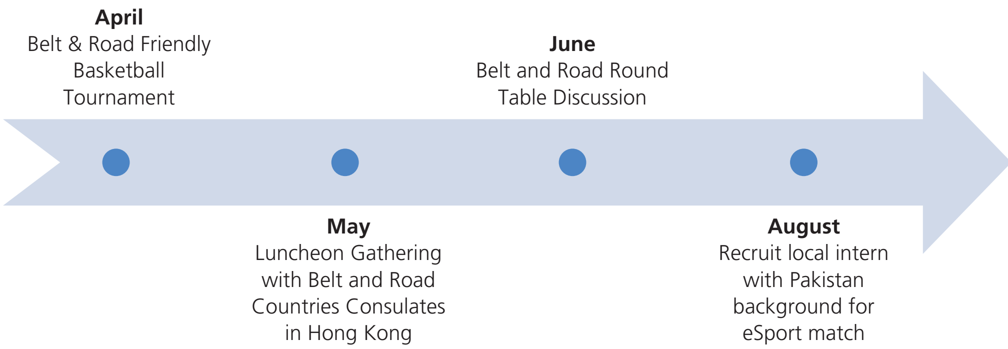
Corporate Governance Report

SOCIAL RESPONSIBILITY

Social Responsibility and Belt and Road activities engagement

In 2017, apart from business development, the Group also paid attention to our Corporate Social Responsibility. We assisted the HKSAR government to promote the role of Hong Kong in the Belt and Road development. From organizing Belt and Road eSport matches, supporting round table meeting and other sport matches, to speaking for ethnic minorities in Hong Kong, Kaisun Energy Group has gradually implemented the Belt and Road policy. By supporting Silk Road Economic Development Research Center, the Group supported more events related to Belt and Road Development. Below are the contributions of our Corporate Social Responsibility in 2017.

2017 events overview



Supporting Development of Local Ethnic Minorities

The Group recruited local ethnic minorities and set schemes to assist them better assimilate into local community and to support their personal development. In April 2017, the Group sponsored Belt & Road Friendly Basketball Tournament (please refer to first quarterly report of 2017 for further details), in which young local ethnic minorities were invited to participate. Through this tournament, we provided a platform for cultural exchange. Also, the public could gain a better knowledge about ethnic minority communities and reduce the misunderstandings.

Corporate Governance Report

Besides, in August 2017, the Group recruited local interns with Pakistani background to assist our eSport match, "《Clash Royale》Its Lit! — Hong Kong 2017" and many ethnic minorities also participated as contestants and audiences. With the benefits of understanding multi-languages and different cultural backgrounds, we believe that they can contribute to the Belt and Road Development in Hong Kong.

Since the business of the Group covers the Belt and Road region, we have recruited employees who have good command of the Russian language and employees from the Southeast Asian region for business development. The Group is also looking into local ethnic minorities for future employment in order to achieve racial harmony.

Actively Participate and Organize Belt and Road Event

The Group is consistently engaging in different Belt and Road forums to take part in academic discussions with people from different sectors of the community. After the basketball tournament in April 2017, the Group invited members from the consulates and NGOs that had participated in the basketball tournament to have luncheon gathering in May 17 and May 23, to share memories and discuss future cooperation in Belt and Road development.

In June 2017, the Group organized the Belt and Road Initiative Round Table Discussion with Silk Road Economic Development Research Center, The Hong Kong Energy and Mineral United Association and Chu Hai College of Higher Education. The Round Table discussion focused on how Hong Kong could pull the Belt and Road countries together and contribute to the Belt and Road development in Hong Kong. Members of the consulates and experts from different sectors attended this discussion and shared the latest news of Belt and Road Development.

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 85 to 89 of this report.

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of Kaisun Energy Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 90 to 156, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

Independent Auditor's Report

RSM

KEY AUDIT MATTERS

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

1. Valuation of intangible assets

2. Recoverability of inventories

3. Recoverability of trade receivables and trade deposits paid

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of intangible assets Refer to page 151 to 152 (financial statements disclosure). The Group's recognised excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary amounted to HK$94.1 million. The Group recognised mining rights with a fair value of HK$171.6 million at the date of acquisition. The determination of the fair value of the mining rights requires significant judgements and estimates including assumptions about discount rates, long-term growth rates, commodity prices and future cash flows.	Our procedures in respect of the valuation of intangible assets included: • testing management's identification of intangible assets by reviewing the financial information and key contracts of the acquiree and through discussions with management's valuation expert • assessing the professional competence and independence of the valuation expert engaged by management • evaluating the appropriateness of the valuation method adopted by management to determine the acquisition date fair value of the intangible assets • assessing the reasonableness of the key assumptions underlying the cash flows applied in the valuation model and the appropriateness of the discount rate used with the assistance of our internal valuation specialists • considering the adequacy of the Group's disclosures in relation to the acquisition in note 35

Independent Auditor's Report

RSM

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of trade receivables and trade deposits paid Refer to page 134 to 136 (financial statements disclosures), page 108 to 109 (significant accounting policies) and page 115 (key estimates). The Group's trade receivables and trade deposits amounted to HK$43.9 million and HK$98.3 million respectively in relation to the Group's provision of supply chain management services for the mineral business segment as at 31 December 2017. Assessing the recoverability of past due accounts involves significant management judgement.	Our audit procedures in respect of the recoverability of trade receivables and trade deposits paid included: • testing on a sample basis the accuracy of the ageing of trade receivables • reviewing the receipts of cash after the year end for significant accounts • holding discussions with management to understand their collection actions in respect of overdue accounts and the basis of any impairment provisions for irrecoverable amounts • reviewing critically management's impairment provision in light of the Group's recent collection experience and also available credit information about customers and suppliers • considering the adequacy of the disclosures in the consolidated financial statements in relation to credit risk on trade receivables and trade deposits paid

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

RSM

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Tak Man, Stephen.

RSM Hong Kong
Certified Public Accountants
Hong Kong
21 March 2018

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

	Note	2017 HK$	2016 HK$
Revenue	8	90,679,957	35,217,800
Cost of goods sold		(82,507,569)	(30,361,758)
Gross profit		8,172,388	4,856,042
Gain on disposal of financial assets at fair value through profit or loss		209,070	4,508,570
Fair value gain on financial assets at fair value through profit or loss		13,352,360	29,851,470
Gain on deemed disposal of available-for-sale financial assets		10,497,022	—
Excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary	35	94,052,901	—
Other income and gains	9	6,739,225	2,829,717
Administrative and other operating expenses		(59,579,541)	(45,710,503)
Profit/(loss) from operations		73,443,425	(3,664,704)
Share of profit of associates	19	310,841	—
Profit/(loss) before tax		73,754,266	(3,664,704)
Income tax credit/(expense)	10	4,542,971	(9,864,319)
Profit/(loss) for the year	11	78,297,237	(13,529,023)
Attributable to:			
Owners of the Company		49,306,943	(13,416,000)
Non-controlling interests		28,990,294	(113,023)
		78,297,237	(13,529,023)
Earnings/(loss) per share (cents)			
Basic	15	13.07	(3.58)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

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

Consolidated Statement of Financial Position

At 31 December 2017

	Note	2017 HK$	2016 HK$
Non-current assets			
Fixed assets	16	17,911,844	1,975,466
Goodwill	17	—	—
Intangible assets	18	171,134,649	—
Investments in associates	19	1,810,841	—
Available-for-sale financial assets	20	18,500,000	2,316,656
Long-term deposits	21	—	4,466,624
Long-term other receivables	25	1,482,738	577,200
		210,840,072	9,335,946
Current assets			
Inventories	23	4,291,172	3,637,564
Trade and bills receivables	24	43,913,401	32,238,371
Deposits, prepayments and other receivables	25	163,449,049	122,275,845
Bank and cash balances	26	25,999,024	36,333,327
Financial assets at fair value through profit or loss	22	113,911,680	102,722,920
		351,564,326	297,208,027
Current liabilities			
Trade payables	27	5,134,847	3,047,156
Other payables and accruals	28	30,740,816	11,375,893
Current tax liabilities		2,368,011	7,500,265
		38,243,674	21,923,314
Net current assets		313,320,652	275,284,713
Total assets less current liabilities		524,160,724	284,620,659
Non-current liabilities			
Deferred tax liabilities	29	43,625,990	4,925,492
NET ASSETS		480,534,734	279,695,167

Consolidated Statement of Financial Position

At 31 December 2017

	Note	2017 HK$	2016 HK$
Capital and reserves			
Share capital	30	57,656,606	37,684,057
Reserves	32	381,457,809	249,521,933
Equity attributable to owners of the Company		439,114,415	287,205,990
Non-controlling interests		41,420,319	(7,510,823)
TOTAL EQUITY		480,534,734	279,695,167

Approved by the Board of Directors on 21 March 2018 and are signed on its behalf by:

CHAN Nap Kee, Joseph

YANG Yongcheng

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company							
	Share capital	**Shares held under share award scheme** *(note 33)*	**Share premium** *(note 32(b)(i))*	**Foreign currency translation reserve** *(note 32(b)(ii))*	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
At 1 January 2016	37,684,057	—	1,293,081,493	(18,417,281)	(1,008,095,005)	304,253,264	(8,251,537)	296,001,727
Total comprehensive income for the year	—	—	—	(2,441,207)	(13,416,000)	(15,857,207)	740,714	(15,116,493)
Purchase of shares held under the share award scheme	—	(1,190,067)	—	—	—	(1,190,067)	—	(1,190,067)
Changes in equity for the year	—	(1,190,067)	—	(2,441,207)	(13,416,000)	(17,047,274)	740,714	(16,306,560)
At 31 December 2016 and 1 January 2017	37,684,057	(1,190,067)	1,293,081,493	(20,858,488)	(1,021,511,005)	287,205,990	(7,510,823)	279,695,167
Total comprehensive income for the year	—	—	—	13,428,048	49,306,943	62,734,991	32,174,399	94,909,390
Capital injection by non-controlling interests in a subsidiary	—	—	—	—	—	—	16,756,743	16,756,743
Purchase of shares held under the share award scheme	—	(772,850)	—	—	—	(772,850)	—	(772,850)
Award of shares under share award scheme	1,130,520	—	3,391,560	—	—	4,522,080	—	4,522,080
Issue of new shares for the year	18,842,029	—	66,582,175	—	—	85,424,204	—	85,424,204
Changes in equity for the year	19,972,549	(772,850)	69,973,735	13,428,048	49,306,943	151,908,425	48,931,142	200,839,567
At 31 December 2017	57,656,606	(1,962,917)	1,363,055,228	(7,430,440)	(972,204,062)	439,114,415	41,420,319	480,534,734

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 HK$	2016 HK$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax	**73,754,266**	(3,664,704)
Adjustments for:		
Depreciation	**542,302**	2,738,633
Amortisation of intangible assets	**7,150,710**	—
Share of profits of associates	**(310,841)**	—
Gain on deemed disposal of available-for-sale financial assets	**(10,497,022)**	—
Excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary	**(94,052,901)**	—
Fair value gain on financial assets at fair value through profit or loss	**(13,352,360)**	(29,851,470)
Equity-settled share-based payments	**4,522,080**	—
Gain on disposal of financial assets at fair value through profit or loss	**(209,070)**	(4,508,570)
Write off of prepayments and other receivables	**—**	12,435
Reversal of allowance for doubtful debts	**(160,442)**	(380,043)
Write off of fixed assets	**644,304**	404,125
Loss on disposal of fixed assets	**2,824**	41,591
Interest income	**(732,537)**	(943,184)
Operating loss before working capital changes	**(32,698,687)**	(36,151,187)
Increase in inventories	**(653,608)**	(234,195)
(Increase)/decrease in trade and bills receivables	**(11,514,588)**	6,423,607
(Increase)/decrease in deposits, prepayments and other receivables	**(41,173,204)**	29,293,032
Increase/(decrease) in trade payables	**2,087,691**	(1,216,782)
(Decrease)/increase in other payables and accruals	**(144,142)**	2,613,026
Cash (used in)/generated from operations	**(84,096,538)**	727,501
Purchase of financial assets at fair value through profit or loss	**(7,809,160)**	(78,118,750)
Net proceeds from disposal of financial assets at fair value through profit or loss	**10,181,830**	19,459,350
Income tax paid	**(4,885,224)**	(96,697)
Net cash used in operating activities	**(86,609,092)**	(58,028,596)

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 HK$	2016 HK$
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	732,537	943,184
Purchases of fixed assets	(13,337,977)	(160,788)
Proceeds from disposals of fixed assets	27,695	41,005
Purchase of available-for-sale financial assets	(17,300,000)	(2,316,656)
Long-term deposits paid	—	(4,466,624)
Increase in long-term other receivables	(905,538)	(577,200)
Investments in associates	(1,500,000)	—
Acquisition of a subsidiary (note 35)	(3,688,076)	—
Net cash used in investing activities	(35,971,359)	(6,537,079)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital injection by non-controlling interest in a subsidiary	16,756,743	—
Proceeds from issuance of right shares	85,424,204	—
Payment on share award scheme	(772,850)	(1,190,067)
Net cash generated from/(used in) financing activities	101,408,097	(1,190,067)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(21,172,354)	(65,755,742)
Effect of foreign exchange rate changes	10,838,051	(1,526,957)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	36,333,327	103,616,026
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	25,999,024	36,333,327
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	25,999,024	36,333,327

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

1. GENERAL INFORMATION

Kaisun Energy Group Limited ("the Company") was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Unit B, 17/F., E. Tat Factory Building, 4 Heung Yip Road, Wong Chuk Hang, Hong Kong. The Company's shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 34 to the consolidated financial statements.

2. BASIS OF PREPARATION

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

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

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Application of new and revised IFRSs

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

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

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

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

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

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

IFRS 9 Financial Instruments

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

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

IFRS 9 Financial Instruments *(Continued)*

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

Impairment

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

IFRS 15 Revenue from Contracts with Customers

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

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

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

Timing of revenue recognition

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

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

IFRS 15 Revenue from Contracts with Customers *(Continued)*

Timing of revenue recognition (Continued)

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

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

IFRS 16 Leases

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

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

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

As disclosed in note 37, the Group's future minimum lease payments under non-cancellable operating leases for its office and factory premises amounted to HK$168,953 as at 31 December 2017. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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 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.

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.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associates

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

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Foreign currency translation

(i) Functional and presentation currency

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

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

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

Non-monetary 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.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) 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.

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

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

(f) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Intangible assets

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

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

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

(h) 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.

(i) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) 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.

(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 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.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) 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.

(l) 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.

(m) Financial liabilities and equity instruments

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

(n) 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.

(o) Equity instruments

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) 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.

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

Revenue from logistic services is recognised as services are rendered.

Sponsorship income is recognised on accrual basis in accordance with the terms and conditions of the sponsorship agreement.

(q) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Share-based payments

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

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

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

(s) Borrowing costs

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

(t) Taxation

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Taxation *(Continued)*

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

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

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

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.

(u) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) 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.

(x) Events after the reporting period

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

5. 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 2017 was HK$17,911,844 (2016: HK$1,975,466).

Impairment of intangible assets

The Group assesses whether there are any indicators of impairment for intangible assets at the end of each reporting period. Intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, the directors must estimate the expected future cash flows from the assets or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of intangible assets at the end of the reporting period was HK$171,134,649 (2016: HK$Nil).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

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 2017, accumulated impairment loss for bad debt and doubtful debts amounted to HK$153,374,230 (2016: HK$153,534,672).

Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. No allowance for slow-moving inventories was made for the year ended 31 December 2017 (2016: HK$Nil).

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer's taste and competitor's actions in response to severe industry cycles. The Group will reassess the estimates by the end of each reporting period.

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Foreign currency risk *(Continued)*

At 31 December 2017, if the HK$ had weakened 0.5 per cent against RMB with all other variables held constant, consolidated profit after tax for the year would have been HK$333,437 higher (2016: consolidated loss for the year HK$344,878 lower), arising mainly as a result of the foreign exchange gain on bank and cash balances and other receivables denominated in RMB. If the HK$ had strengthened 0.5 per cent against RMB with all other variables held constant, consolidated profit after tax for the year would have been HK$333,437 lower (2016: consolidated loss for the year HK$344,878 higher), arising mainly as a result of the foreign exchange loss on bank and cash balances and other receivables denominated in RMB.

At 31 December 2017, if the HK$ had weakened 0.5 per cent against EUR with all other variables held constant, consolidated profit after tax for the year would have been HK$7,757 higher (2016: HK$Nil), arising mainly as a result of the foreign exchange gain on bank and cash balances and other receivables denominated in EUR. If the HK$ had strengthened 0.5 per cent against EUR with all other variables held constant, consolidated profit after tax for the year would have been HK$7,757 lower (2016: HK$Nil), arising mainly as a result of the foreign exchange loss on bank and cash balances and other receivables denominated in EUR.

(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% (2016: 10%) higher/lower consolidated profit after tax for the year ended 31 December 2017 would increase/decrease by HK$11,391,168 (2016: consolidated loss after tax for the year would decrease/increase by HK$10,272,292). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

(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 2017, the Group's largest trade receivables amounted HK$11,608,388 (2016: HK$12,608,388) represent approximately 26% (2016: 39%) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Liquidity risk

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

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

	Less than 1 year HK$	Between 1 and 2 years HK$	Between 2 and 5 years HK$	Over 5 years HK$
At 31 December 2017				
Trade payables	**5,134,847**	—	—	—
Other payables and accruals	**30,740,816**	—	—	—
At 31 December 2016				
Trade payables	3,047,156	—	—	—
Other payables and accruals	11,375,893	—	—	—

(e) Interest rate risk

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

At 31 December 2017, if interest rates at that date had been 10 basis points lower with all other variables held constant, consolidated profit after tax for the year would have been HK$23,603 lower (2016: consolidated loss after tax for the year HK$34,942 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 profit after tax for the year would have been HK$118,016 higher (2016: consolidated loss after tax for the year HK$174,709 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 2017

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(f) Categories of financial instruments at 31 December 2017

	2017 HK$	2016 HK$
Financial assets		
Available-for-sale financial assets	18,500,000	2,316,656
Financial assets at fair value through profit or loss:		
Held for trading	113,911,680	102,722,920
Loans and receivables (including cash and cash equivalents)	231,283,986	188,694,900
Financial liabilities		
Financial liabilities at amortised cost	35,875,663	14,423,049

(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.

7. FAIR VALUE MEASUREMENTS *(Continued)*

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

Description	Fair value measurements using: Level 1 2017 HK$	2016 HK$
Recurring fair value measurements:		
Financial assets		
Financial assets at fair value through profit or loss		
Listed securities	**113,911,680**	102,722,920

(b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2017:

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

	2017 HK$	2016 HK$
Sales of goods		
— Production and exploitation of coal in Tajikistan	**2,441,671**	1,333,870
— Provision of supply chain management services for mineral business	**59,920,584**	21,012,012
— Mining and metallurgical machineries products	**19,907,472**	12,871,918
Provision of services		
— Provision of logistics services for mineral business	**4,635,295**	—
— Provision of sponsorship in gaming event	**3,774,935**	—
	90,679,957	35,217,800

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

9. OTHER INCOME AND GAINS

	2017 HK$	2016 HK$
Interest income on:		
— Bank deposits	453,048	121,472
— Deposits received from suppliers	279,489	821,712
Total interest income for financial assets that are not at fair value through profit or loss	732,537	943,184
Dividend income from equity investments	1,838,936	918,900
Reversal of allowance for doubtful debts	160,442	380,043
Compensation received from suppliers	3,000,000	—
Sundry income	1,007,310	587,590
	6,739,225	2,829,717

10. INCOME TAX (CREDIT)/EXPENSE

	2017 HK$	2016 HK$
Current tax — Hong Kong		
Provision for the year	—	268,608
(Over)/under-provision for prior years	(268,608)	4,858,876
Current tax — Overseas		
Provision for the year	—	13,922
Under-provision for prior years	—	33,089
Deferred tax (note 29)	(4,274,363)	4,689,824
	(4,542,971)	9,864,319

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

11. PROFIT/(LOSS) FOR THE YEAR

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

	2017 HK$	2016 HK$
Auditor's remuneration		
Current	2,500,000	2,450,000
Under-provision for prior year	—	110,000
	2,500,000	2,560,000
Cost of inventories sold of supply chain management services for mineral business and mining metallurgical machineries	69,429,539	28,895,916
Depreciation	542,302	2,738,633
Amortisation of intangible assets	7,150,710	—
Write off of fixed assets	644,304	404,125
Loss on disposal of fixed assets	2,824	41,591
Write off of prepayments and other receivables	—	12,435
Gain on disposal of financial assets at fair value through profit or loss (held for trading)	(209,070)	(4,508,570)
Fair value gain on financial assets at fair value through profit or loss	(13,352,360)	(29,851,470)
Reversal of allowance of doubtful debts	(160,442)	(380,043)
Operating lease rentals in respect of land and buildings	1,900,993	888,440
Net exchange loss	986,973	3,615,955

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

12. EMPLOYEE BENEFITS EXPENSES

	2017 HK$	2016 HK$
Employee benefits expense:		
— Salaries, bonus and allowances	**20,497,163**	19,560,080
— Equity-settled share-based payments	**4,522,080**	—
— Retirement benefit scheme contribution	**1,048,097**	734,012
	26,067,340	20,294,092

Five highest paid individuals

The five highest paid individuals in the Group during the year included one (2016: two) director whom emoluments are reflected in the analysis presented in note 13. The emoluments of the remaining four (2016: three) individuals are set out below:

	2017 HK$	2016 HK$
Basic salaries, bonuses, allowances and benefits in kind	**6,732,000**	4,071,600
Equity-settled share-based payments	**2,122,080**	—
Retirement benefits scheme contributions	**90,000**	54,000
	8,944,080	4,125,600

The emoluments fell within the following bands:

	2017	2016
HK$Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**—**	1
HK$1,500,001 to HK$2,000,000	**3**	—
HK$2,000,001 to HK$2,500,000	**1**	1

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2016: HK$Nil).

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For the year ended 31 December 2017

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								
	Fees HK$	Salaries HK$	Discretionary bonus HK$	(Note (i)) Estimated money value of other benefits HK$	Employer's contribution to a retirement benefit scheme HK$	Remunerations paid or receivable in respect of accepting office as director HK$	Housing allowance HK$	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$	Total HK$
Executive directors:									
CHAN Nap Kee, Joseph	—	2,400,000	—	—	18,000	—	—	—	2,418,000
YANG Yongcheng	—	751,393	—	—	—	—	—	—	751,393
Independent non-executive directors:									
LIEW Swee Yean	144,000	—	—	—	—	—	—	—	144,000
SIU Siu Ling, Robert	144,000	—	—	—	—	—	—	—	144,000
Dr. WONG Yun Kuen	144,000	—	—	—	—	—	—	—	144,000
ANDERSON Brian Ralph	144,000	—	—	—	—	—	—	—	144,000
Total for 2017	576,000	3,151,393	—	—	18,000	—	—	—	3,745,393

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For the year ended 31 December 2017

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

(a) Directors' emoluments *(Continued)*

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking								
	Fees HK$	Salaries HK$	Discretionary bonus HK$	(Note (i)) Estimated money value of other benefits HK$	Employer's contribution to a retirement benefit scheme HK$	Remunerations paid or receivable in respect of accepting office as director HK$	Housing allowance HK$	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$	Total HK$
Executive directors:									
CHAN Nap Kee, Joseph	—	2,465,608	—	—	18,000	—	—	—	2,483,608
Dr. CHOW Pok Yu, Augustine (retired on 31 December 2016)	—	1,400,000	—	—	18,000	—	—	—	1,418,000
YANG Yongcheng	—	757,868	—	—	—	—	—	—	757,868
Independent non-executive directors:									
LIEW Swee Yean	126,000	—	—	—	—	—	—	—	126,000
SIU Siu Ling, Robert	126,000	—	—	—	—	—	—	—	126,000
Dr. WONG Yun Kuen	126,000	—	—	—	—	—	—	—	126,000
ANDERSON Brian Ralph	126,000	—	—	—	—	—	—	—	126,000
Total for 2016	504,000	4,623,476	—	—	36,000	—	—	—	5,163,476

Neither the chief executive nor any of the directors waived any emoluments during the year (2016: HK$Nil).

Note:

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

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

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

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For the year ended 31 December 2017

14. DIVIDEND

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

15. EARNINGS/(LOSS) PER SHARE

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

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

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

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

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For the year ended 31 December 2017

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$	Construction in progress HK$	Total HK$
Cost									
At 1 January 2016	176,756	5,802,830	1,092,016	1,070,211	566,511	61,997	939,000	—	9,709,321
Additions	—	—	—	24,956	18,675	—	117,157	—	160,788
Disposal	—	—	—	—	—	—	(93,726)	—	(93,726)
Written off	—	—	(504,872)	—	—	—	—	—	(504,872)
Exchange differences	(11,354)	(372,771)	(27,460)	(69,920)	(16,376)	(2,720)	(61,373)	—	(561,974)
At 31 December 2016 and 1 January 2017	165,402	5,430,059	559,684	1,025,247	568,810	59,277	901,058	—	8,709,537
Additions	—	649,671	644,388	2,790,095	292,238	7,904	1,219,471	7,734,210	13,337,977
Disposal	—	—	—	—	—	—	(32,310)	—	(32,310)
Acquisition of a subsidiary	—	740,109	—	1,663,069	35,805	—	644,303	—	3,083,286
Written off	—	—	—	—	—	—	(939,597)	—	(939,597)
Exchange differences	12,451	465,115	19,836	257,734	31,637	3,304	122,164	313,585	1,225,826
At 31 December 2017	177,853	7,284,954	1,223,908	5,736,145	928,490	70,485	1,915,089	8,047,795	25,384,719
Accumulated depreciation and impairment losses									
At 1 January 2016	2,946	3,481,696	205,890	243,731	445,951	29,416	102,288	—	4,511,918
Charges for the year	3,471	2,278,836	146,695	143,586	58,951	13,029	94,065	—	2,738,633
Disposal	—	—	—	—	—	—	(11,130)	—	(11,130)
Written off	—	—	(100,747)	—	—	—	—	—	(100,747)
Exchange differences	(353)	(330,473)	(20,533)	(26,018)	(10,630)	(1,236)	(15,360)	—	(404,603)
At 31 December 2016 and 1 January 2017	6,064	5,430,059	231,305	361,299	494,272	41,209	169,863	—	6,734,071
Charges for the year	3,418	76,982	199,355	29,039	74,699	6,827	151,982	—	542,302
Disposal	—	—	—	—	—	—	(1,791)	—	(1,791)
Written off	—	—	—	—	—	—	(295,293)	—	(295,293)
Exchange differences	596	411,888	7,312	28,376	15,794	1,898	27,722	—	493,586
At 31 December 2017	10,078	5,918,929	437,972	418,714	584,765	49,934	52,483	—	7,472,875
Carrying amount									
At 31 December 2017	167,775	1,366,025	785,936	5,317,431	343,725	20,551	1,862,606	8,047,795	17,911,844
At 31 December 2016	159,338	—	328,379	663,948	74,538	18,068	731,195	—	1,975,466

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For the year ended 31 December 2017

17. GOODWILL

	HK$
Cost	
At 1 January 2016	115,955,924
Written off	(115,955,924)
At 31 December 2016, 1 January 2017 and 31 December 2017	—
Accumulated impairment losses	
At 1 January 2016	115,955,924
Written off	(115,955,924)
At 31 December 2016, 1 January 2017 and 31 December 2017	—
Carrying amount	
At 31 December 2017	—
At 31 December 2016	—

18. INTANGIBLE ASSETS

	Mining rights HK$
Cost	
At 1 January 2016, 31 December 2016 and 1 January 2017	87,199,153
Arising on acquisition of a subsidiary (note 35)	171,617,048
Exchange differences	(10,582,447)
At 31 December 2017	248,233,754
Accumulated amortisation and impairment losses	
At 1 January 2016, 31 December 2016 and 1 January 2017	87,199,153
Amortisation for the year	7,150,710
Exchange differences	(17,250,758)
At 31 December 2017	77,099,105
Carrying amount	
At 31 December 2017	171,134,649
At 31 December 2016	—

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

Notes to the Consolidated Financial Statements

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19. INVESTMENTS IN ASSOCIATES

	2017 HK$	2016 HK$
Unlisted investments:		
Share of net assets	1,264,845	—
Goodwill	545,996	—
	1,810,841	—

Details of the Group's associates at 31 December 2017 is as follows:

Name	Place of incorporation/ registration	Issued and paid up capital	Percentage of ownership interest/voting power/ profit sharing		Principal activities
			Direct	Indirect	
Pineapple Media Limited	British Virgin Islands	307,693 ordinary shares of US$1 each	30%	—	Investment holding
People's Communication & Consultant Company Limited	Hong Kong	HK$10,000	—	30%	Advertising & public relationship event

Notes to the Consolidated Financial Statements

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19. INVESTMENTS IN ASSOCIATES *(Continued)*

The following table shows information on the associate that is material to the Group. This associate is accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the IFRS financial statements of the associate.

Name	**Pineapple Media Limited 2017**
Principal place of business/country of incorporation	HK/BVI
Principal activities	Advertising & public relationship event
% of ownership interests/voting rights held by the Group	30%/30%
	HK$
At 31 December:	
Current assets	8,907,472
Current liabilities	(4,691,323)
Net assets	4,216,149
Group's share of net assets	1,264,845
Goodwill	545,996
Group's share of carrying amount of interests	1,810,841
Year ended 31 December:	
Revenue	4,547,362
Profit from continuing operations	1,036,138
Profit after tax from discontinued operations	—
Other comprehensive income	—
Total comprehensive income	1,036,138
Dividends received from associates	—
Group's share of profit	310,841

Pineapple Media Limited is a strategic investment of the Group, providing access to new network of public relations, media and consultancy services in corporate image and marketing management for its E-Sports and E-commerce business.

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For the year ended 31 December 2017

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 HK$	2016 HK$
Unlisted equity securities, at cost		
— in the PRC	—	1,116,656
— in Hong Kong	2,700,000	1,200,000
— in United Kingdom	7,800,000	—
	10,500,000	2,316,656
9% redeemable preference shares, at cost	8,000,000	—
	18,500,000	2,316,656

Unlisted equity securities and 9% redeemable preference shares, at cost were classified as available-for-sale financial assets and were stated at cost as they do not have a quoted market price in active market and whose fair value cannot be reliably measured was at the end of each reporting period.

The unlisted equity securities in the PRC, Hong Kong and United Kingdom were denominated in RMB, HK$ and Great British Pound respectively.

21. LONG-TERM DEPOSITS

	2017 HK$	2016 HK$
Deposits paid for		
— acquisition of a subsidiary (note)	—	4,466,624

Note:

During the year ended 31 December 2016, the Group acquired 10% equity capital of 新疆吐魯番星亮礦業有限公司 (Xinjiang Turpan Xingliang Mining Limited) ("Xinjiang Turpan Xingliang") at a consideration of RMB1,000,000 and classified as available-for-sale financial assets. On 10 October 2016, the Group entered an agreement with an independent third party for acquisition of the remaining 90% equity capital of Xinjiang Turpan Xingliang at the total consideration of RMB9,000,000. The carrying amounts of other long-term deposits were denominated in RMB.

The transaction was completed on 8 February 2017.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 **HK$**	2016 HK$
Equity securities, at fair value		
Listed in Hong Kong	**113,911,680**	102,722,920
Analysed as:		
Current assets	**113,911,680**	102,722,920

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

	2017 **HK$**	2016 HK$
Held for trading	**113,911,680**	102,722,920

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.

23. INVENTORIES

	2017 **HK$**	2016 HK$
Raw materials, consumable goods and spare parts	**3,569,029**	3,373,041
Work in progress	**722,143**	264,523
	4,291,172	3,637,564

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24. TRADE AND BILLS RECEIVABLES

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

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

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

	2017 HK$	2016 HK$
0–30 days	5,152,716	2,930,556
31–60 days	4,580,301	724,552
61–90 days	4,389,524	1,111,148
91 days–1 year	4,774,210	8,313,973
Over 1 year	25,016,650	19,158,142
	43,913,401	32,238,371

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24. TRADE AND BILLS RECEIVABLES *(Continued)*

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

Reconciliation of allowance of trade receivables:

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

As of 31 December 2017, trade receivables of HK$43,553,186 (2016: HK$28,876,030) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. An ageing analysis of these trade receivables is as follows:

	2017 HK$	2016 HK$
Up to 3 months	13,762,327	3,066,114
Over 3 months but less than 1 year	4,774,210	6,651,774
Over 1 year	25,016,649	19,158,142
	43,553,186	28,876,030

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

25. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2017 HK$	2016 HK$
Deposits placed with a securities broker	3,065,457	1,534,511
Trade deposits placed with suppliers	98,304,865	91,999,686
Utilities and other deposits	859,487	728,557
Prepayments	3,560,226	2,729,843
Transportation fee receivables	9,068,864	8,433,969
Other receivables	50,072,888	17,426,479
	164,931,787	122,853,045
Analysed as:		
Non-current assets	1,482,738	577,200
Current assets	163,449,049	122,275,845
	164,931,787	122,853,045

As of 31 December 2017, transportation fee receivables and other receivables of HK$25,032,599 (2016: HK$24,311,169) were past due but not impaired. These relate to a number of independent customers and suppliers for whom there is no recent history of default. An ageing analysis of these trade receivables is as follows:

	2017 HK$	2016 HK$
Up to 3 months	8,463,735	—
Over 1 year	16,568,864	24,311,169
	25,032,599	24,311,169

26. BANK AND CASH BALANCES

As at 31 December 2017, the bank and cash balances of the Group denominated in RMB amounted to HK$4,840,943 (2016: HK$7,146,340).

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.

27. TRADE PAYABLES

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

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

The Group's trade payables are denominated in RMB.

28. OTHER PAYABLES AND ACCRUALS

	2017 HK$	2016 HK$
Accruals	5,960,313	6,137,733
Other payables	24,780,503	5,238,160
	30,740,816	11,375,893

Included in other payables of HK$600,360 (2016: HK$Nil) being advancement from five staffs are denominated in RMB repaybale within one year or on demand and arranged at fixed interest rates of 10% per annum and expose the Group to fair value interest rate risk.

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29. DEFERRED TAX

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

	Fair value adjustment of mining rights HK$	Financial assets at fair value through profit or loss HK$	Total HK$
At 1 January 2016	—	(235,668)	(235,668)
Debit to profit or loss for the year (note 10)	—	(4,689,824)	(4,689,824)
At 31 December 2016 and 1 January 2017	—	(4,925,492)	(4,925,492)
Arising on acquisition of a subsidiary (note 35)	(41,369,990)	—	(41,369,990)
Credit to profit or loss for the year (note 10)	1,787,678	2,486,685	4,274,363
Exchange differences	(1,604,871)	—	(1,604,871)
At 31 December 2017	(41,187,183)	(2,438,807)	(43,625,990)

At the end of the reporting period the Group has unused tax losses of HK$57,844,290 (2016: HK$52,491,753) available for offset against future profits. No deferred tax asset has been recognised in respect of the HK$57,844,290 (2016: HK$52,491,753) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$737,483, HK$1,489,861, HK$1,886,136, HK$1,247,114 and HK$2,679,423 that will expire in 2018, 2019, 2020, 2021 and 2022 (2016: HK$1,848,221, HK$782,202 and HK$1,571,473, HK$791,631 and HK$1,159,805 that will expire in 2017, 2018, 2019, 2020 and 2021) respectively. Remaining tax losses may be carried forward indefinitely.

Notes to the Consolidated Financial Statements

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30. SHARE CAPITAL

	Number of shares	Amount HK$
Authorised:		
Ordinary shares of HK$0.1 (2016: HK$0.01) each		
At 1 January 2016	10,000,000,000	100,000,000
Increase of authorised capital *(note (a))*	40,000,000,000	400,000,000
At 31 December 2016 and 1 January 2017	50,000,000,000	500,000,000
Share consolidation *(note (c))*	(45,000,000,000)	—
At 31 December 2017	5,000,000,000	500,000,000
Issued and fully paid:		
Ordinary shares of HK$0.1 (2016: HK$0.01) each		
At 1 January 2016, 31 December 2016 and 1 January 2017	3,768,405,700	37,684,057
Issue of shares on right issue *(note (b))*	1,884,202,850	18,842,029
Share consolidation *(note (c))*	(5,087,347,695)	—
Issue of shares *(note (d))*	11,305,200	1,130,520
At 31 December 2017	576,566,055	57,656,606

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

30. SHARE CAPITAL *(Continued)*

Note:

(a) By an ordinary resolution passed on 30 June 2016 the authorised ordinary share capital of the Company was increased from HK$100,000,000 to HK$500,000,000 by the creation of 40,000,000,000 shares of HK$0.01 each, such new shares ranking pari passu in all respects with the existing shares of the Company.

(b) On 1 December 2016, the Company announced that the offer by the Company by way of rights of the 1,884,202,850 new ordinary shares of the Company of HK$0.01 each proposed to be allotted and issued by way of rights to the qualifying shareholders of the Company at a subscription price of HK$0.048 per share ("Rights Share") on the basis of one Rights Share for every two ordinary shares held by the shareholders on 16 December 2016 ("Rights Issue"). On the same date, the Company and the underwriters entered into the underwriting agreement to implement the Rights Issue. The Rights Issue has been completed on 16 January 2017 and the gross proceed from the Rights Issue amounted to approximately HK$90.44 million.

(c) On 1 December 2016, the share consolidation was proposed whereby every ten (10) existing issued and unissued shares of HK$0.01 each in the share capital of the Company would be consolidated into one (1) consolidated share of HK$0.10 each ("Share Consolidation"). The resolution approving the Share Consolidation was passed on the extraordinary general meeting held on 15 February 2017 and the Share Consolidation became effective on 16 February 2017.

(d) On 2 June 2017, the board of directors of the Company has resolved to grant an award of 11,305,200 ordinary shares of the Company of HK$0.1 each to the selected employees of the Group under the share award scheme which shall be satisfied by way of issue and allotment of the shares to the trustees appointed by the Company for the purpose of the trust in connection with the share award scheme.

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

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

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

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

The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2017, 63.07% (2016: 90.43%) of the shares were in public hands.

Notes to the Consolidated Financial Statements

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

(a) Statement of financial position of the Company

	Note	2017 HK$	2016 HK$
Non-current assets			
Investments in subsidiaries		88,039	86
Current assets			
Financial assets at fair value through profit or loss		102,181,680	81,598,320
Prepayments and other receivables		36,902,657	17,714,356
Amounts due from subsidiaries		179,785,102	123,132,203
Bank and cash balances		11,752,816	13,371,053
		330,622,255	235,815,932
Current liabilities			
Accruals and other payables		3,502,605	3,689,391
Amounts due to subsidiaries		3,613,839	3,668,862
		7,116,444	7,358,253
Net current assets		323,505,811	228,457,679
NET ASSETS		323,593,850	228,457,765
CAPITAL AND RESERVES			
Share capital		57,656,606	37,684,057
Reserves	32(b)	265,937,244	190,773,708
TOTAL EQUITY		323,593,850	228,457,765

Approved by the Board of Directors on 21 March 2018 and are signed on its behalf by:

CHAN Nap Kee, Joseph **YANG Yongcheng**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

(b) Reserve movement of the Company

	Share premium *(note 32(b)(i))* HK$	Shares held under share award scheme *(note 33)* HK$	Accumulated losses HK$	Total HK$
At 1 January 2016	1,293,081,493	—	(1,026,512,286)	266,569,207
Loss for the year	—	—	(74,605,432)	(74,605,432)
Purchase of shares held under the share award scheme	—	(1,190,067)	—	(1,190,067)
At 31 December 2016 and 1 January 2017	1,293,081,493	(1,190,067)	(1,101,117,718)	190,773,708
Profit for the year	—	—	5,962,651	5,962,651
Purchase of shares held under the share award scheme	—	(772,850)	—	(772,850)
Award of shares under the share award scheme	3,391,560	—	—	3,391,560
Issue of new shares for the year	66,582,175	—	—	66,582,175
At 31 December 2017	1,363,055,228	(1,962,917)	(1,095,155,067)	265,937,244

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For the year ended 31 December 2017

32. RESERVES

(a) Group

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

(b) Nature and purpose of reserves

(i) Share premium

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

(ii) Foreign currency translation reserve

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

33. 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 2016.

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.

Notes to the Consolidated Financial Statements

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33. SHARE-BASED PAYMENTS *(Continued)*

Share award scheme *(Continued)*

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.

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.

No Awarded Share was awarded during the year ended 31 December 2016.

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33. SHARE-BASED PAYMENTS *(Continued)*

Share award scheme *(Continued)*

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

	2017 Number of shares	2017 Amount HK$	2016 Number of shares	2016 Amount HK$
At 1 January	20,110,000	1,190,067	—	—
Purchase during the year	—	—	20,110,000	1,190,067
Share consolidation	(18,099,000)	—	—	—
At 31 December	2,011,000	1,190,067	20,110,000	1,190,067

Share award scheme adopted on 14 June 2016

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

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33. SHARE-BASED PAYMENTS *(Continued)*

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

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

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

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

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

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33. SHARE-BASED PAYMENTS *(Continued)*

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

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

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

11,305,200 New Awarded Shares amounted HK$4,552,080 was awarded during the year ended 31 December 2017 (2016: Nil).

	2017		2016	
	Number of shares	Amount HK$	Number of shares	Amount HK$
At 1 January	—	—	—	—
Purchase during the year	2,070,000	722,850	—	—
Issue of shares	11,305,200	4,522,080	—	—
Award during the year	(11,305,200)	(4,522,080)	—	—
At 31 December	2,070,000	722,850	—	—

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34. SUBSIDIARIES

Particulars of subsidiaries as at 31 December 2017 are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid up capital/chartered fund	Attributable equity interest	Principal activities
Directly held				
KEG CIS Business Limited	British Virgin Islands	US$1 Ordinary	100%	Investment holding
KEG Agriculture & Resources Limited	British Virgin Islands	US$1 Ordinary	100%	Investment holding
KEG New Economy Rangers Limited	British Virgin Islands	US$1 Ordinary	100%	Investment holding
KEG Collateral Limited	British Virgin Islands	US$10,000 Ordinary	100%	Investment holding
Kaisun Energy Managers Limited	British Virgin Islands	US$10,000 Ordinary	100%	Investment holding
Kaisun Energy Management Limited	British Virgin Islands	US$1 Ordinary	100%	Trading of securities & Investment holding
KEG Corporate Services Limited	Hong Kong	HK$10,000 Ordinary	100%	Not yet commence business
Indirectly held				
Kaisun Energy Corporation	British West Indies	US$1 Ordinary	100%	Investment holding
Main Logic International Limited	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
First Concept Development Limited	British Virgin Islands	US$1 Ordinary	100%	Investment holding
Anway Enterprises Limited	British Virgin Islands	US$1 Ordinary	100%	Investment holding
Goodstar Development Limited	British Virgin Islands	US$1 Ordinary	100%	Investment holding
West Glory Development Limited	British Virgin Islands	US$10,000 Ordinary	100%	Investment holding
Wealth Platinum Limited	British Virgin Islands	US$1 Ordinary	100%	Investment holding
Star Continental Limited	British Virgin Islands	US$100 Ordinary	100%	Investment holding
Kaisun Silk Road (South Asia) Limited	British Virgin Islands	US$100 Ordinary	100%	Investment holding
Sky Paradise Limited	British Virgin Islands	US$1 Ordinary	100%	Investment holding
KEG Tajikistan Capital Limited	British Virgin Islands	US$20,000 Ordinary	100%	Not yet commence business
Kaisun Energy Managers (Cayman Islands) Limited	Cayman Islands	US$1 Ordinary	100%	Not yet commence business
Pakistan Investment Fund	Cayman Islands	US$25,000 Ordinary	50%	Not yet commence business
Saddleback Mining Limited	United Kingdom	GBP100 Ordinary	100%	Investment holding
Kaisun Mining Corporation LLC	Republic of Tajikistan	TJS70,000	100%	Investment holding and exploitation of coal and coal processing
Sangghalt LLC	Republic of Tajikistan	TJS109,800	95.63%	Production and exploitation of coal and coal processing

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34. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Issued and paid up capital/chartered fund	Attributable equity interest	Principal activities
Indirectly held (Continued)				
Kamarob LLC	Republic of Tajikistan	TJS4,500,000 (TJS2,000,000 paid-up)	52%	Production and exploitation of coal and coal processing
新疆凱運國際貿易有限公司	PRC	Paid up capital RMB10,000,000	100%	Provision of supply chain management services
深圳凱順鴻欣貿易有限公司	PRC	Paid up capital RMB500,000	100%	Provision of supply chain management services
滕州凱源實業有限公司	PRC	Registered capital HK$30,000,000 Paid up capital HK$28,410,867	79.8%	Manufacturing of coal mining related equipment
山東凱萊能源物流有限公司	PRC	Registered capital HK$100,000,000 Paid up capital HK$72,381,961	70%	Provision of supply chain management services
新疆吐魯番星亮礦業有限公司	PRC	Registered capital RMB50,000,000 Paid up capital RMB12,000,000	70%	Production and exploitation of coal and coal processing
泉州市蒙晉電子商務有限公司	PRC	Registered capital RMB500,000 Paid up capital RMB200,000	100%	E-Commerce
Maritime Silk Road (South Asia) Limited	Hong Kong	HK$10,000 Ordinary	100%	Provision of public relationship services
Evoloop Limited	Hong Kong	HK$3,001,000 Ordinary	51%	E-Sport
Kaisun Energy Logistic Limited	Hong Kong	HK$10,000 Ordinary	100%	Investment holding
Kaisun Energy Equipment Limited	Hong Kong	HK$10,000 Ordinary	100%	Investment holding
Kaisun Silk Road Limited	Hong Kong	HK$1 Ordinary	100%	Financial lease & general trading
Kaisun Energy Trading Limited	Hong Kong	HK$10,000 Ordinary	100%	Provision of supply chain management

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34. 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	Kamarob LLC		滕州凱源實業有限公司		山東凱萊能源物流有限公司	
	2017	2016	**2017**	2016	**2017**	2016
Principal place of business/ country of incorporation	Tajikistan/Tajikistan		PRC/PRC		PRC/PRC	
% of ownership interests/ voting rights held by NCI	**48%**	48%	**20%**	30%	**30%**	30%
	HK$	HK$	**HK$**	HK$	**HK$**	HK$
At 31 December:						
Non-current assets	**—**	—	**1,171,130**	1,231,954	**187,020,680**	413,763
Current assets	**—**	—	**32,670,946**	17,312,291	**30,523,798**	21,235,417
Non-current liabilities	**—**	—	**—**	—	**(41,187,183)**	—
Current liabilities	**(12,176,483)**	(13,534,967)	**(6,373,510)**	(9,230,433)	**(18,690,983)**	(345,430)
Net (liabilities)/assets	**(12,176,483)**	(13,534,967)	**27,468,566**	9,313,812	**157,666,312**	21,303,750
Accumulated NCI	**(5,844,712)**	(6,496,784)	**(3,282,855)**	411,087	**(44,312,695)**	(1,108,875)
Year ended 31 December:						
Revenue	**—**	—	**19,907,473**	12,871,918	**65,956,485**	7,245,324
Profit/(loss)	**—**	—	**4,087,350**	866,109	**94,223,550**	(1,308,474)
Total comprehensive income	**—**	—	**3,701,834**	2,115,439	**89,046,302**	(2,577,524)
Profit/(loss) allocated to NCI	**—**	—	**770,158**	259,833	**28,267,065**	(392,542)
Dividends paid to NCI	**—**	—	**—**	—	**—**	—
Net cash generated from/(used in) from operating activities	**—**	—	**(7,655,451)**	61,977	**149,708,084**	1,523,932
Net cash used in investing activities	**—**	—	**(6,232,597)**	(39,837)	**(200,735,599)**	(5,851,952)
Net cash generated from financing activities	**—**	—	**13,920,984**	—	**48,438,667**	7,576,003
Net increase/(decrease) in cash and cash equivalents	**—**	—	**32,936**	22,140	**(2,588,848)**	3,247,983

As at 31 December 2017, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to HK$4,840,514 (2016: HK$7,145,912). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

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35. NOTED TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Acquisition of a subsidiary

On 2 October 2016, the Group entered into an agreement to acquire the remaining 90% equity capital of Xinjiang Turpan Xingliang at a consideration of RMB9,000,000. Xinjiang Turpan Xingliang was engaged in production and exploitation of coal and coal processing during the year. The acquisition was completed on 8 February 2017 ("Completion Date"). The acquisitions are for the purpose of expanding the exploitation of coal business of the Group.

The fair value of the identifiable assets and liabilities of Xinjiang Turpan Xingliang acquired as at the date of acquisition is as follows:

	Fair value HK$
Net assets acquired:	
Fixed assets *(note 16)*	3,083,286
Intangible assets *(note 18)*	171,617,048
Bank and cash balances	2,315,504
Other payables	(6,022,850)
Deferred tax liabilities *(note 29)*	(41,369,990)
Due to former owner	(13,486,215)
	116,136,783
Gain on bargain purchase	(94,052,901)
	22,083,882
Satisfied by:	
Cash paid for investment cost	6,003,580
Deposits paid paid for investment cost	4,466,624
10% fair value of previously held interest in available-for-sale financial assets	11,613,678
	22,083,882
Net cash outflow arising on acquisition:	
Cash paid for investment cost	(6,003,580)
Cash and cash equivalents acquired	2,315,504
	(3,688,076)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

Acquisition of a subsidiary *(Continued)*

The Group recognised a gain on bargain purchase of HK$94,052,901 in the business combination. The gain is included in other income. The business combination results in a gain on bargain purchase because the synergy of Xinjiang Turpan Xingliang and the Group's resource and experience in exploitation of coal.

Xinjiang Turpan Xingliang contributed approximately HK$Nil to the Group's revenue for the year for the period between the date of acquisition and the end of the reporting period. Xinjiang Turpan Xingliang contributed approximately HK$95,203,937 profit to the Group's profit for the year for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2017, total Group revenue for the year from continuing operations would have been HK$90,679,957, and profit for the year from continuing operations would have been HK$95,203,937. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is intended to be a projection of future results.

36. CONTINGENT LIABILITIES

At 31 December 2017, the Group did not have any significant contingent liabilities (2016: HK$Nil).

37. COMMITMENTS

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

	2017 **HK$**	2016 HK$
Capital contribution to a subsidiary	**—**	5,583,280
Capital contribution to fixed assets	**702,827**	—
	702,827	5,583,280

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37. COMMITMENTS *(Continued)*

(b) Lease commitments

At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 HK$	2016 HK$
Within one year	168,953	435,751
In the second to fifth years inclusive	—	478,391
	168,953	914,142

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

38. SEGMENT INFORMATION

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

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

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

Notes to the Consolidated Financial Statements

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38. SEGMENT INFORMATION *(Continued)*

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

	Provision of supply chain management services for mineral business HK$	Production and exploitation of coal in Xinjiang HK$	Production and exploitation of coal in Tajikistan HK$	Mining and metallurgical machineries production in Shandong HK$	Trading securities HK$	Others HK$	Total HK$
Year ended 31 December 2017							
Revenue from external customers	64,555,879	—	2,441,671	19,907,472	—	3,774,935	90,679,957
Segment profit/(loss)	(8,223,060)	95,203,937	(1,073,884)	4,087,350	12,369,495	(2,923,236)	99,440,602
Interest revenue	8,450	431,064	—	2,722	478	—	442,714
Depreciation and amortisation	282,143	7,219,169	—	185,765	—	6,135	7,693,212
Income tax credit	—	(1,787,678)	—	—	(2,755,293)	—	(4,542,971)
Other material non-cash items:							
Additions to segment non-current assets	644,388	3,083,286	—	161,787	—	—	3,889,461
As at 31 December 2017							
Segment assets	155,245,110	185,606,850	11,692	33,709,522	113,911,680	120,862	488,605,716
Segment liabilities	7,159,607	41,187,182	3,306,966	6,373,510	2,438,807	—	60,466,072

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

Notes to the Consolidated Financial Statements

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38. SEGMENT INFORMATION *(Continued)*

Reconciliations of segment revenue and profit or loss:

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

Reconciliations of segment assets and liabilities:

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

38. SEGMENT INFORMATION *(Continued)*

Geographical information:

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

Revenue

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

Non-current assets

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

Revenue from major customers:

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