KAISUN HOLDINGS LIMITED
凱順控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8203

ANNUAL REPORT 2018

* For identification purpose only

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

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

Contents

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

Corporate Information

Board of Directors

Executive Directors

Mr. Chan Nap Kee, Joseph
(Chairman 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 Secretaries

Ms. Young Helen
Mr. Leung Lit For *(resigned on 1 August 2018)*
Mr. Yun Hon Man *(appointed on 1 August 2018)*

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 *(resigned on 1 August 2018)*
Mr. Yun Hon Man *(appointed on 1 August 2018)*

Compliance Officer

Mr. Yang Yongcheng

Auditor

RSM Hong Kong

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

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

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

Website

www.kaisun.hk

Stock Code

8203

Financial Summary

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

RESULTS

	Year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**149,076**	90,680	35,218	18,673	36,878
Profit/(loss) before tax	**3,088**	73,754	(3,665)	(107,476)	(223,524)
Income tax credit/(expense)	**1,890**	4,543	(9,864)	23,936	3,715
Less: Loss/(profit) attributable to non-controlling interests	**5,532**	(28,990)	113	(7,534)	18,357
Profit/(loss) attributable to owners of the Company	**10,510**	49,307	(13,416)	(91,074)	(201,452)

ASSETS AND LIABILITIES

	As at 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**665,872**	562,404	306,544	311,784	317,706
Total liabilities	**(166,475)**	(81,870)	(26,849)	(15,782)	(56,528)
Owners' funds	**454,026**	439,114	287,206	304,253	279,186

Chairman's Statement

The year of 2018 marks the 10th year of Kaisun Holdings Limited, formerly known as Kaisun Energy Group Limited, as a company listed on the GEM of the HKEx. As it was suggested, "the days are long, but the years are short" — Kaisun Holdings have undergone many adventures over the past 10 years, and these all seemed to happen within merely few blinks of the eye.

There was a certain period of time that the GEM board had some rather chaotic moments due to quite a few of "misbehaving companies". As a result, the confidence of investors and shareholders was often curtailed as soon as they heard the word "GEM" — especially for those companies that are operating in industries that may not be as familiar to the general public. I would like to take this opportunity to tender my heartfelt gratitude for each and every precious shareholder and investor that has been partaking this journey together with Kaisun Holdings in the past 10 years.

Kaisun Holdings had its fair share of ups and downs in the past decade. It has not been easy especially with the minerals and commodities sector. In view of global economy, apart from maintaining our role as a heavy-asset energy and mining player, Kaisun Holdings has also extended its business scope to light-asset business. From a Belt and Road energy-sector pioneer, we have found our position as a Belt and Road project incubator. Our diverse business portfolio has a number of projects, each with different scales of capital input and covers different industry sector, and spread out along the Belt and Road region. As such, in August 2018 the Company's name has been changed from Kaisun Energy Group Limited to Kaisun Holdings Limited to reflect our nature as a diverse company. While adopting a new image for the Kaisun brand, the name "Kaisun Energy" is also maintained for the daily operation of our energy-related projects as a reminder for ourselves with regard to the roots of Kaisun.

We are truly happy that after the gathered efforts of the Board, the Management and the staff, we are able to reciprocate our shareholders with a dividend for the first time since we started our energy business in Belt & Road in 2008, and we are determined to make dividend payment a regular agenda in our yearly AGM where circumstances permit.

In year of 2019, the 11th year of Kaisun Holdings' journey, we will continue to make good use of our existing strengths, unique Belt-and-Road business connections and know-how while also going bold with developing our business. Looking at the overall progress of our different business projects, I am confident about the outlook for Kaisun Holdings this coming year.

Once again, on behalf of the Board of Directors, management of the Group and its subsidiaries, I would like to express my sincere thanks to all of our shareholders as well as investors of Kaisun Holdings.

May we continue to grow and thrive together for our next 10 years to come.

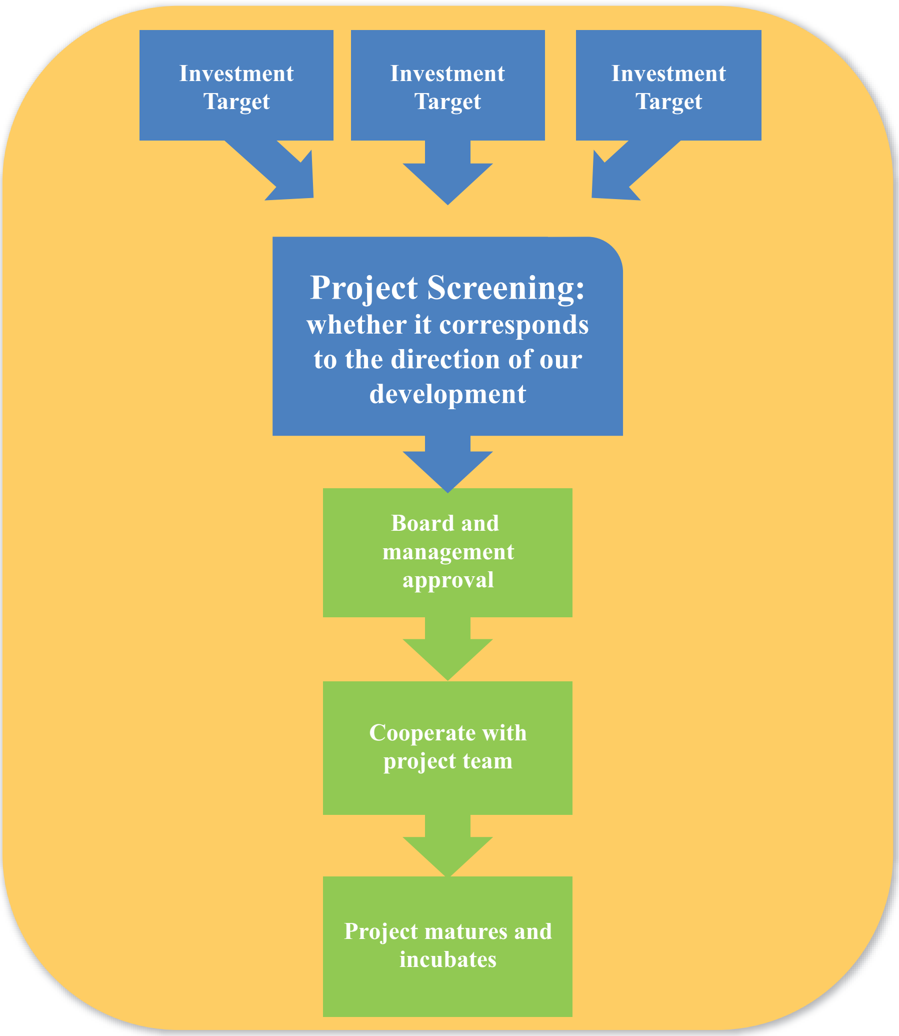
Management Discussion and Analysis

OVERVIEW

From Kaisun Energy Group to Kaisun Holdings

Kaisun Energy Group has adopted a new name, Kaisun Holdings Limited ("Kaisun Holdings") since 1 August 2018.

We began our roots as a Belt and Road pioneer as early as 2011, in the primary energy sector among the landlocked region of Central Asia and Inner Mongolia — 2 years before the Belt and Road Initiative was officially announced. However, just as Belt and Road Initiative isn't confined to one single sector, as we encountered different business opportunities outside the mining business, and with our vision of implementing the Belt and Road Initiative, the Company has gradually become a project incubator that holds a diverse business portfolio. In order to better reflect our business position, the new name "Kaisun Holdings Limited" was adopted as a result.



The diagram above shows our current project screening progress to ensure the Group has a healthy and diverse portfolio that benefits our business development. Each of our existing projects, progressing at a steady pace with its own development timeline, is assigned to a dedicated project development team with relevant expertise in the industry that the project operates.

OVERVIEW OF CURRENT PROJECTS

Previously we had categorized our business portfolio into two major business units, namely Traditional Economy Business Unit and New Economy Business Unit. As the projects evolve throughout the past two years, even those projects that would formerly be considered as under traditional economy are also incorporating new technology and elements of the new economy. As we started to embrace the new identity as Kaisun Holdings in August 2018, the Group decided it would also be a good timing to streamline the complex categorization by representing our diverse business portfolio at each of its individual project level. We believe that this will allow our shareholders and potential investors to understand and review the development of our different projects in a more clear-cut format.

Our current projects cover the following, and are spread around the Belt and Road region:

- Mining and Manufacturing of Machineries
- Supply Chain Management
- Agriculture
- Events and Consultancy (including eSports)
- Investment Vehicle Development

^ Highlighted regions indicate the business operating areas of Kaisun Holding's projects in 2018, namely mainland China (Guangdong, Ningxia, Jiangxi, Yunnan, Xinjiang), Mongolia, HKSAR, Vietnam, Tajikistan, Portugal and United Kingdom.

Management Discussion and Analysis

On top of managing the projects mentioned above, we are also continuing with the securities trading business as a form of support in covering administrative costs.

All of our major projects have been progressing towards different stages mapped out by the development teams. As these projects continue to operate and grow at their own unique timelines, they are contributing to the Group's development in different ways: while some are at their preparation stage, some are providing steady inward cash flow and some are beginning to shape. We believe that our diverse business portfolio among different industries allows us to spread risk while grasping the opportunity to generate revenue from different sources.

The following sections will provide more details about our current Belt and Road projects.

In 2018, the Group continued its past efforts in mining and metallurgical machinery production, supply chain management and commodities trade. To utilize the favourable economic policies offered by local government in support of the Central government Belt and Road strategies, Kaisun hope to increase investment strategically when suitable opportunities arise.

Our management team utilized available fund and achieved a number of goals, including completion of Shandong Kailai Logistic Centre — Phase II, entered agreement to acquire of Mongolia Choir Railway Platform, management of agricultural investment, which further expand the business scope of Kaisun Holdings.

Compared with last year, 2018 has seen encouraging growth in terms of trade volumes and asset valuations. Under the rapidly changing macro-economic environment, management team will formulate investment strategies and objectives suitable for the Group in response to changes in market environment, government policies and market needs.

1. MINING, MANUFACTURING OF MACHINERIES & SUPPLY

i. Shandong — mining and metallurgical machinery production

Tengzhou Kaiyuan Industrial Co., Ltd. ("Tengzhou Kaiyuan") is a joint venture of a subsidiary company of the Group. Tengzhou Kaiyuan owns 32 sets of safety certificates for mining products. Its core business are mining and metallurgical machinery production, its major products are overhead manned cableway device and it's business include equipment installation and technical support.

Management Discussion and Analysis

In 2018, the mining and metallurgical machinery industry faced transformation and upgrading, where unqualified old equipment would be eliminated resulting in increasing demand for metallurgical machinery, thus creating a larger market and demand for our products.


Tengzhou Kaiyuan work site


Kaisun team visited Mo Zi Innovation and Technology Park

Business highlights:

- In 2018, the annual sales revenue of Tengzhou Kaiyuan was HK$20.01 million, net profit of around HK$2.1 million.

- Tengzhou Kaiyuan customers are mainly stated-owned enterprises. In 2018, Tengzhou Kaiyuan develop new business regions, and extend its business in provinces including Gansu, Xinjiang, and three provinces at northeast region of China. New clients include China Coal Xinji Energy Co., Ltd. and Harbin Baihualin Group Baoqing Xinli Mining Co., Ltd..

- In the second quarter of 2018, Mr. Shao Shiguan, Secretary of Municipal Party Committee of Tengzhou City, together with other officials, paid a visit to our Group in Hong Kong. Recognizing the leading market position and good product quality of Tengzhou Kaiyuan, Mr. Shao worked on providing preferential policies to facilitate further development of our Group in Tengzhou, hoping that our Group can become a key enterprise in Tengzhou.

- In December 2018, under the invitation of Mo Zi Innovation and Technology Park, state-owned asset management company, Kaisun's team, party secretary of Tengzhou, visited Mo Zi Innovation and Technology Park.

Local Government of Tengzhou invited Tengzhou Kaiyuan to move into the Mo Zi Innovation and Technology Park. In order to attract Tengzhou Kaiyuan to relocate to Mo Zi Innovation and Technology Park, local government adopted preferential policy to us for Kaisun Energy Group Limited's (KEG) Headquarter to be located in Tengzhou, PRC.

ii. Shandong — supply chain management services

Updates of Recent Development in Coal Logistics Market

In 2018, State Council proposed to reorganize freight transport and substantially increase railway transport among all transport modes. In 2018, the national railway freight volume reached 3.198 billion tons, an increase of 280 million tons, or 9.6% over the same period last year. Of these, 1.66 billion tons of coal have been transported, an increase of 158 million tons, or 10.5% over the same period last year.

It was targeted the national railway transport target will increase by 250 million tons compared to 2018, an increase of about 7.8%. Of these targeted additional 250 million tons, 150 million tons belongs to coal transport. Railway transport volume will continue to increase, and it is expected that users will increase adopting railway as the transport mode to transport coal.

Shandong is located at the hub of China's railway coal transport. The geographic location of Shandong facilitates the development of coal transport between east and west. Under such macro economic environment of switching to use railway as the transport mode, it is expected to bring positive impact to the turnover for Shandong.

Shandong Logistics Business

Being in supply chain management business and possessing the right to use railway section allocated by Jinan Railway Bureau, Shandong Kailai Energy Industrial Co. Limited ("Shandong Kailiai") has logistic centre that handles loading and unloading of coal and warehousing.

Locationwise, Shandong Kailai logistic centre is situated in an important hub for allowing transportation of 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.

Loading and unloading at Kailai Logistic Centre

Kailai Logistic Centre — Phase I coal yard

The rail transport showed an increasing trend from 2018–2020. Under the current government policy of "transporting coal from North to South and from West to East", because of its good location, Shandong Kailai will certainly benefit from the great opportunities that arise from this new government policy.

Management Discussion and Analysis

Business highlights:

- Shandong Kailai has completed the second phase of leveling work, with total area near 40,000 square meter, raising the annual loading capacity to 3 million tons, storage capacity of 480,000 tons. Complying with Shandong environmental protection standards and to meet national standards, we installed environmental protection equipments, including dust screen and high wall.

Kailai Logistic Centre — Phase II coal yard

High cargo platform

- Since the start of logistics business in May 2017, Shandong Kailai had signed contracts with several well-known enterprises for coal transportation and handling services, including Zhoushan Xide Trading Co. Ltd, Xuzhou Yuefeng Electric Co. Ltd, Jiangsu Ding Wei De Fuel Combustion Co. Ltd.

- Shandong Kailai recorded annual revenue around HK$42.36 million, an increase of around 268% compared to that of last year.

iii. Xinjiang — coal mining business (wholly owned subsidiary of Shandong Kailai)

Shandong Kailai completed the acquisition of Xinjiang Turpan Xingliang Mining Co., Ltd. ("Xingliang Mine") in 2017, and Xingliang Mine became a wholly-owned subsidiary of Shandong Kailai. Xingliang Mine's coal is mainly long-flame coal, used mainly for power generation and chemical industry.

Location of Xingliang mine

Under the national policy of "reducing production capacity", Xinjiang government regarded scale of coal mine as important, hence integrated coal mining enterprises in the south. Located in Qiquanhu Town, Turpan City, Xingliang Mine is situated within Tuha coalfield, one of the four major coalfields in Xinjiang. To cope with government development, Xingliang Mine will be the main coal mine for integration with local mining resources.

Business highlights:

- The industrial park, road preparation work and ground construction of Xingliang Mine are under construction.
- In June 2018, together with Shanxi coal mine team, Northwest Electric Power Construction Engineering Co., Ltd. of China Energy Construction Group (NWPC) visited Xingliang Mine. Both teams are satisfied with preliminary work by Xingliang team, together with its high quality coal, hence both teams regarded Xingliang Mine has good development potential.

Meeting NWPC, Shaanxi team and Xingliang team

- After acquisition of Xingliang Mine, the Turpan Government recognized the preliminary work of the Group, supported Xingliang Mine as the main body for integration, integrated local resources, and signed an agreement of good faith with Xingliang Mine in the third quarter.

Turpan Government assisted Xingliang Mine to raise annual output of mining license from 90,000 tons to 1.2 million tons, and officially recognized Xingliang Mine as key development projects. Xingliang Mine is expected to be one of the largest coal mines in Turpan after integration. Team of Xingliang Mine is currently preparing related reports and striving to complete the application of mining license to 1.2 million tons in the third quarter of 2019.

Reports on Xingliang Mine

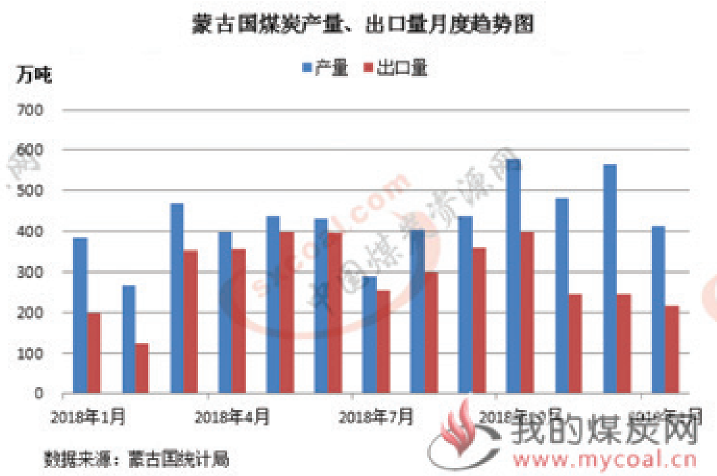
iv. Mongolia — supply chain management business

Resource analysis of Mongolia

Mining is a major industry in Mongolia and plays an important role in its economic development. Mongolia's proven reserves of mineral resources have risen to the seventh place in the world, and there is still room for improvement. More than 80 types of minerals have been discovered, including over 800 mining districts and 8,000 mining sites.

Among them, coal resources are relatively abundant, with about 27 billion tons of identified reserves. The coal producing area is divided into eastern and western parts, with mainly coking coal in western part, and lignite in eastern part These coal sources spread over 15 coal-bearing basins.

Source: http://baijiahao.baidu.com/s?id=1603657866774776947&wfr=spider&for=pc&from=singlemessage&isappinstalled=0



As shown in the above chart, Mongolia's coal export is on upward trend in 2018.

To sum up, Mongolia is rich in coal resources, however, as its transport infrastructure is weak, Mongolia needs to rely its transport by Chinese railway, hence both countries can complemented each other.

Source: http://www.mycoal.cn/news/show/147928/

Mongolia is located between Russia and China, which is the only way of logistics transportation among the three countries. Choir has obvious geographical advantages. The Railway Platform is located in the Middle-East of Mongolia, 250 kilometers away from the capital Ulaanbaatar, covering a total area of 35,000 square meters, with an average annual loading and unloading volume of 1.8 million tons.

Taking the opportunity of good location for coal transportation along the "Belt and Road" development, the Group entered the agreement to acquire Mongolia Choir Railway Platform in December 2018. For details of acquisition Mongolia Choir Railway Platform, please refer to the Company's related announcements dated 20 December 2018 and 7 January 2019.

Mongolia Choir Railway Platform

We will enter into construction agreement with China Railway Engineering Construction Mongolia ("China Railway Mongolia"). After completion of ground construction and obtaining relevant licenses and permits from government departments in Mongolia, the logistic centre will be put into operation. The logistics centre will provide loading and unloading services, warehousing, customs declaration, and logistics services.

v. Commodities trade

Current market

A total of 32 commodity futures have recorded gains since 2018, 66.67% of the total, the highest in terms of transaction volume since August 2018. Among them, crude oil and asphalt increased by more than 10%, and coke, coking coal, iron ore, thermal coal, rebar and hot rolled coil all recorded positive growth. In addition, Shanghai nickel, tin and other non-ferrous metals also recorded a rise.

Because demand is seasonal, the market demand of the cement industry is reduced in summer, hence industry association advises cement enterprises limiting production in summer and most cement enterprises implement this. In summer of 2018, limiting production in the cement industry was stable and orderly, which effectively reduces the total amount of pollutant emissions, promotes the continuous improvement of air quality, ensures the balance of market supply and demand, resulting in healthy development of the industry. In winter, demand revived and cement prices was on rising trend.

The rising trend of cement price will raise the Group's confidence in future business development on commodities trade of cement.

Source: https://baijiahao.baidu.com/s?id=1622958785267373385&wfr=spider&for=pc

Business highlights:

- Commodity trade recorded annual revenue of HK$52.86 million for 2018, and was an important source of Group turnover.

1.(A) CENTRAL ASIA — MINING IN TAJIKISTAN

Revenue from coal mining in Tajikistan for the year was around HK$3.0 million. We will continue our conservative approach and maintain relatively small-scale mining due to current volatility in exchange rate.

As relations between the two neighbouring countries, Tajikistan and Uzbekistan, are getting better this year, the demand for Tajik cement and coal export to Uzbekistan is expected to rise. We hope that this would provide the mining unit with a positive impact for the future.

2. AGRICULTURAL INVESTMENT AND DEVELOPMENT

The Group has cooperated with Cheung Lee Agricultural Co., Ltd ("Cheung Lee") for many years. The Group will continue to support the development of Cheung Lee as usual including internal control, corporate governance for reporting system on areas of financial and tax.

New Huizhou agricultural base

Currently, Cheung Lee has 3 direct subsidiaries and 7 vegetable production bases in China, located in Guangdong, Ningxia, Jiangxi and Yunnan provinces.

Jiangxi agricultural base

Management Discussion and Analysis

Site Visit Shanting, Shandong Province

China's vegetable production continues to develop, with the planting area reaching 300 million mu, annual output of over 700 million tons, annual sales up to 50% of the global production. As living standard of Chinese continue to rise, market demand for organic vegetables with zero residual increase as well. The Group will strengthen management of Cheung Lee and pay attention to the cultivation of zero residual organic vegetables to meet future market demand.

(Source: http://www.chyxx.com/industry/201707/541601.html)

Meeting with Shandong agricultural government official

Visit to Shandong fertilizer plant

Business highlights:

- The Group assisted Cheung Lee to complete the three-year audit report, and introduced strategic investment and partners.

- Together with Cheung Lee management team, Kaisun's team had visited vegetable bases in Yunnan, Jiangxi, Shandong province and discussed with the local government to learn more about the preferential agricultural policies.

Visit to Avacado farm in Menglin, Yunan

- Cheung Lee will be more diversified, including development of fruits and vegetables, nutrient solution promotion and zero residual planting.

- In 2018, with the help of Kaisun's team, Jiangxi greenhouse agricultural base with an area of 250 mu was added to Cheung Lee's planting. Currently, the agricultural planting area owned by Cheung Lee reached around 10,736 mu.

Conclusion

In 2018, preliminary targets set at the start of the year was reached with completion of several projects. Integration of coal resources in Turpan continued to progress, with further development of Shandong logistics business. Development on Mongolia Choir has started, facilitating development of future trade between China, Mongolia and Russia. Shandong metallurgical machinery project continues its development, expanding products types, enlarging market for its products. The Group continued developing business along Belt and Road in 2018.

As pioneer in Belt and Road initiative, the Group focused on the bulk commodity trade in southeast Asia, which generated significant contribution to the Group's turnover. In addition, the management of agricultural investment projects and corporate services to a mining enterprise are expected to provide good returns to Group's future revenue.

3. eSPORTS BUSINESS

In viewing the vast opportunities brought about by the eSports industry, in mid-2017 Kaisun Holdings formed an eSports-oriented subsidiary, EvoLoop Limited ("EvoLoop").

In 2018, EvoLoop had successfully shaped the existing intellectual property ("IP") "GirlGamer eSports Festival", which gained an international award for "Best eSports Festival" (please see below for details) and launched a new IP "Belt & Road eSports Festival". Furthermore, we have also secured equity partners from Taiwan and UK for the development of EvoLoop.

As global aggregate eSports-related figures such as revenue, viewers and reach continue to reach new high that prompts many trying to scramble for a piece, and as authorities in many countries and regions are showing their support for this blooming industry, the management team of EvoLoop understands the importance of establishing ourselves in this fast-paced business. We believe that by creating EvoLoop's own eSports-related IP it would create sustainable development and value for our eSports business.

i. GirlGamer eSports Festival ("GirlGamer")

GirlGamer eSports Festival, our eSports IP, won the international FESTX Awards as "Best eSports Festival" out of other finalists including industry leaders Dreamhack and Blizzcon, as well as Hong Kong eSports Festival.

Female gamers and esports enthusiasts have been witnessing substantial growth over the past 10 years. By the end of 2017, the world saw over 55 million female eSports enthusiasts and 77 million female eSports viewers. At the same time, the eSports industry had been undermining the huge potential of the female sector, and although the numbers of female gamers and enthusiasts are expanding, these women are also facing many harsh challenges simply due to their gender. EvoLoop was one of the very first few eSports companies in the world that recognizes the importance of the female market. Hence we have created the GirlGamer eSports Festival.

GirlGamer eSports Festival is an international eSports IP that aims at focusing on women's competitiveness and empowering of the female gamers' community amidst sexism and harassment that female gamers around the world face every day. The festival comprises business conference, professional tournaments and open tournaments, as well as tourism promotion supported by local authorities.

With a global vision in mind, the 2017 event first began in Macau, and in 2018 we brought the event of the GirlGamer to Lisbon of Portugal at Europe's largest casino, Casino Estoril.

In December 2018, GirlGamer won "Best Esports Festival" at America's FestX Awards — finalists for the award include industry leaders Dreamhack and Blizzcon, as well as Esports Festival Hong Kong. This shows the world-wide recognition and momentum that GirlGamer has been gaining.

GirlGamer has been well received by fans and partners from many countries since its launch — while in 2018 we had participants from over 18 countries, we also partnered with many established brands and associations, where some of them include the following:

GirlGamer 2018 also had a number of exciting new achievements, some including:

- Landed new sponsorship from Sephora, Logitech and 7up
- Secured frontpage coverage and exclusive broadcasting on Youku, one of the biggest online streaming platforms in mainland China
- Partnering with Ginx TV, an international eSports TV channel available over 50 countries
- Gained support from Women in Games, a famous global association for female professionals working in games and eSports industry
- Media outlet and coverage surpassing last year's GirlGamer

The sponsorship from the cosmetics-retail brand Sephora, not only showed GirlGamer's attraction to the brand to debut into the eSports industry, it was also chosen as "Top 10 Non-endemic Sponsorships of 2018" by the leading eSports business platform, Esports Observer.

Not only has the sponsorship created a cross promotion effect that brings benefits to both Sephora and EvoLoop, our Management is also confident that this high-profile move by Sephora will encourage more established retail brands to target the niche female esports market, which will create further positive impact for our future business.

Since its launch in mid-2017, the GirlGamer eSports Festival has been witnessing the following:

	Broadcast Viewers	**Estimated Reach**
2017: Macau, Studio City	1.4 Million	9.2 Million
2018: Lisbon, Casino Estoril	4.7 Million (+236% Growth)	22.4 Million (+148% Growth)

We are encouraged by the growing recognition of GirlGamer, and we are confident of it reaching further in the future.

ii. **Belt and Road eSports Festival — Battle of Emperors ("BoE")**

Aimed at creating multiplier effect between theme park tourists and eSports audience, the 1st Belt and Road eSports Festival — Battle of Emperors, was a joint event with China Travel Cultural Media Hong Kong Limited ("CTCM"), a subsidiary of the China Travel Services Holdings (Hong Kong) Limited ("CTS", HKEx: 308).

The BoE event attracted renown professional eSports team GO, as well as some famous top professional eSports players including Little Chen, China's champion in 2017; Lciop and Aaron, the 2018 Asian Games representatives from mainland China and HKSAR respectively.

Management Discussion and Analysis

Although this was a small test-water event held in Shenzhen, the estimated reach had over 5.5 million due to multiplying promotional effects from partners, sponsors including the established creative design brand MOMAX and international sportswear 361 degrees, and professional players. Furthermore, it opened doors for EvoLoop to cooperate with other potential business partners from mainland China in the future. One of these was signing an MOU with a SASAC company, Yunnan Wenti Tourism Investment Co. Ltd, to jointly explore the opportunities of eSports-project development in Pu'er of the Yunnan province.

At the same time, the eSports market in mainland China is known to have a distinctive ecosystem due to factors such as business environment and changing in government regulations. While we continue to explore, the management will also remain prudent about operating in the mainland China market.

eSports Business — Future Prospects

In viewing the growth and achievements of EvoLoop, the Management reckons our strategy to create eSports-related IP is also being proved of its worth. For the fiscal year 2019, EvoLoop will continue to put its major focus on the development of its IP along the Belt and Road region, especially with GirlGamer. As we progress on with building our IPs, we hope to announce in further details when the time has matured.

4. EVENT MANAGEMENT & CONSULTANCY BUSINESS

Revenue from the Event Management & Consultancy Business reached around HK$7 million after becoming a subsidiary of Kaisun Holdings

Kaisun Holdings became the controlling shareholder of People's Communication & Consultant Company Limited ("PCCC") in June 2018, adding a new driving factor to Kaisun's services business.

After going through an organizational restructuring and manpower readjustment during the first half of 2018, PCCC avidly pursued and sought after various forms of business, carried out over 30 mid to large scale projects, bringing 2018's total revenue to around HK$6.7 million.

The tandem of traditional Public Relationship PR events and listed company consultancy businesses are progressing simultaneously while PCCC establishes a friendly relationship with major local government departments, associations, and non-profit organizations to ensure a longstanding operational development. At the same time using our business ventures to explore potential opportunities for other units of the group, and seize on opportunities for an increase in headquarters' exposure through PCCC's ever growing network.

Apart from maintaining current clients, PCCC will rigorously seek out partnership opportunities with different up or down stream companies in 2019, advancing the company's strategic planning and business scale while dedicated to achieve a sustainable future with steady revenue progression.

5. INVESTMENT VEHICLE DEVELOPMENT

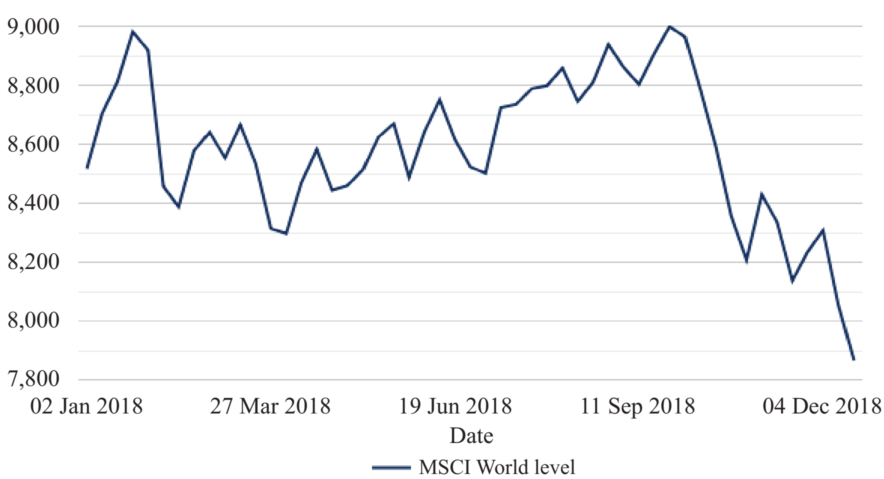
There has been no substantial change to both investments in 2018, and our investment in Sturgeon and Xin Ying preference shares maintain at a steady pace at the date of this report, where the interest from the preference shares continued to provide regular administrative expense support.

For Sturgeon Capital, we are still looking to a longer term development as the synergy has been strengthened in the past two years, hence we are looking at a way in which Sturgeon can help Kaisun streamline and manage our investment portfolio better in the future. Over the past twelve months, the political environment has been changing a lot in the Belt regions, for which Sturgeon started to adjust its strategy based on their rich experience, to be more focused on those potential states and side-line some of the investments until the situation in certain countries has improved. Therefore, Kaisun and Sturgeon Capital will seek more potential opportunities together due to the positive changes and also continue to introduce potential partners to each other from Europe and China that could contribute to the Group's project development or exit.

6. SECURITIES TRADING BUSINESS

The Group's listed-securities trading activities continue to be monitored by the investment committee with analytical and performance reports generated regularly. 2018 was the worst year for global and Hong Kong stock market since the financial crisis in 2009. The global stocks have fallen 7.1% in last year according to the MSCI "Morgan Stanley Capital International" World Index. Meanwhile the HSI "Hang Seng Index" has been under pressure after reaching a record high of 33,154.12 in January 2018, and it ended the year nearly 14 percent lower, as market sentiment was hit by the trade war between China and the United States.

MSCI World level



Source: Schroders. Refinitiv data for The MSCI World Index in US dollars

Our securities portfolio had an exceptional year compared to the Hang Seng Index under the management of the investment committee. The capital gain has been used on covering administration costs of our Belt and Road business. Starting from December, the investment committee had lowered the weight of our existing securities portfolio due to the external uncertainties of the trade conflict between China and US.

As at 31 December 2018, the fair value of listed investment was HK$134,134,730. The cost of listed investment was HK$71,326,650.

In 2018, the fair value gain on listed securities was HK$17,521,600, dividend received from listed securities was HK$1,487,086.

The outlook for 2019 remains largely negative according to the analysis by our investment committee, but we will not be stopping our Hong Kong listed stock trading activities, we will continue to target the long-term growth securities that pay dividend and revisit the market when opportunities arise.

7. ESTABLISHMENT OF BUSINESS UNIT FOR CONSULTING AND TRUST BUSINESS

As stated in Annual Report 2017, as the Group has professional staff possessing the required professional qualification, the Group took the initiative to use a subsidiary to apply for license of Trust or Company service provider ("TCSP") from Hong Kong Companies Registry to provide services to subsidiaries of the Group. The Company's subsidiary obtained TCSP license in third quarter 2018.

During the application process for TCSP license, management discovered that besides providing services to the subsidiaries of the Group, the current professional staff of the Group are capable of providing professional services to external parties as well.

We have built up our reputation as the Belt and Road pioneer and expert in Hong Kong after our many years of operating in the Belt and Road Regions. With such know-how, many of our peers or companies introduced by our business network that would like to expand their business into the Belt and Road seek advice from us. We realized that what we are sharing with others are actually valuable information and advice on which we can further capitalize.

Under such circumstances, we set up Kaisun Consulting Limited just after our newly established secretarial company earlier this year. Kaisun Consulting helps our Belt and Road peers to run their secretarial services and assist our peer's in their business strategies. Furthermore to meet the needs of our Belt and Road peers, we set up Kaisun Trust and Trustee Services Company Limited to provide trust services. With these two companies, we will not only able to continue to share our experience with our peers and to expand our Belt and Road network but also actually provide some professional services to our peers at a fee.

Some of our belt and road peers had already made the transition to be our service clients and had engaged Kaisun Consulting to be their corporate services provider. Since inception to year ended 2018, Kaisun Consulting Limited has generated around HK$22.7 million in revenue from various clients operating in different industries.

OUTLOOK FOR 2019

Utilizing our past experience, the group plan for business diversification, strengthening cooperation with government departments and further upgrading our business in 2019. Our business goals are as follows:

Mining and metallurgical machine production

- With dedicated team and the preferential rental policy provided by the local government, Tengzhou Kaiyuan moved its production plant to Mo Zi Innovation and Technology Park.

- The company plans to hire more workers for coping with expanding production lines and sales staff to further expand our business.

- Plan for further diversification in products, and plans to develop new products such as endless rope winch and hydraulic equipment.

Shandong supply chain management

- With completion of logistic centre, platform area loading capacity increased, and Shandong Kailai prepares for cooperation with more enterprises.

- After years of efforts, Tengzhou Kaiyuan is now well recognized by the local government, and willing to offer preferential policies to us for KEG Headquarter to be located in Tengzhou to enjoy preferential policies offered by local government.

Coal mining business

- With the cooperation of the Turpan government, Xingliang team continues working on relevant reports for application to raise the annual production of Xingliang mining license to 1.2 million tons.

Mongolia Choir Railway Platform

- We will engage China Railway Engineering Construction Mongolia ("China Railway Mongolia") to complete remaining work for construction of Railway platform.

- Business operations can start after completion of construction and obtaining relevant licenses.

Commodities trade

- The rapid development of the countries along the Belt and Road will give more potential development opportunities to our group's business.

Agricultural Investment and Development

- Cooperate with Mainland Financial Enterprises that specializes in providing Green Financial Services for Agricultural-related Business, further diversifying its business.

- Our team continues to assist Cheung Lee in setting up a fresh fruit company to expand trade in vegetable and fruit. Our team assisted Cheung Lee to set up its cooperation with State-owned Enterprises in Yunan, including land integration, developing business in avocado planting, packaging and sales.

FINANCIAL REVIEW

Revenue of the Group for the year ended 2018 amounted to approximately HK$149.1 million, an increase of approximately 64.4% when compared with the same period in 2017 (2017: HK$90.7 million). Revenue from the sales of goods and provision of services amounted to HK$113.0 million and HK$36.1 million respectively. The increase in revenue was due to: 1. increase in number of customers for our mining, manufacturing of machineries and supply chain management business; 2. the increased shareholding in an associate to become our subsidiary which was completed in June 2018, and engages in events organizing and management consulting business; and 3. establishment of consulting and trust business which generates revenue of approximately HK$22.7 million.

The Group's gross profit for the year ended 2018 increased approximately 308.6% to approximately HK$33.4 million when compared with the same period in 2017 (2017: HK$8.2 million). Gross profit arising from the sales of goods and provision of services amounted to HK$15.8 million and HK$17.6 million respectively. The improvement in gross profit was mainly attributable to improvement of gross margins for our mining, manufacturing of machineries and supply chain management business and our increased revenue generated from events organizing, consulting and trust business.

For the year ended 2018, the total administrative and other operating expenses from the Group's operations was approximately HK$72.4 million, an increase of approximately 21.5% as compared with the same period in 2017 (2017: HK$59.6 million). Such increase of total administrative and other operating expenses for the year ended 2018 was mainly caused by surging of amortization and depreciation expenses approximately HK$7.3 million, increase of exchange loss by approximately HK$1.6 million because of diminishing value of RMB, increase of entertainment expenses for business development by approximately HK$1.4 million, and an increase of salaries and pension by approximately HK$1.0 million.

For the year ended 2018, the profit from operations was approximately HK$4.1 million (2017: HK$73.4 million). The decline of profit from operations was mainly attributable to one-off gain of HK$94.1 million attained only in 2017 but not in 2018 and increase in administrative and other operating expenses by approximately HK$12.8 million, which were partially offset by an increase in other income and gains and losses by HK$3.4 million and reversal of impairment loss on trade and other receivables by approximately HK$16.7 million.

Management Discussion and Analysis

The Group recorded profit for the year 2018 of approximately HK$5.0 million, represented a decrease of approximately 93.6% when compared with the same period in 2017 (2017: HK$78.3 million).

The total comprehensive income attributable to owners of the Company for the year 2018 amounted to approximately HK$10.0 million (2017: HK$62.7 million).

As at 31 December 2018, the Group held financial assets at fair value through profit or loss of approximately HK$134.1 million, wholly comprised of listed investment in securities listed in Hong Kong. In the midst of poor performance of Hong Kong stock market in 2018, the loss on disposal of financial assets at fair value through profit or loss amounted to approximately HK$727,000 compared to a gain in the same period in 2017 (2017: HK$209,000), whilst the fair value gain on financial assets at fair value through profit or loss was approximately HK$17.5 million for the year ended 31 December 2018 (2017: HK$13.4 million). The details of financial assets at fair value through profit or loss are set out as follow:

Company Name	Number of shares held as at 31 December 2018	% of share-holding as at 31 December 2018	Unrealized gain/(loss) on fair value change for the year ended 31 December 2018 HK$	Dividends received for the year ended 31 December 2018 HK$	Fair value as at 2018 HK$	Fair value as at 2017 HK$	% of the Group's net assets as at 31 December 2018	Investment cost HK$	Reasons for fair value loss
Hong Kong Listed Securities									
361 Degrees International Limited (1361) *(Note 1)*	379,000	0.02%	(117,820)	20,856	617,770	—	0.1	735,590	Drop in Share price
EJE (Hong Kong) Holdings Limited (8101) *(Note 2)*	110,000,000	3.80%	13,750,000	—	21,560,000	7,810,000	4.3	7,775,000	—
MTR Corporation Limited (0066) *(Note 3)*	7,000	0.00%	8,600.00	1,750	288,400	—	0.06	279,800	—
OP Financial Investments Limited (1140) *(Note 4)*	36,612,000	1.25%	5,491,800	1,464,480	107,273,160	102,181,680	21.5	53,575,880	—
Sau San Tong Holdings Limited (8200) *(Note 5)*	42,000,000	0.77%	(1,386,000)	—	1,260,000	2,646,000	0.3	5,600,000	Drop in Share price
Wang Yang Holdings Limited (1735) *(Note 6)*	160,000	0.06%	(25,480)	—	342,400	—	0.07	367,880	Drop in Share price
Yield Go Holdings Limited (1796) *(Note 7)*	2,850,000	0.59%	(199,500)	—	2,793,000	—	0.6	2,992,500	Drop in Share price
Larry Jewelry International Co. Limited (8351) *(Note 8)*	—	—	—	—	—	1,274,000	—	—	—
Total			17,521,600	1,487,086	134,134,730	113,911,680	26.93	71,326,650	

Notes:

1. 361 Degrees International Limited (HKEx:1361) — The principal activities of 361 Degrees International Limited are manufacturing and trading of sporting goods, including footwear, apparel and accessories in the PRC.

2. EJE (Hong Kong) Holdings Limited (HKEx: 8101) — The principal activity of EJE (Hong Kong) Holdings Limited is investment holding. The principal activities of the EJE (Hong Kong) Holdings Limited's subsidiaries are: (i) 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.

3. MTR Corporation Limited (HKEx: 0066) — MTR Corporation Limited is principally engaged in the following core businesses — railway design, construction, operation, maintenance and investment in Hong Kong, the Mainland of China and a number of major overseas cities; project management in relation to railway and property development businesses; station commercial business including leasing of station retail space, leasing of advertising space inside trains and stations, and enabling of telecommunication services on the railway system in Hong Kong; property business including property development and investment, management and leasing management of investment properties (including shopping malls and offices) in Hong Kong and the Mainland of China; and investment in Octopus Holdings Limited.

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

5. 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.

6. Wang Yang Holdings Limited (HKEx: 1735) — Wang Yang Holdings Limited is a contractor in Hong Kong undertaking (i) foundation works which include piling works, excavation and lateral support works, and pile cap construction; (ii) superstructure works which include building works in relation to the parts of the structure above the ground level; and (iii) other construction works such as demolition works, site formation works, ground investigation works, minor works, hoarding works, A&A works and fitting-out works.

7. Yield Go Holdings Limited (HKEx: 1796) — Yield Go Holdings Limited is an established fitting-out contractor in Hong Kong with over 22 years of experience since the establishment of one of the group's principal operating subsidiaries, Hoi Sing Decoration, in 1995.

8. 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.

Management Discussion and Analysis

As at 31 December 2018, the Group held financial assets at fair value through other comprehensive income of approximately HK$25.9 million, wholly comprised of unlisted equity securities in Hong Kong and United Kingdom. The details of financial assets at investment cost are set out as follow:

Company Name	Number of shares held as at 31 December 2018	% of share-holding as at 31 December 2018	% of the Group's net assets as at 31 December 2018	Investment cost as at 31 December 2018 HK$	Investment cost as at 31 December 2017 HK$
Cheung Lee Farming Corporation *(Note 1)*	770	7.7%	1.5%	7,700,000	2,700,000
Sturgeon Capital Limited *(Note 2)*	24,999	9.96%	1.6%	7,800,000	7,800,000
Xin Ying Holdings Limited *(Note 3)*	8,000,000	N/A	1.6%	8,000,000	8,000,000
				23,500,000	18,500,000

Notes:

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

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

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

PROPOSED FINAL DIVIDEND

As part of a long term commitment to shareholders, the Board intends to recommend dividend distribution to shareholders, where circumstances permits, at a payout ratio of 20% of eligible profits for the year, with the remainder of the profits retained as capital for future use.

The Board recommended the payment of a final dividend of 0.34 HK cents per Share, comprised of normal dividend of 0.17 HK cents per share and special dividend of 0.17 HK cents per share, in respect of the year to shareholders whose names appear on the Register of Members of the Company at the close of business on 10 July 2019. The proposed final dividend will be paid on 19 July 2019 following approval at the forthcoming annual general meeting of the Company.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the proposed final dividend for the year (subject to approval by shareholders of the Company at the forthcoming annual general meeting), the register of members of the Company will be closed from 6 July 2019 to 10 July 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 5 July 2019.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group has bank and cash balances of approximately HK$20.7 million (2017: HK$26.0 million).

On 24 August 2018, the Company issued an 8% unlisted straight bonds due 2020 in an aggregate principal amount of HK$50,000,000. Of this principal amount, HK$30,000,000 of net proceeds was allocated for our acquisition of Mongolia Choir Railway Platform and used in manner as set out in the Company's announcement dated 20 December 2018, and the remaining net proceed will be used for trading business.

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). All the net proceeds have been used up as per the manner set out in the announcement of the Company dated 1 December 2016.

GEARING RATIO

The Group's gearing ratio, which represents the ratio of the Group's bonds payables over the Group's total assets, was 0.08 as at 31 December 2018 (2017: Nil).

FOREIGN EXCHANGE EXPOSURE

Majority of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars, Renminbi ("RMB"), Sterling Pound, United States dollars and Tajikistan Somoni. As at 31 December 2018, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

INCOME TAX

Details of the Group's income tax expense for the year 2018 are set out in note 11 to the consolidated financial statements.

HUMAN RESOURCES

As at 31 December 2018, the Group had 122 (2017: 171) staffs in Hong Kong, China and Tajikistan.

The Group continues to employ, promote and reward its staff with reference to their performance and experience. In addition to their basic salaries, the Group's employees are also entitled to other fringe benefits such as provident fund. The management will continue to closely monitor the human resources requirements of the Group, and will also put emphasis on the staff quality. During the year 2018, the Group had not experienced any significant labour disputes which led to the disruption of its normal business operations. The Directors consider the Group's relationship with its employees to be good.

The total staff costs, including Directors' emoluments, amounted to approximately HK$28.6 million (2017: HK$26.1 million) for the year 2018.

SEGMENT REPORT

The detailed segmental analysis are provided in note 42 to the consolidated financial statements.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2018.

LITIGATION

As at 31 December 2018, the Group had no significant pending litigation.

Biography of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chan Nap Kee, Joseph, aged 58, 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 master degree majoring in international marketing from the University of Strathclyde and a diploma in China Investment and Trade from Peking University.

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

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

Mr. Yang Yongcheng, aged 49, 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 55, is chairman of audit committee and member of nomination and corporate governance committee, and has over 20 years of experience in finance and general management, and is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Liew holds a Master of Business Administration (Executive) Degree from the City University of Hong Kong.

Mr. Siu Siu Ling, Robert, aged 66, is Chairman of Nomination and Corporate Governance Committee, member of audit committee and remuneration committee. He is a sole proprietor of the firm Messrs. Robert Siu & Co., Solicitors. Mr. Siu is an independent non-executive director of Finet Group Limited (Stock Code: 8317) Future World Financial Holdings Limited (Stock Code: 572), all of which are listed on the Hong Kong Stock Exchange.

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

He was an independent non-executive director of CMBC Capital Holdings Limited (Stock Code:1141) until 28 June 2017, which is listed on the Hong Kong Stock Exchange. 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 61, is the Chairman of Remuneration Committee and member of audit committee. He received two B.S. degrees in Geology and Mathematics from University of Wyoming, and Master and Ph.D. degree in Geophysics from Harvard University, and was "Distinguished Visiting Scholar" in finance at Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for many years, and has considerable experience in corporate finance, investment and derivative products. He is a member of Hong Kong Securities Institute and a life member of American Geophysical Union.

He is the Chairman and executive director of both UBA Investments Limited and Far East Holdings International Limited, non-executive director of China Sandi Holdings Limited 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, Synergis Holdings Limited and Asia Coal Limited with effect from 12 September 2018.

He was also an executive director of Boill Healthcare Holdings Limited (formerly known as "Ngai Shun Holdings Limited") until 21 December 2018, independent non-executive director of Bauhaus International (Holdings) Limited until 26 December 2016 and Sincere Watch (Hong Kong) Limited until 1 December 2017, all listed on the Stock Exchange.

Mr. Anderson Brian Ralph, aged 75, 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.

Directors' Report

The board ("Board") of directors ("Directors") of the Company is pleased to submit its report together with the audited consolidated financial statements ("Financial Statements") of the Company and its subsidiaries (collectively as "the Group") for the year ended 31 December 2018.

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 38 to the Consolidated Financial Statements.

An analysis of the Group's performance for the year ended 31 December 2018 by segments is set out in note 42 to the Consolidated Financial Statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss on page 82.

The Board recommended the payment of a final dividend of 0.34 HK cents per Share, comprised of normal dividend of 0.17 HK cents per share and special dividend of 0.17 HK cents per share, in respect of the year to shareholders whose names appear on the Register of Members of the Company at the close of business on 10 July 2019. The proposed final dividend will be paid on 19 July 2019 following approval at the forthcoming annual general meeting of the Company.

BUSINESS REVIEW

A review of the business of the Group for the year 2018 and a discussion on the Group's future business development and the principal risks and uncertainties facing the Group are provided in the Chairman's Statement, Management Discussion and Analysis from pages 5 to 34. In addition, the financial risk management objectives and policies of the Group can be found in note 6 of the Consolidated Financial Statements. An analysis of the Group's performance during the year 2018 using financial key performance indicators is provided in the Financial Summary on page 4.

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

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

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

RESERVES

Movements in the reserves of the Group during the year ended 31 December 2018 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 2018 amounted to HK$Nil (2017: HK$Nil).

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 17 to the Consolidated Financial Statements.

SHARE CAPITAL

Particulars of the share capital of the Company are set out in note 34 to the Consolidated Financial Statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2018 amounted to HK$99,127,902 (2017: HK$267,900,161). Under Section 34 of the Companies Law of the Cayman Islands, the reserves are available for distribution to shareholders subject to the provisions of the articles of association of the Company (the "Articles") and no distribution shall be paid to shareholders of the Company ("Shareholders") out of the reserves unless the Company shall be able to pay its debts as they fall due in the ordinary course of business of the Group.

DIVIDEND POLICY

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

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders. In proposing any dividend payout, the Board shall also take into account, inter alia, the Group's operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors it may deem relevant at such time. Any payment of the dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands, the articles of association of the Company ("Articles of Association") and the Shareholders. The Dividend Policy will be reviewed from time to time.

Subsequent to the end of reporting period, final dividend of 0.34 HK cents comprised of normal dividend and special dividend in respect of the year ended 31 December 2018 of cents 0.17 and cents 0.17 HK respectively per ordinary share has been proposed by the Directors and is subject to approval by the shareholders at forthcoming annual general meeting in 2019.

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 2018, 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 1,170,000 Shares of the Company at a total consideration of about HK$395,050.

PENSION SCHEME

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

SHARED-BASED COMPENSATION SCHEME

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

Share Award Scheme 2016

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

Grant of Award shares pursuant to the Share Award Scheme 2016 — by purchased shares to 2 Directors

On 22 March 2018, the Board granted award of an aggregate of 4,081,000 Shares to two Directors, 3,081,000 to Mr. Chan Nap Kee, Joseph and 1,000,000 shares to Mr. Yang Yongcheng under the 2016 Share Award Scheme, by using Shares purchased by the Trustee on the market ("Purchased Shares").

Source of aggregate of 4,081,000 Purchased Shares used for grant of award shares

The aggregate of 2,011,000 Award Shares were derived from an aggregate of 20,110,000 shares of the Company (which has been consolidated into 2,011,000 Shares following the Share Consolidation) (the "Purchased Shares from past scheme") purchased by the Trustee on the market in accordance with the Company's instructions pursuant to the 2013 Share Award Scheme during the year ended 31 December 2016.

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

The aggregate of 2,070,000 Award Shares were purchased by the Trustee on the market in accordance with the Company's instructions pursuant to the 2016 Share Award Scheme during the year ended 31 December 2017 (the "Purchased Shares"). On 22 March 2018, all 4,081,000 Purchased shares in the Share Award Scheme 2016 on that day were granted to the two Directors as stated above.

During the year ended 31 December 2018, the trustee of the Share Award Scheme 2016, pursuant to the terms of the rules and trust deed of the Share Award Scheme 2016, purchased on the Stock Exchange a total of 1,170,000 shares for total consideration of about HK$395,050. During the year, except for the grant to 2 Directors as stated above, no Purchased Shares were awarded to any director or employee of the Company under the Share Award Scheme 2016.

DIRECTORS

The Directors during the year 2018 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 2018, 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, Dr. Wong Yun Kuen and Mr. Siu Siu Ling, Robert will retire from offices by rotation at the forthcoming AGM, and being eligible, offer themselves for re-election at the forthcoming AGM.

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

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 2018, 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.

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 2019, Mr. Siu Siu Ling Robert has been appointed as an independent non-executive director up to 31 December 2019, Dr. Wong Yun Kuen has been appointed as an independent non-executive director up to 29 September 2019, while Mr. Anderson Brian Ralph has been appointed as an independent non-executive director up to 22 January 2020.

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

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTEREST IN CONTRACTS

There were no contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its holding company was a party and in which a director had a material interest, whether directly or indirectly, subsisting as at the end of the year or at any time during the year 2018 under review.

DIRECTORS' INTEREST IN THE SHARES OF THE COMPANY

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

Name of Directors	Capacity	Number of shares as at 31 December 2018	Approximate percentage of the total issued Shares as at 31 December 2018
Chan Nap Kee, Joseph	Beneficial owner	166,453,298 *(Note 1)*	28.87%
Yang Yongcheng	Beneficial owner	1,675,000 *(Note 2)*	0.29%
Wong Yun Kuen	Beneficial owner	525,000 *(Note 3)*	0.09%
Liew Swee Yean	Beneficial owner	204,000 *(Note 3)*	0.04%
Siu Siu Ling, Robert	Beneficial owner	204,000 *(Note 3)*	0.04%
Anderson Brian Ralph	Beneficial owner	150,000 *(Note 3)*	0.03%

Save as disclosed above, as at 31 December 2018, none of the directors or chief executive of the Company had any interest or short position in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Ordinance) which is required to be notified to the Company and the Stock Exchange pursuant to divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or any interests required to be entered in the register maintained in accordance with Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors.

Notes:

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

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

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

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

INTEREST OF SUBSTANTIAL SHAREHOLDERS IN SHARES OF THE COMPANY

As at 31 December 2018, 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 2018	Approximate percentage of the total issued shares as at 31 December 2018
Mr. Chan Nap Kee, Joseph	Beneficial Owner	166,453,298	28.87%
Ms. Yeung Po Yee, Bonita	Interest of spouse *(Note 1)*	166,453,298	28.87%
Mr. Zhang Xiongfeng	Beneficial Owner	73,430,000	12.74%
Ms. Wu Mingqin	Interest of spouse *(Note 2)*	73,430,000	12.74%

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 2018, 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. The transactions under the Master Coal Supply Agreement for the year ended 31 December 2018 was around HK$4.92 million.

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

Master Coal Supply Agreement

Date and parties

Date: 30 November 2017

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

Principal terms of the Master Coal Supply Agreement

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

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

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

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

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

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

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

5. the quantity of coal;

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

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

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

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

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

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year 2018 under review.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of cost of sales and sales for the year 2018 attributable to the Group's major suppliers and customers are as follows:

Cost of sales	
— the largest supplier	30%
— five largest suppliers combined	92%
Sales	
— the largest customer	16%
— five largest customers combined	65%

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 2018. Details of compliance and deviation are set out in the Corporate Governance Report on pages 49 to 75.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

PRE-EMPTIVE RIGHTS

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

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 38 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 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.

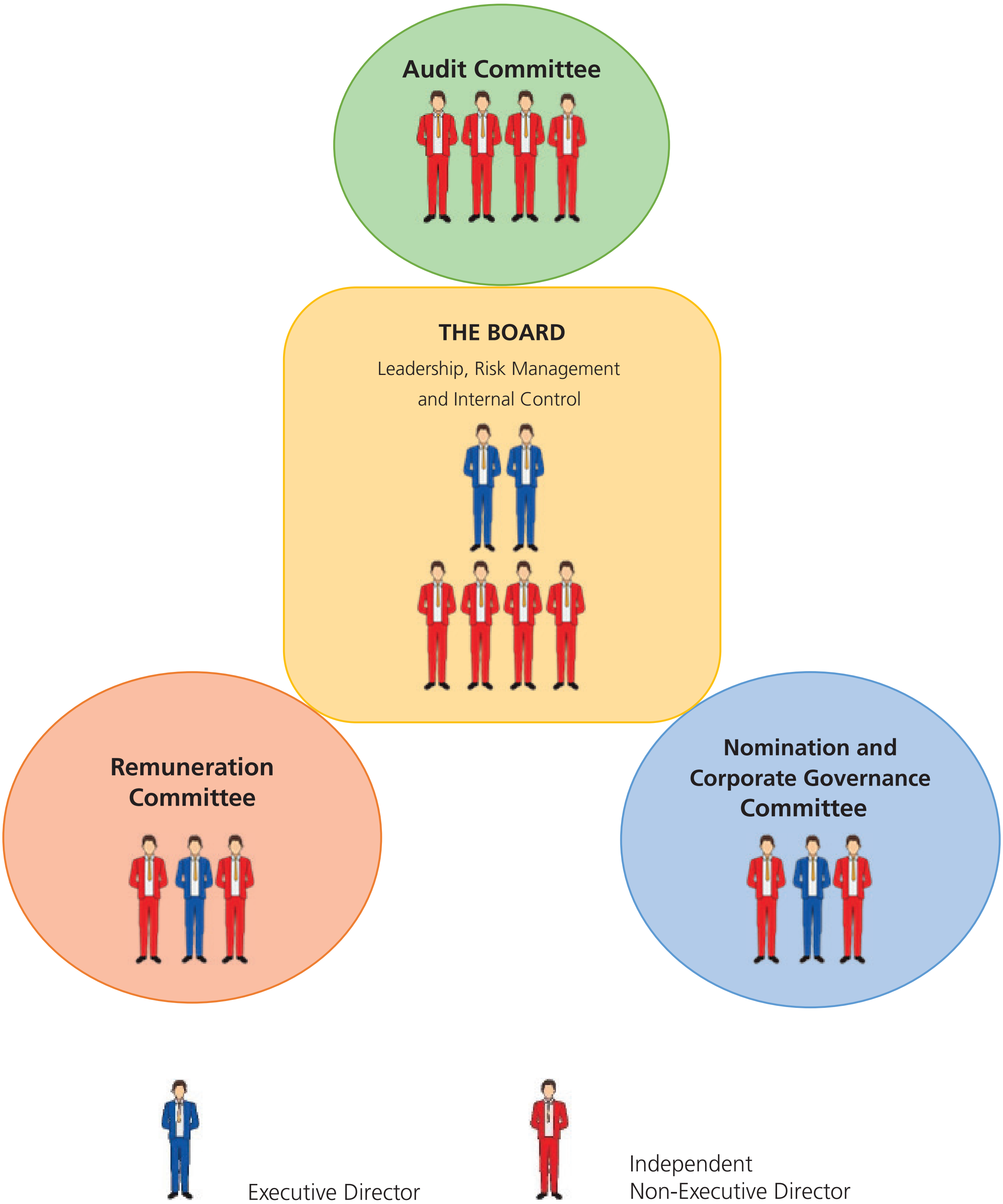
For and on behalf of the Board

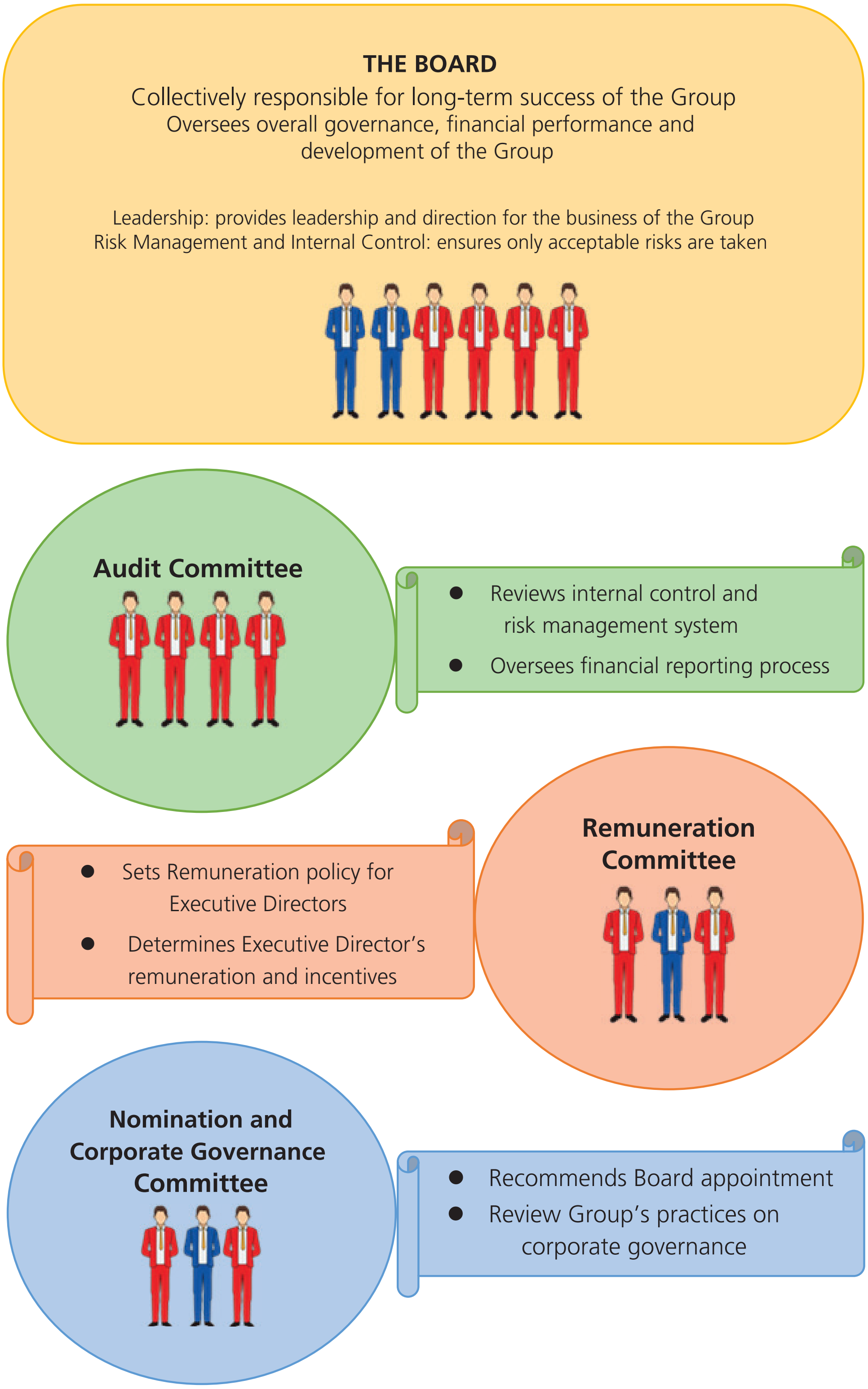
Chan Nap Kee, Joseph
Chairman

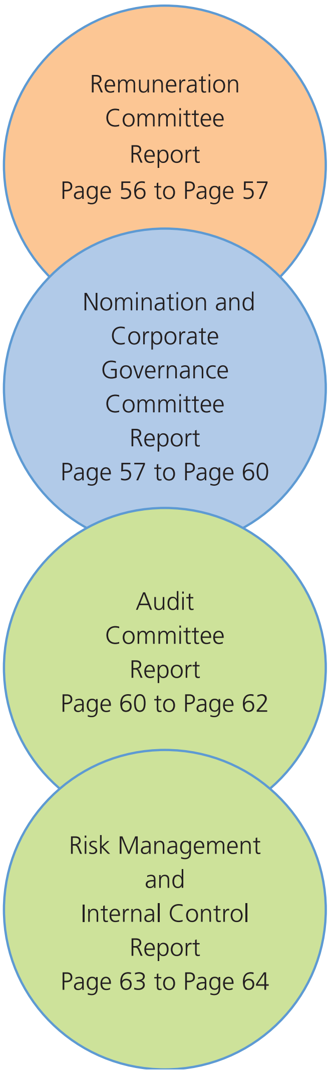
Hong Kong, 15 March 2019

OUR GOVERNANCE FRAMEWORK

Kaisun operates with a clear and effective governance structure




THE BOARD
Collectively responsible for long-term success of the Group
Oversees overall governance, financial performance and development of the Group
Leadership: provides leadership and direction for the business of the Group
Risk Management and Internal Control: ensures only acceptable risks are taken
Audit Committee
Reviews internal control and risk management system
Oversees financial reporting process
Remuneration Committee
Sets Remuneration policy for Executive Directors
Determines Executive Director's remuneration and incentives
Nomination and Corporate Governance Committee
Recommends Board appointment
Review Group's practices on corporate governance



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.kaisun.hk

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

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

Role and Function of the Board

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

Appointment of four independent Directors with a diverse background

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

In view of good corporate governance, regarding board composition, we are one of the few listed companies in Hong Kong where we have more Independent non-executive Directors than Executive Directors. As at the date of this Annual Report, the Board comprises six Directors: two Executive Directors and four Independent non-executive Directors (INEDs).

INEDs comprise two-third of the Board which exceeds the Listing Rules requirement that INEDs shall represent at least one-third of the Board. The rationale behind such appointment is that the Company should be monitored by independent non-executive Directors on behalf of public shareholders.

During 2018, 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:

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

Note: Director's full biography are set out from page 35 to page 37

COLLABORATION BETWEEN THE BOARD AND MANAGEMENT

Respecting each other's role, 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 2018

The Board held 9 meetings. Kaisun Directors have a strong commitment to the Company, which was reflected in the high attendance record at the Board and its Committee meetings.

To supplement the formal Board meetings and to further strengthen the independence of the independent non-executive directors and to enable them to discuss more freely the Independent Non-Executive Directors (INED) held 4 separate discussion sessions during 2018 without the presence of Executive Directors.

INED were invited to the Company's events, such as the Belt and Road Forum

Financial plans including budgets were discussed at Board meetings. Reports covering financial highlights to Executive Directors and INED were issued.

Directors' and Officers' liability insurance had been arranged. The terms and extent covering 2018 was reviewed and renewed.

THE BOARD OF DIRECTORS

Composition of the Board

As at 31 December 2018, 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 is the Compliance officer.

One of the independent non-executive directors has appropriate professional accounting qualifications and related financial management expertise. Biographical details of the directors are set out on pages 35 to 37 of this annual report.

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

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

Independent Non-Executive Directors

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

Chairman and Chief Executive Officer

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 since 26 October 2016. 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. As Mr. Chan is both Chairman and Chief Executive Officer, Code Provision A.2.1 has been deviated.

As there are four independent non-executive Directors, the Board considers that vesting the roles of both Chairman and Chief Executive Officer in the same person will not affect the balance of power and authority. The Board believes that this structure will enable more overall strategies for the Company and facilitate the implementation of the Company's business plan. The Company will nevertheless review the structure from time to time in light of prevailing circumstances.

Board Meetings

Nine regular Board meetings were held during the year ended 31 December 2018. The Board meetings involved the active participation of the directors either in person or by telephone or through other electronic means of communication.

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

Attendance of each of the directors at Board meetings during the year ended 31 December 2018 is set out as follows:

Number of Board Meetings	**9**	
Executive Directors:		
Mr. Chan Nap Kee, Joseph *(Chairman and Chief Executive Officer)*	9/9	100%
Mr. Yang Yongcheng	9/9	100%
Independent Non-Executive Directors:		
Mr. Liew Swee Yean	9/9	100%
Mr. Siu Siu Ling, Robert	9/9	100%
Dr. Wong Yun Kuen	9/9	100%
Mr. Anderson Brian Ralph	9/9	100%
Average attendance rate	100%	

Annual General Meeting

Except for Mr. Siu Siu Ling, Robert, all other five Directors attended the Annual General Meeting held on 29 June 2018.

Company Secretaries

As stated in the Company's announcement dated 2 August 2018, Mr. Leung Lit For ("Mr. Leung") will remain as Director of the Company's subsidiary which provides corporate advisory services, and will focus on developing business of Kaisun's corporate advisory services, Mr Yun Hon Man was appointed the Group Chief Accountant, Joint Company Secretary and an Authorised Representative so as to fill the vacancies arising from the internal transfer of Mr. Leung with effect from 1 August 2018.

All Directors have access to the advice and services of the Joint Company Secretaries, Mr. Leung Lit For, Miss Young Helen and Mr. Yun Hon Man. Mr. Leung, Miss Young and Mr. Yun have confirmed that they have taken no less than 15 hours of the relevant professional training for the year ended 31 December 2018 in compliance with Rule 5.15 of the GEM Listing Rules.

BOARD COMMITTEES

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

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

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

REMUNERATION COMMITTEE REPORT

Composition of the Remuneration Committee

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

* *Independent Non-executive Director*

◆ *Executive Director*

Role and Function of the Remuneration Committee

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

Remuneration Policy

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

Remuneration Committee Meetings

The Remuneration Committee held one meeting during the year ended 31 December 2018. During the meeting, the Remuneration Committee had reviewed and approved the increment in salary, bonus payment and share award for the executive directors and the senior management by way of resolutions passed by all committee members. However, the executive directors did not participate in determining their own remuneration.

During the year 2018 under review, the Remuneration Committee had undertaken the following duties:

(i) approved the salary and bonus payment for an executive director of the Company; and

(ii) administered the share award scheme of the Company.

Attendance of each of the directors at the Remuneration Committee meetings for the year ended 31 December 2018 is set out as follows:

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

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE REPORT

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

Committee Chairman Mr. Siu Siu Ling, Robert*

Members Mr. Liew Swee Yean*
Mr. Chan Nap Kee, Joseph◆

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

Role and Function of the Nomination and Corporate Governance Committee

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

BOARD DIVERSITY

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

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

DESIGNATION

ETHNICITY

Based on the latest review, the Nomination Committee considers the Board to be diverse in respect of the aforesaid evaluation criteria.

The Nomination Committee has considered but decided not to set any measurable objectives for implementing the Board Diversity Policy.

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

AGE GROUP

GENDER

With regard to the Directors' skills, regional and industry experience as well as background, please refer to their biographical details set out in the Biography of Directors and Senior Management section on pages 35 to 37.

LENGTH OF SERVICE ON BOARD

Attendance of each of the directors at the Nomination and Corporate Governance Committee meetings for the year ended 31 December 2018 is set out as follows:

Number of Nomination and Corporate Governance Committee Meetings	**2**	
Mr. Siu Siu Ling, Robert *(Committee Chairman)*	2/2	100%
Mr. Chan Nap Kee, Joseph	2/2	100%
Mr. Liew Swee Yean	2/2	100%
Average attendance rate	100%	

AUDITORS' REMUNERATION

For the year ended 31 December 2018, the fee paid or payable to external auditors in respect of audit and non-audit services amounted to HK$2,800,000 and HK$32,300 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 2018 under review. In preparing the accounts for the year ended 31 December 2018, the directors have approved adoption of all the applicable standards and interpretations of International Financial Reporting Standards ("IFRSs").

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

AUDIT COMMITTEE REPORT

Composition of the Audit Committee ("AC")

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

* *Independent Non-executive Director*

Role and Function of the Audit Committee

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

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

Audit Committee Meetings

During the year 2018, 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 2018 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 2018, the AC had undertaken the following duties:

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

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

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

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

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

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

During the year 2018, 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 2018.

The Group's financial statements for the year ended 31 December 2018 has been reviewed by the AC, who is of the opinion that such statements comply with applicable accounting standard and legal requirements, and that adequate disclosures have been made.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintain good standard of corporate governance practices and procedures Details of internal control system are stated under "RISK MANAGEMENT AND INTERNAL CONTROL REVIEW REPORT" on page 63 and page 64 of this Annual Report. Except for the deviations described below, the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG code") contained in Appendix 15 to the GEM Listing Rules throughout the year 2018 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.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

RISK MANAGEMENT AND INTERNAL CONTROL REPORT

The Board has overall responsibility for the risk management and internal control systems of the Company and for reviewing their effectiveness. The risk management and internal control systems of the Company are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. 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 were reviewed throughout the year 2018 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 also currently going through the process of reviewing and improving on our internal audit 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.

Expansion of IT Department and Review by Independent Special Audit Task Force

During the year 2018, our Internal Auditor has reviewed our IT infrastructure and suggested the Company to increase budget on IT infrastructure and internet security. In 2018, we have expanded our IT department to cope with Internal Auditor's suggestion.

Apart from the above, during the period of 2018, our Internal Auditor has performed the audits and reviews on the all major business units, including Traditional Economy Business, Central Asia Business Unit and New Economy Business Unit, no significant control deficiency was identified.

In order to have full review of the operations and procedures, a Special Audit Task Force has been formed during 2018, which is chaired by Mr. Anthony Lai, Managing Partner of M.C.A. Lai Solicitors LLP, to review and audit the corporate activities for last 12 months and continuing activities of the Group, no significant control deficiency was identified and the management team and Executive Directors are properly following the comments, advice, guidance, and decisions from the Board.

Review of Risk Management and Internal Control Effectiveness

The Board has conducted an annual review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2018, covering the material financial, operational and compliance controls, and considered that the Group's risk management and internal control systems are effective and adequate. The Audit Committee has also annually reviewed the adequacy of resources, qualifications, experience and training programs of the Group's internal audit staff and accounting and financial reporting staff and because most of our accounting staff have professional qualifications with audit and financial experience as well, the Audit Committee considered that the staffing is adequate and the staffs are competent to carry out their roles and responsibilities.

MANDATORY PROVIDENT FUND COMMITTEE

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.

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. In 2018, 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.

TIMELY IMPLEMENTATION OF LATEST REGULATORY CHANGE

A new licensing regime for trust or company service providers ("TCSPs") commenced 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. The Company's subsidiary obtained TCSP license in third quarter 2018.

INVESTOR RELATIONS AND COMMUNICATION

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

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

(i) Annual General Meeting ("AGM")

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

The most recent AGM of the Company was held at Unit B, 17/F, E Tat Factory Building, 4 Heung Yip Road, Wong Chuk Hang, Hong Kong on 29 June 2018 at 9.30 a.m. The notice of AGM, the Company's annual report and the circular containing information on the proposed resolutions were sent to shareholders at least 20 clear business days prior to the meeting. Separate resolutions were proposed in respect of each separate issue.

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

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

(ii) Change of Company Name and Constitutional Documents

The English name of the Company has been changed from "Kaisun Energy Group Limited" to "Kaisun Holdings Limited" and the Chinese name "凱順控股有限公司" has been adopted for identification purpose only in place of its existing Chinese name "凱順能源集團有限公司". There was no other change in the constitutional documents during the Year.

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 2018:

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	Seminar on the new stage developments in Uzbekistan (10 January 2018)	Hong Kong Polytechnic University, Chui Hai College of Higher Education	3 hours
	HKVCA Asia Private Equity Forum (17 January 2018)	Hong Kong Venture Capital and Private Equity Association (HKVAC)	6.5 hours
	The HKVCA 17th China Private Equity Summit (5 June 2018)		6.5 hours
	Belt & Road and the Reshaping of Eurasian Trade Flows and Logistics System (7 March 2018)	Silk Road Economic Development Research Centre	1 hour
	Islamic Finance vs Traditional Finance (26 April 2018)		1 hour
	How to use technology to draw people closer along the belt and road? (6 June 2018)		1 hour
	Belt and Road, Greater Bay Area — the UK Perspective (31 July 2018)		1 hour
	Silk Road Series- Seminar on China-Ukraine trade and more (29 September 2018)		3 hours
	Navigating the Wave of Change: Asia Regulatory Updates for Asset Managers (27 April 2018)	Baker McKenzie	1 hour
	Exploring Business Opportunities in Zimbabwe Seminar (8 June 2018)	Hong Kong Energy and Minerals United Associations	3 hours
	Anti-Money Laundering Seminar (21 September 2018)		1 hour

Name and title of director	Updates on Laws, Rules and others	Training provider	Time spent
	The State of Insurance- Hong Kong and Asia 2018, in association with Debevoise & Plimpton LLP (14 September 2018)	Debevoise & Plimpton LLP	2 hours
	3rd Anniversary of the Maritime Silk Road Society and "Operation Zhang Qian 2018" Sharing Session (15 September 2018)	Maritime Silk Road Society	0.5 hour
	Belt and Road Conference 2018 (29 October 2018)	China Daily and Silk Road Economic Development Research Centre	4 hours
	Procurement & Supply Chain Evolution for Belt & Road Initiative International Conference (3 November 2018)	The Institute of Purchasing & Supply of Hong Kong	5.5 hours
	Forum on practical aspects on Trade and Investment Policy on "Belt and Road" (12 November 2018)	Ministry of Commerce of the People's Republic of China	5.5 hours
	Investment and business environment in UK (15 November 2018)	British Consulate-General Hong Kong	1.5 hour
	Professional Development Seminar (16 November 2018)	Hodgson Impey Cheng Limited	2.5 hours
	Asian Logistics and Maritime Conference (20 November 2018)	Hong Kong Trade Development Council (HKTDC)	3 hours
	2nd Mare Forum Hong Kong 2018 (21 November 2018)		1.5 hours
	"The Belt & Road Initiative" Overseas Investment Opportunities and Practice (22 November 2018)	Cushman & Wakefield	3 hours
	BRI: Bringing the East and the West together (26 November 2018)	SOAS University of London	1.5 hours

Name and title of director	Updates on Laws, Rules and others	Training provider	Time spent
	Greater Bay Area: Will the initiative benefit Hong Kong? (30 November 2018)	South China Morning Post	1 hour
	Practical application for Blockchain technology- Transforming more than token landscape (5 December 2018)	Kaisun Consulting Limited	0.5 hour
	1. Continuing duties of listed companies- what every financial adviser should know 2. Sponsor's due diligence in an IPO- standards, record-keeping and timing 3. Overview of the SFO Licensing Regime and recent developments 4. The new SFC regulatory framework on virtual assets and what this may mean in practice (13 December 2018)	Stephenson Harwood	4 hours
	Total		**64 hours**
Mr. Yang Yongcheng, Executive Director	Hong Kong Tax Update (21 March 2018)	Hong Kong Institute of Certified Public Accountants	2 hours
	"Directors' Responsibilities at IPOs" (28 June 2018)	Director Training Webcasts by Hong Kong Stock Exchange	1 hour
	Total:		**3 hours**
Mr. Liew Swee Yean, Independent non-executive director	HKEx consultation on a listing regime for companies from emerging and innovative sectors (19 March 2018)	Hong Kong Institute of Certified Public Accountants	1.5 hours
	Board composition and how to maximize effectiveness of independent non-executive Directors (INED) (25 May 2018)	Institute of Professional & Executive Management	1.5 hours

Name and title of director	Updates on Laws, Rules and others	Training provider	Time spent
	Environmental, Social and Governance (ESG) in Hong Kong for Listed Companies (22 October 2018)		2 hours
	The Latest Development on Module I: Technology and Management Consulting & Risk Advisory Module II: Hong Kong, PRC, Transfer Pricing & International Taxation Module III: Valuation, The Future of the Corporate & HKFRS Updates (9,16 & 23 November, 2018)	RSM Academy	12 hours
	Typical Cases of Labour Disputes on Expatriates in China (8 September 2018)	PEO	3.5 hours
	Corporate Governance & Regulatory Updates (12 November 2018)	Tricor Services Limited	3 hours
	Total		**23.5 hours**
Dr. Wong Yun Kuen, Independent non-executive director	Anti-acquisition under Listing Rules; New listing rules for GEM; insider information etc. (24 April 2018)	Patrick Mak & Tse	2 hours
	Board composition and how to maximize effectiveness of Independent Non-Executive Directors (INED) (25 May 2018)	Institute of Professional & Executive Management	1.5 hours
	Annual Corporate and Regulatory Update 2018 (5 June 2018)	Hong Kong Institute of Chartered Secretaries	6.5 hours
	Insights drawn from recently suspended Hong Kong listed companies (4 October 2018)	Grant Thornton Hong Kong Limited	1.5 hours
	Taught "Money and Banking" (February to June, 2018)	Act as Lecturer for SCOPE, City University of Hong Kong	20 hours
	Total		**31.5 hours**

Name and title of director	Updates on Laws, Rules and others	Training provider	Time spent
Mr. Siu Siu Ling, Independent non-executive director	e-Legislation (30 January 2018)	The Law Society of Hong Kong	1.5 hours
	Competition Law in the EU, UK and HK (14 March 2018)		2 hours
	A Statutory Business Judgment Rule for HK (26 March 2018)		1.5 hours
	Anti-Money Laundering Seminar for Lawyers (10 April 2018)		2 hours
	International Arbitration under ICC Rules (27 April 2018)		2 hours
	Anti-Money Laundering Seminar for Lawyers (13 June 2018)		2 hours
	Building Management Ordinance (21 June 2018)		1.5 hours
	Title Insurance: A new answer to title problems in HK (22 June 2018)		1 hour
	Anti-Money Laundering Review (12 September 2018)		1 hour
	Managing Risks: Preventing Workplace Harassment and Discrimination (15 October 2018)		1.5 hours
	Total		**16 hours**

CORPORATE SOCIAL RESPONSIBILITY

Further to our effort in 2017, the Group further enhanced Corporate Social Responsibility in 2018. We continued to promote the role of Hong Kong in the Belt and Road through promoting cultural exchange between Hong Kong and Belt and Road countries and Greater Bay Area in 2018, and support Silk Road Economic Development Research Centre. Below are major events in 2018 including organizing and participating in Belt and Road Events, supporting development of local ethnic minorities through organizing sports events.

In 2018, Kaisun was awarded outstanding award on Corporate Social Responsibility by "The Mirror Magazine 7th outstanding award on Corporate Social Responsibility".

1. Actively Organized and Participated in Belt and Road Events

Kaisun engaged in different Belt and Road forums to take part in academic discussion with people from different sectors of the community.

January 2018

"Seminar on the new stage developments in Uzbekistan" was held at the Hong Kong Polytechnic University on 10 January 2018. The seminar was co-organized by Silk Road Economic Development Research Centre, One Belt One Road Research Institute of Chu Hai College, Institute for Entrepreneurship and Hong Kong Polytechnic University.

Mr. Vladimir Norov, the former Minister of Foreign Affairs of Uzbekistan and the Director of the Institute for Strategic and Interregional Studies under the President of Uzbekistan, and Oybek Khamraev, the head of the state Investments Committee of the Republic of Uzbekistan were the keynote guest speakers. Mr. Joseph Chan, Kaisun's Chairman, was invited as guest speaker as well.

October 2018

"Belt and Road Conference — Tapping Belt and Road Opportunities in the Greater Bay Area" held on October 29, 2018 was co-organized by Silk Road Economic Development Research Centre and China Daily.

Keynote addresses were delivered by Mr. Matthew Cheung Kin-chung, GBM, GBS, JP, Chief Secretary of the Government of Hong Kong SAR (photo right); and Mr. H.E. Rashid Alimov, Secretary, Secretary-General, The Shanghai Cooperation Organisation (photo left), and various distinguished speakers were invited for panel discussions.

2. **Enhancing multicultural exchange and supporting development of local ethnic minorities through co-organizing sports events**

May 2018

We continued our effort of co-organizing Belt and Road Friendly Basketball Tournament in 2017 and co-organized the "2nd Belt and Road Friendly Basketball Tournament" in May 2018.

Team from Pakistan and African countries participated in the event. Through organizing sports events, we hope to enhance multicultural exchange and support development of local ethnic minorities.

June 2018

"Send-Off Ceremony for Hong Kong Women's Kabaddi Team to International Inter-City Kabaddi Championship and Demonstration Game"

Hong Kong Women's Team flied to Johor Bahru in Malaysia on 21 June 2018 to participate in the 8th International Inter-city Kabaddi Championship. Participating teams include City Teams from Malaysia, New Zealand, England, India and Taiwan.

By supporting kabaddi in Hong Kong through coorganizing the event, Kaisun contributed to promote racial harmony and multiculturalism.

October 2018

2018 Raleigh Challenge — Wilson Trail

Raleigh (Hong Kong) not only organizes fund-raising activities in Hong Kong, but also launches overseas voluntary projects in China and some Belt and Road Countries as well.

With aim of supporting teenagers in Hong Kong to explore the culture of China and Belt and Road countries, Kaisun was the silver sponsor of Raleigh Challenge in October 2018.

Awarded outstanding award on Corporate Social Responsibility by "The Mirror Magazine 7th outstanding award on Corporate Social Responsibility"

In July 2018, Kaisun was awarded outstanding award on Corporate Social Responsibility by "The Mirror Magazine 7th outstanding award on Corporate Social Responsibility" in recognition of our contributions to our society. Mr. Joseph Chan, our Chairman, (photo centre) received the award.

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 76 to 172 of this report.

Independent Auditor's Report

RSM

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

OPINION

We have audited the consolidated financial statements of Kaisun Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 82 to 172, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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.

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. Assessment of the carrying amount of intangible assets

2. Impairment assessment of trade receivables and trade deposits paid

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of the carrying amount of intangible assets The carrying amount of the Group's mining rights was HK$149.8 million as at 31 December 2018. The recoverable amounts of the mining rights are determined based on the value in use. An independent valuer was engaged by management to prepare the valuation report to access the impairment. The preparation of discounted cash flows forecasts involves the exercise of significant management judgement in particular in estimating selling price, future costs of productions, recoverable reserves, resources and exploration potential and discount rates.	Our procedures in respect of the assessment of the carrying amount of intangible assets included: • assessed the professional competency 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 intangible assets.

Independent Auditor's Report

RSM

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables and trade deposits paid The Group had trade receivables and trade deposits with a carrying amount of HK$90.0 million and HK$98.6 million respectively arising mainly in relation to the provision of supply chain management services for the mineral business segment as at 31 December 2018. Management performed periodic assessment on the recoverability of the trade receivables and trade deposits and the sufficiency of allowance for doubtful debts based on information including credit profile of different customers, ageing of the trade receivables and trade deposits paid, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment. We focused on this area due to the impairment assessment of trade receivables and trade deposits under the expected credit losses model involved the use of significant management judgements and estimates.	Our audit procedures in respect of the impairment assessment of trade receivables and deposits paid included: • Assessing whether trade receivables and trade deposit had been appropriately grouped by management based on their shared credit risk characteristics; • Testing the accuracy and completeness of the data used by management to develop the historical loss rates and assessing the sufficiency, reliability and relevance of that data; • With the assistance of our internal valuation experts, testing the calculation of the historical loss rate and evaluating the reasonableness of the forward-looking adjustments made to reflect current and forecast future economic conditions; • Testing the accuracy of the aging of trade receivables and trade deposits on a sample basis to supporting documents; and • Testing the calculation of expected credit loss provisions applying the provision rates to the age categories of the trade receivables and trade deposits outstanding at the reporting date.

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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.

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.

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

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

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

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

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

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

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

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

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

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

RSM

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

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

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

RSM Hong Kong
Certified Public Accountants
Hong Kong
15 March 2019

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

	Note	2018 HK$	2017 HK$
Revenue	8	**149,076,343**	90,679,957
Cost of goods sold		**(115,688,041)**	(82,507,569)
Gross profit		**33,388,302**	8,172,388
(Loss)/gain on disposal of financial assets at fair value through profit or loss (FVTPL)		**(726,860)**	209,070
Fair value gain on financial assets at FVTPL		**17,521,600**	13,352,360
Gain on deemed disposal of available-for-sale financial assets		**—**	10,497,022
Fair value loss on remeasurement of previously held interest upon step acquisition of a subsidiary		**(545,996)**	—
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	39	**—**	94,052,901
Reversal of impairment loss on trade and other receivables		**16,860,578**	160,442
Other income and gains and losses	9	**10,034,511**	6,578,783
Administrative and other operating expenses		**(72,406,855)**	(59,579,541)
Profit from operations		**4,125,280**	73,443,425
Share of profit of associates	21	**296,491**	310,841
Finance costs	10	**(1,333,333)**	—
Profit before tax		**3,088,438**	73,754,266
Income tax credit	11	**1,889,807**	4,542,971
Profit for the year	12	**4,978,245**	78,297,237
Attributable to:			
Owners of the Company		**10,510,099**	49,306,943
Non-controlling interests		**(5,531,854)**	28,990,294
		4,978,245	78,297,237
Earnings per share (cents)			
Basic	16	**1.82**	13.07

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Note	2018 HK$	2017 HK$
Profit for the year		**4,978,245**	78,297,237
Other comprehensive income:			
Items that will not reclassified to profit or loss:			
Fair value changes of equity instruments at fair value through other comprehensive income (FVTOCI)		**1,200,000**	—
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(4,291,732)**	16,612,153
Other comprehensive income for the year, net of tax		**(3,091,732)**	16,612,153
Total comprehensive income for the year		**1,886,513**	94,909,390
Attributable to:			
Owners of the Company		**9,993,524**	62,734,991
Non-controlling interests		**(8,107,011)**	32,174,399
		1,886,513	94,909,390

Consolidated Statement of Financial Position

At 31 December 2018

	Note	2018 HK$	2017 HK$
Non-current assets			
Fixed assets	17	24,272,793	17,911,844
Prepaid land lease	18	12,761,666	—
Goodwill	19	1,118,218	—
Intangible assets	20	149,771,920	171,134,649
Investments in associates	21	—	1,810,841
Available-for-sale financial assets	22	—	18,500,000
Financial assets at FVTOCI	22	25,900,000	—
Long-term deposits	23	20,000,000	—
Long-term other receivables	27	—	1,482,738
		233,824,597	210,840,072
Current assets			
Prepaid land lease	18	507,086	—
Inventories	25	3,700,112	4,291,172
Trade and bills receivables	26	90,298,411	43,913,401
Deposits, prepayments and other receivables	27	182,677,157	163,449,049
Bank and cash balances	28	20,729,996	25,999,024
Financial assets at FVTPL	24	134,134,730	113,911,680
		432,047,492	351,564,326
Current liabilities			
Trade payables	29	2,479,827	5,134,847
Other payables and accruals	30	37,551,527	30,740,816
Bonds payables	31	50,000,000	—
Other financial liabilities	32	33,000,000	—
Current tax liabilities		4,623,675	2,368,011
		127,655,029	38,243,674
Net current assets		304,392,463	313,320,652
Total assets less current liabilities		538,217,060	524,160,724
Non-current liabilities			
Deferred tax liabilities	33	38,820,400	43,625,990
		38,820,400	43,625,990
NET ASSETS		499,396,660	480,534,734

Consolidated Statement of Financial Position

At 31 December 2018

	Note	2018 HK$	2017 HK$
Capital and reserves			
Share capital	34	**57,656,606**	57,656,606
Reserves	36	**396,369,774**	381,457,809
Equity attributable to owners of the Company		**454,026,380**	439,114,415
Non-controlling interests		**45,370,280**	41,420,319
TOTAL EQUITY		**499,396,660**	480,534,734

Approved by the Board of Directors on 15 March 2019 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 2018

	Attributable to owners of the Company								
	Share capital	**Shares held under share award scheme** *(note 37)*	**Share premium** *(note 36(b)(i))*	**Foreign currency translation reserve** *(note 36(b)(ii))*	**Financial assets at FVTOCI reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
At 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 interest 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 share 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 and 1 January 2018	57,656,606	(1,962,917)	1,363,055,228	(7,430,440)	—	(972,204,062)	439,114,415	41,420,319	480,534,734
Adjustments on initial application of — IFRS 9 *(note 3)*	—	—	—	(332,407)	1,200,000	2,482,996	3,350,589	(1,143,321)	2,207,268
Restated balance at 1 January 2018	57,656,606	(1,962,917)	1,363,055,228	(7,762,847)	1,200,000	(969,721,066)	442,465,004	40,276,998	482,742,002
Total comprehensive income for the year	—	—	—	(1,716,575)	1,200,000	10,510,099	9,993,524	(8,107,011)	1,886,513
Purchase of shares held under the share award scheme	—	(395,065)	—	—	—	—	(395,065)	—	(395,065)
Award of shares under share award scheme	—	1,962,917	—	—	—	—	1,962,917	—	1,962,917
Acquisition of a subsidiary *(note 39)*	—	—	—	—	—	—	—	1,561,336	1,561,336
Capital injection by non-controlling interest in a subsidiary	—	—	—	—	—	—	—	11,638,957	11,638,957
Changes in equity for the year	—	1,567,852	—	(1,716,575)	1,200,000	10,510,099	11,561,376	5,093,282	16,654,658
At 31 December 2018	57,656,606	(395,065)	1,363,055,228	(9,479,422)	2,400,000	(959,210,967)	454,026,380	45,370,280	499,396,660

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 HK$	2017 HK$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	3,088,438	73,754,266
Adjustments for:		
Depreciation	1,501,114	542,302
Amortisation of intangible assets	13,009,473	7,150,710
Amortisation of prepaid land lease	528,466	—
Share of profits of associates	(296,491)	(310,841)
Gain on deemed disposal of available-for-sale financial assets	—	(10,497,022)
Fair value loss on remeasurement of previously held interest upon step acquisition of a subsidiary	545,996	—
Other receivables written off	3,423	—
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 FVTPL	(17,521,600)	(13,352,360)
Fair value loss on financial liabilities at FVTPL	3,000,000	—
Equity-settled share-based payments	1,962,917	4,522,080
Loss/(gain) on disposal of financial assets at FVTPL	726,860	(209,070)
Reversal impairment loss on trade and other receivables	(16,860,578)	(160,442)
Write off of fixed assets	—	644,304
Loss on disposal of fixed assets	75,721	2,824
Finance costs	1,333,333	—
Interest income	(326,421)	(732,537)
Operating loss before working capital changes	(9,229,349)	(32,698,687)
Decrease/(increase) in inventories	591,060	(653,608)
Increase in trade and bills receivables	(24,165,381)	(11,514,588)
Increase in deposits, prepayments and other receivables	(23,483,320)	(41,173,204)
(Decrease)/increase in trade payables	(2,766,852)	2,087,691
Increase/(decrease) in other payables and accruals	3,543,135	(144,142)
Cash used in operations	(55,510,707)	(84,096,538)
Purchase of financial assets at FVTPL	(8,784,520)	(7,809,160)
Net proceeds from disposal of financial assets at FVTPL	5,356,210	10,181,830
Income tax refund/(paid)	999,415	(4,885,224)
Net cash used in operating activities	(57,939,602)	(86,609,092)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 HK$	2017 HK$
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	326,421	732,537
Purchases of fixed assets	(9,090,407)	(13,337,977)
Proceeds from disposals of fixed assets	11,817	27,695
Purchase of financial assets at FVTOCI	(2,500,000)	—
Purchase of available-for-sale financial assets	—	(17,300,000)
Long-term deposits paid	(20,000,000)	—
Increase in long-term other receivables	—	(905,538)
Investments in associates	—	(1,500,000)
Acquisition of subsidiaries *(note 39)*	4,910,119	(3,688,076)
Net cash used in investing activities	(26,342,050)	(35,971,359)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital injection by non-controlling interest in a subsidiary	11,638,957	16,756,743
Proceeds from issuance of right shares	—	85,424,204
Proceeds from other financial liabilities	30,000,000	—
Proceeds from issuance of bonds	50,000,000	—
Payment on share award scheme	(395,065)	(772,850)
Net cash generated from financing activities	91,243,892	101,408,097
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	6,962,240	(21,172,354)
Effect of foreign exchange rate changes	(12,231,268)	10,838,051
CASH AND CASH EQUIVALENTS AT 1 JANUARY	25,999,024	36,333,327
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	20,729,996	25,999,024
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	20,729,996	25,999,024

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

1. GENERAL INFORMATION

Kaisun Holdings Limited ("the Company") was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is 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 38 to the consolidated financial statements.

2. BASIS OF PREPARATION

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) IFRS 9 Financial Instruments; and

(ii) IFRS 15 Revenue from Contracts with Customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 9 Financial instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

The adoption of IFRS 9 resulted in the following changes to the Group's accounting policies.

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at FVTOCI or FVTPL, and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

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

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

IFRS 9 Financial instruments *(Continued)*

(a) Classification (Continued)

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

(b) Measurement

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

At initial recognition, the Group measures a financial assets at its fair value plus, in the case of a financial assets not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment losses are presented as separate line item in the statement of profit or loss.

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

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

IFRS 9 Financial instruments *(Continued)*

(b) Measurement (Continued)

- FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

(c) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Set out below is the impact of the adoption of IFRS 9 on the Group.

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

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

IFRS 9 Financial instruments *(Continued)*

(c) Impairment (Continued)

The following table summarises the impact on the Group's opening retained earnings as at 1 January 2018 is as follows:

	Note	HK$
Reversal of impairment losses for:		
— Trade and other receivables	(c)	1,398,057
Adjustment to retained earnings from adoption of IFRS 9 on 1 January 2018		1,398,057
Attributable to:		
Owners of the Company		2,482,996
Non-controlling interest		(1,084,939)
		1,398,057

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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

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

IFRS 9 Financial instruments *(Continued)*

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

Financial assets	Note	Classification under IAS 39	Classification under IFRS 9	Carrying amount under IAS 39 HK$	Carrying amount under IFRS 9 HK$
Equity investments	(a)	Available-for-sale	FVTOCI	18,500,000	19,700,000
Equity investments	(b)	FVTPL	FVTPL	113,911,680	113,911,680
Trade and other receivables	(c)	Loans and receivables	Amortised cost	205,284,962	206,683,019

The impact of these changes on the Group's equity is as follows:

	Note	Effect on FVTOCI reserve HK$	Effect on accumulated losses HK$
Opening balance — IAS 39		—	(972,204,062)
Reclassify non-trading equity investments from available-for-sale to financial assets at FVTOCI	(a)	1,200,000	—
Total impact		1,200,000	—
Opening balance — IFRS 9		1,200,000	(972,204,062)

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

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

IFRS 9 Financial instruments *(Continued)*

The effect on accumulated losses is before adjustment for impairment (see below).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application.

The Group did not designate or de-recognise any financial assets or financial liabilities at FVTPL at 1 January 2018.

Notes:

(a) These equity investments represent investments that the Group intends to hold for the long term for strategic purposes. The Group elected to present in OCI changes in the fair value of these investments because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of HK$19,700,000 were reclassified from available-for-sale financial assets to financial assets at FVTOCI and fair value gains of HK$1,200,000 were recognised the FVTOCI reserve on 1 January 2018. Unlike IAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

(b) Equity securities — held for trading financial assets are required to be held as FVTPL as under IFRS 9. There was no impact on the amounts recognised in relation to these assets from the adoption of IFRS 9.

(c) Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An decrease of HK$1,398,057 in the allowance for impairment of the trade and other receivables was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9.

For assets in scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9 impairment model requirements at 1 January 2018 results in an (reversal)/additional impairment allowance as follows:

	Note	HK$
Impairment allowance at 31 December 2017 under IAS 39		153,374,230
(Reversal)/additional impairment recognised at 1 January 2018 on:		
— Trade receivables		(7,793,845)
— Other receivables		6,395,788
Trade and other receivables	(c)	(1,398,057)
Impairment allowance at 1 January 2018 under IFRS 9		151,976,173

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

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

IFRS 9 Financial instruments *(Continued)*

Impairment losses related to trade and other receivables are presented separately in the statement of profit or loss. As a result, the Group reclassified reversal of allowance for doubtful debts amounting to HK$160,442, recognised under IAS 39, from "other income and gains and losses" to "reversal of impairment loss on trade and other receivables" in the statement of profit or loss for the year ended 31 December 2017.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and IAS 11 Construction Contracts and the related interpretations.

For contracts with customers in which the production and exploitation of coal, sales of manufactured mining and metallurgical machineries products and provision of supply chain management services for mineral business are the only performance obligation, adoption of IFRS 15 does not expect to have any impact on the Group's revenue or profit or loss. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group provides services of installation of mining and metallurgical machineries products, organising in eSports event, corporation services and media services business operations. Such services are recognised as a performance obligation satisfied over time. Revenue is recognised for these services based on the stage of completion of the contract. The directors have assessed that the stage of completion determined as the proportion of the total time expected to the services that has elapsed at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of these performance obligations under IFRS 15. Payment for these services is not due from the customer until the services are complete by stage of completion and therefore a contract asset is recognised over the period in which the services are performed representing the entity's right to consideration for the services performed to date.

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 2018. These new and revised IFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 16 Leases	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to IFRSs 2015–2017 Cycle	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 IFRS 16 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 16, 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 2019. 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 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.

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 *(Continued)*

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office property and factory premises 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 41(b), the Group's future minimum lease payments under non-cancellable operating leases for its office properties and factory premises amounted to HK$3,263,895 as at 31 December 2018. 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.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of IFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2019 onwards.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

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

(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.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Foreign currency translation *(Continued)*

(iii) Translation on consolidation *(Continued)*

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.

(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 fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

Prepaid land lease payments are stated at cost and subsequently amortised on the straight-line basis over the remaining term of the lease.

(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 entity becomes a party to the contractual provisions of the instrument.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

(j) Financial assets

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

Debt investments

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial assets *(Continued)*

Equity investments

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

Policy prior to 1 January 2018

Investments in securities held for trading were classified as financial assets measured at FVTPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

Dated debt securities that the Group had the positive ability and intention to hold to maturity were classified as held-to-maturity securities. Held-to-maturity securities were stated at amortised cost.

Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). Dividend income from equity investments and interest income from debt securities calculated using the effective interest method were recognised in profit or loss respectively. Foreign exchange gains and losses arising from debt securities were also recognised in profit or loss. When the investments were derecognised or impaired, the cumulative gain or loss recognised in equity was reclassified to profit or loss.

(k) Trade and other receivables

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Cash and cash equivalents

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

(m) Financial liabilities and equity instruments

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

(n) Borrowings

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

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

(o) 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.

(p) Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Revenue recognition

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

Revenue from the sale of goods is recognised when control of the goods has transferred, being when the goods have been delivery to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Revenue from provision of services is recognised based on the stage of completion of the contract. Payment for provision of services is not due from the customer until the services are complete and therefore a contract asset is recognised over the period in which the installation services are performed representing the entity's right to consideration for the services performed to date.

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

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

Policy prior to 1 January 2018

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Revenue recognition *(Continued)*

Policy prior to 1 January 2018 *(Continued)*

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.

(r) 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.

(s) 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.

(t) Borrowing costs

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Taxation

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

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

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

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

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

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) 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.

(w) Impairment of financial assets

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Significant increase in credit risk

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Significant increase in credit risk *(Continued)*

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

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

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

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

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

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

Definition of default

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Credit-impaired financial assets

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

— significant financial difficulty of the issuer or the counterparty;

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

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

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

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

Write-off policy

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

Measurement and recognition of ECL

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Measurement and recognition of ECL *(Continued)*

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 Leases.

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

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

Policy prior to 1 January 2018

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Policy prior to 1 January 2018 *(Continued)*

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.

(x) 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.

(y) Events after the reporting period

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

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

Significant increase in credit risk

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

Key sources of estimation uncertainty

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

(a) 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 2018 was HK$24,272,793 (2017: HK$17,911,844).

(b) Impairment of intangible assets

The Group assesses whether there are any indicators of impairment for intangible assets at the end of each reporting period. Intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, the directors must estimate the expected future cash flows from the assets or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of intangible assets at the end of the reporting period was HK$149,771,920 (2017: HK$171,134,649). Details of the impairment losses calculation are provided in note 20 to consolidated financial statements.

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

Key sources of estimation uncertainty *(Continued)*

(c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was HK$1,118,218 and no impairment loss was recognised during the year. Details of the impairment loss calculation are provided in note 19 to the consolidated financial statements.

(d) Impairment of trade receivables

Prior to the adoption of IFRS 9 on 1 January 2018, the management of the Group assesses at the end of each reporting period whether there is any objective evidence that trade receivables are impaired. The provision policy for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of trade receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

As at 31 December 2017, the carrying amount of trade receivables is HK$43,553,186 (net of allowance for doubtful debts of HK$8,900,968).

Since the adoption of IFRS 9 on 1 January 2018, the management of the Group estimates the amount of impairment loss for ECL on trade receivables based on the credit risk of trade receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2018, the carrying amount of trade receivables is HK$86,199,320 (net of allowance for doubtful debts of HK$813,016).

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

Key sources of estimation uncertainty *(Continued)*

(e) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. No allowance for slow-moving inventories was made for the year ended 31 December 2018 (2017: nil).

(f) Fair value of investments

In the absence of quoted market prices in an active market, the directors estimate the fair value of the Group's investment, details of which are set out in note 22 to the consolidated financial statements, by considering information from a variety of sources, including the latest published financial information, the historical data on market volatility as well as the price and industry and sector performance of each investments.

The carrying amount of the investment as at 31 December 2018 was HK$25,900,000 (2017: HK$18,500,000).

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Foreign currency risk *(Continued)*

At 31 December 2018, 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$532,690 (2017: HK$333,437) higher, arising mainly as a result of the foreign exchange gain on bank and cash balances and other receivables denominated in RMB. If the HK$ had strengthened 0.5 per cent against RMB with all other variables held constant, consolidated profit after tax for the year would have been HK$532,690 (2017: HK$333,437) lower, arising mainly as a result of the foreign exchange loss on bank and cash balances and other receivables denominated in RMB.

At 31 December 2018, 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$3,583 (2017: HK$7,757) higher, arising mainly as a result of the foreign exchange gain on bank and cash balances and other receivables denominated in EUR. If the HK$ 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$3,583 (2017: HK$7,757) lower, 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% (2017: 10%) higher/lower consolidated profit after tax for the year ended 31 December 2018 would increase/decrease by HK$13,413,473 (2017: HK$11,391,168). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

(c) Credit risk

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

The Group does not provide any guarantee which would expose the Group to credit risk.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

Trade receivables

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

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables, as at 31 December 2018:

	Expected loss rate %	Gross carrying amount HK$	Loss allowance HK$
Current (not past due)	0.3	46,722,550	134,723
Up to 3 months	0.9	6,343,699	58,926
Over 3 months but less than 1 year	1.4	2,495,293	33,773
Over 1 year	1.9	31,450,794	585,594
		87,012,336	813,016

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

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

Prior to 1 January 2018

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment. At 31 December 2017, trade receivables of HK$8,900,968 was determined to be impaired. The aging analysis of trade debtors that were not considered to be impaired was as follows:

	2017 HK$
Up to 3 months	13,762,327
Over 3 months but less than 1 year	4,774,210
Over 1 year	25,016,649
	43,553,186

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

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

	2018 HK$	2017 HK$
At 31 December under IAS 39	**8,900,968**	8,726,561
Impact on initial application of IAS 9 *(note 3)*	**(7,793,845)**	—
Adjusted balance at 1 January	**1,107,123**	8,726,561
Reversals	**(271,796)**	(160,442)
Exchange differences	**(22,311)**	334,849
At 31 December	**813,016**	8,900,968

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 2018				
Trade payables	**2,479,827**	—	—	—
Other payables and accruals	**37,551,527**	—	—	—
Bonds payables *(note)*	**52,666,667**	—	—	—
At 31 December 2017				
Trade payables	5,134,847	—	—	—
Other payables and accruals	30,740,816	—	—	—

Note:

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

(e) Interest rate risk

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

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Interest rate risk *(Continued)*

At 31 December 2018, 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$14,629 (2017: HK$23,603) lower, arising mainly as a result of lower interest income on bank deposits. If interest rates had been 50 basis points higher, with all other variables held constant, consolidated profit after tax for the year would have been HK$73,143 (2017: HK$118,016) higher, arising mainly as a result of higher interest income on bank deposits.

(f) Categories of financial instruments at 31 December 2018

	2018 HK$	2017 HK$
Financial assets		
Available-for-sale financial assets	—	18,500,000
Financial assets measured at FVTOCI:		
Equity instruments	25,900,000	—
Financial assets at FVTPL:		
Held for trading	134,134,730	113,911,680
Loans and receivables (including cash and cash equivalents)	—	231,283,986
Financial assets measured at amortised cost	274,298,902	—
Financial liabilities		
Financial liabilities at amortised cost	120,031,354	35,875,663
Financial liabilities at FVTPL	3,000,000	—

(g) Fair values

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

7. FAIR VALUE MEASUREMENTS

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

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

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

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

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

(a) Disclosures of level in fair value hierarchy at 31 December 2018:

Description	Fair value measurements using: Level 1 HK$	Level 3 HK$	Total 2018 HK$
Recurring fair value measurements:			
Financial assets			
Financial assets at fair value through profit or loss			
Listed securities	134,134,730	—	134,134,730
Financial assets at FVTOCI			
Unlisted equity securities	—	25,900,000	25,900,000
Total	134,134,730	25,900,000	160,034,730
Recurring fair value measurements:			
Financial liabilities			
Financial liabilities at FVTPL			
Put option	—	3,000,000	3,000,000

7. FAIR VALUE MEASUREMENTS *(Continued)*

(a) Disclosures of level in fair value hierarchy at 31 December 2018: *(Continued)*

Description	Fair value measurements using: Level 1 HK$	Level 3 HK$	Total 2017 HK$
Recurring fair value measurements:			
Financial assets			
Financial assets at FVTPL			
Listed securities	113,911,680	—	113,911,680

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

	2018 HK$	2017 HK$
Financial assets at FVOCI — Unlisted equity securities		
At 1 January	—	—
Initial application of IFRS 9 *(note 3)*	19,700,000	—
Purchases	2,500,000	—
Settlements	2,500,000	—
Total gains or losses recognised in other comprehensive income	1,200,000	—
At 31 December	25,900,000	—

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

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

7. FAIR VALUE MEASUREMENTS *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2018:

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

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

Level 3 fair value measurements

Description	**Valuation technique**	**Unobservable inputs**	**Range**	**Effect on fair value for increase of inputs**	**Fair value 2018** HK$ Assets/ (Liabilities)
Private equity investments classified as financial assets at FVTOCI	Discounted cash flows	weighted average cost of capital	14%–16%	Decrease	25,900,000
		long-term revenue growth rate	3%	Increase	
		long-term pre-tax operating margin	15%–20%	Increase	
		discount for lack of marketability	30%	Decrease	

8. REVENUE

Disaggregation of revenue

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

	2018 HK$	2017 HK$
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
Sales of goods:		
— Production and exploitation of coal in Tajikistan	2,976,107	2,441,671
— Provision of supply chain management services for mineral business	89,990,914	59,920,584
— Mining and metallurgical machineries products	20,015,021	19,907,472
Provision of services:		
— Logistics services for mineral business	5,273,374	4,635,295
— Organising in eSports event	1,447,635	3,774,935
— Corporate services business	22,696,377	—
— Media services	6,676,915	—
	149,076,343	90,679,957

8. REVENUE *(Continued)*

Disaggregation of revenue *(Continued)*

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

For the year ended 31 December	Production and exploitation of coal in Tajikistan		Provision of supply chain management services for mineral business		Mining and metallurgical machineries products		Logistics services for mineral business		Organising in eSports event		Corporate service business		Media services		Total	
	2018 HK$	2017 HK$	**2018 HK$**	2017 HK$	**2018 HK$**	2017 HK$	**2018 HK$**	2017 HK$	**2018 HK$**	2017 HK$	**2018 HK$**	2017 HK$	**2018 HK$**	2017 HK$	**2018 HK$**	2017 HK$
Primary geographical markets																
— Hong Kong	–	–	–	–	–	–	–	–	60,000	–	23,411,537	–	6,744,464	–	30,216,001	–
— PRC except Hong Kong	–	–	37,128,860	6,867,760	20,015,021	19,907,473	5,237,214	4,635,294	297,835	–	–	–	–	–	62,678,930	31,410,527
— Taiwan	–	–	23,689,926	–	–	–	–	–	–	–	–	–	–	–	23,689,926	–
— Tajikistan	2,976,107	2,441,671	–	–	–	–	–	–	–	–	–	–	–	–	2,976,107	2,441,671
— Malaysia	–	–	–	47,730,104	–	–	–	–	–	–	–	–	–	–	–	47,730,104
— Vietnam	–	–	29,172,128	5,322,720	–	–	–	–	–	–	–	–	–	–	29,172,128	5,322,720
— Macau	–	–	–	–	–	–	–	–	–	3,774,935	–	–	–	–	–	3,774,935
— Others	–	–	–	–	–	–	36,160	–	1,089,800	–	–	–	–	–	1,125,960	–
Segment revenue	2,976,107	2,441,671	89,990,914	59,920,584	20,015,021	19,907,473	5,273,374	4,635,294	1,447,635	3,774,935	23,411,537	–	6,744,464	–	149,859,052	90,679,957
Intersegment revenue																
— Hong Kong	–	–	–	–	–	–	–	–	–	–	(715,160)	–	(67,549)	–	(782,709)	–
Revenue from external customers	2,976,107	2,441,671	89,990,914	59,920,584	20,015,021	19,907,473	5,273,374	4,635,294	1,447,635	3,774,935	22,696,377	–	6,676,915	–	149,076,343	90,679,957
Timing of revenue recognition																
Products transferred at a point in time	2,976,107	2,441,671	89,990,914	59,920,584	20,015,021	19,907,473	–	–	–	–	–	–	–	–	112,982,042	82,269,728
Products and services transferred over time	–	–	–	–	–	–	5,273,374	4,635,294	1,447,635	3,774,935	22,696,377	–	6,676,915	–	36,094,301	8,410,229
Total	2,976,107	2,441,671	89,990,914	59,920,584	20,015,021	19,907,473	5,273,374	4,635,294	1,447,635	3,774,935	22,696,377	–	6,676,915	–	149,076,343	90,679,957

The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS 18.

9. OTHER INCOME AND GAINS AND LOSSES

	2018 HK$	2017 HK$
Interest income on:		
— Bank deposits	45,077	453,048
— Deposits received from suppliers	281,344	279,489
Total interest income for financial assets that are not at fair value through profit or loss	326,421	732,537
Dividend income from equity investments	2,207,086	1,838,936
Compensation received from suppliers	8,100,000	3,000,000
Fair value loss on financial liabilities at FVTPL	(3,000,000)	—
Sundry income	2,401,004	1,007,310
	10,034,511	6,578,783

10. FINANCE COSTS

	2018 HK$	2017 HK$
Interest on bonds payables	1,333,333	—

11. INCOME TAX CREDIT

	2018 **HK$**	2017 HK$
Current tax — Hong Kong		
Provision for the year	**(1,909,800)**	—
Over-provision for prior years	**1,069,200**	268,608
Current tax — Overseas		
Provision for the year	**(55,390)**	—
Under-provision for prior years	**(14,314)**	—
Deferred tax *(note 33)*	**2,800,111**	4,274,363
	1,889,807	4,542,971

Hong Kong Profits Tax has been provided at a rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year less allowable losses brought forward.

On 21 March 2018, the Inland Revenue (Amendment) (No. 7) Bill 2017, which introduces a two-tiered profits tax regime, was substantively enacted. Under the two-tiered profits tax regime, the first HK$2 million of assessable profits of qualifying corporations will be taxed at 8.25% with effect from the year assessment 2018/2019. Profits above HK$2 million will continue to be subject to the tax rate of 16.5%.

PRC enterprise income tax has been provided at a rate of 25% (2017: 25%).

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

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11. INCOME TAX CREDIT *(Continued)*

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

	2018 HK$	2017 HK$
Profit before tax	**3,088,438**	73,754,266
Tax at the domestic income tax rate of 16.5% (2017: 16.5%)	**509,592**	12,169,453
Tax effect of income that is not taxable	**(3,449,615)**	(22,202,513)
Tax effect of expenses that are not deductible	**4,259,835**	1,946,740
Tax effect of tax loss not recognised	**391,242**	4,043,175
Tax effect of utilisation of tax losses not previously recognised	**(895,926)**	—
Temporary difference not recognised	**240,815**	18,927
Over-provision for prior years	**(1,054,886)**	(268,608)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(1,890,864)**	(250,145)
Income tax credit	**(1,889,807)**	(4,542,971)

12. PROFIT FOR THE YEAR

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

	2018 HK$	2017 HK$
Auditor's remuneration	**2,800,000**	2,500,000
Cost of inventories sold of supply chain management services for mineral business and mining metallurgical machineries	**106,725,914**	69,429,539
Depreciation	**1,501,114**	542,302
Amortisation of intangible assets	**13,009,473**	7,150,710
Amortisation of prepaid land lease	**528,466**	—
Write off of fixed assets	**—**	644,304
Other receivables written off	**3,423**	—
Loss on disposal of fixed assets	**75,721**	2,824
Loss/(gain) on disposal of financial assets at FVTPL (held for trading)	**726,860**	(209,070)
Fair value gain on financial assets at FVTPL	**(17,521,600)**	(13,352,360)
Fair value loss on financial liabilities at FVTPL	**3,000,000**	—
Reversal of impairment loss on trade and other receivables	**(16,680,578)**	(160,442)
Operating lease rentals in respect of land and buildings	**1,914,993**	1,900,993
Net exchange loss	**2,608,126**	986,973

13. EMPLOYEE BENEFITS EXPENSES

	2018 HK$	2017 HK$
Employee benefits expense:		
— Salaries, bonuses and allowances	25,290,879	20,497,163
— Equity-settled share-based payments	1,962,917	4,522,080
— Retirement benefit scheme contribution	1,356,485	1,048,097
	28,610,281	26,067,340

Five highest paid individuals

The five highest paid individuals in the Group during the year included two (2017: one) directors whom emoluments are reflected in the analysis presented in note 14. The emoluments of the remaining three (2017: four) individuals are set out below:

	2018 HK$	2017 HK$
Basic salaries, bonuses, allowances and benefits in kind	6,329,200	6,732,000
Equity-settled share-based payments	1,962,917	2,122,080
Retirement benefits scheme contributions	72,000	90,000
	8,364,117	8,944,080

The emoluments fell within the following bands:

	2018	2017
HK$Nil to HK$1,000,000	2	1
HK$1,000,001 to HK$1,500,000	2	—
HK$1,500,001 to HK$2,000,000	—	3
HK$2,000,001 to HK$2,500,000	—	1
HK$4,000,001 to HK$4,500,000	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 (2017: HK$Nil).

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14. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

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

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

(a) Directors' emoluments *(Continued)*

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking								
	Fees HK$	Salaries HK$	Discretionary bonus (Note (i)) HK$	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

Neither the chief executive nor any of the directors waived any emoluments during the year (2017: 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.

15. DIVIDEND

Subsequent to the end of reporting period, final dividend of HK cents 0.34 comprised of normal dividend and special dividend for the year ended 31 December 2018 of HK cents 0.17 (2017: nil) and HK cents 0.17 (2017: nil) respectively subject to approval by shareholders in forthcoming annual general meeting.

16. EARNINGS PER SHARE

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

	2018 **HK$**	2017 HK$
Earnings for the purpose of calculating basic earnings per share	**10,510,099**	49,306,943

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**576,566,055**	377,364,232

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary sharing during the two years ended 31 December 2018.

17. 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 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 and 1 January 2018	177,853	7,284,954	1,223,908	5,736,145	928,490	70,485	1,915,089	8,047,795	25,384,719
Additions	—	—	464,760	731,797	33,349	40,534	434,883	7,385,084	9,090,407
Disposal	—	—	—	(141,761)	—	—	—	—	(141,761)
Acquisition of subsidiaries	—	—	—	24,528	37,817	—	—	—	62,345
Transfer	—	—	4,306,011	—	—	—	—	(4,306,011)	—
Written off	—	—	—	—	—	—	—	—	—
Exchange differences	(9,228)	(377,992)	(202,831)	(321,500)	(32,651)	(2,637)	(110,439)	(542,144)	(1,599,422)
At 31 December 2018	168,625	6,906,962	5,791,848	6,029,209	967,005	108,382	2,239,533	10,584,724	32,796,288
Accumulated depreciation and impairment losses									
At 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 and 1 January 2018	10,078	5,918,929	437,972	418,714	584,765	49,934	52,483	—	7,472,875
Charges for the year	3,515	105,916	325,119	825,817	83,678	12,521	144,548	—	1,501,114
Disposal	—	—	—	(54,223)	—	—	—	—	(54,223)
Written off	—	—	—	—	—	—	—	—	—
Exchange differences	(665)	(311,398)	(9,970)	(52,817)	(16,665)	(1,877)	(2,879)	—	(396,271)
At 31 December 2018	12,928	5,713,447	753,121	1,137,491	651,778	60,578	194,152	—	8,523,495
Carrying amount									
At 31 December 2018	155,697	1,193,515	5,038,727	4,891,718	315,227	47,804	2,045,381	10,584,724	24,272,793
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

18. PREPAID LAND LEASE

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

	HK$
At 1 January 2017, 31 December 2017 and 1 January 2018	—
Additions	14,529,736
Amortisation of prepaid land lease	(528,466)
Exchange	(732,518)
At 31 December 2018	13,268,752
Current portion	(507,086)
Non-current portion	12,761,666

19. GOODWILL

	HK$
Cost	
At 1 January 2017 and 31 December 2017 and 1 January 2018	—
Arising on acquisition of subsidiaries *(note 39)*	1,118,218
At 31 December 2018	1,118,218
Accumulated impairment losses	
At 1 January 2017 and 31 December 2017 and 1 January 2018	—
Impairment for the year	—
At 31 December 2018	—
Carrying amount	
At 31 December 2018	1,118,218
At 31 December 2017	—

19. GOODWILL *(Continued)*

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

	2018 HK$	2017 HK$
Provision of advertising and public relationship events		
Pineapple Media Limited ("Pineapple Media")	**1,118,218**	—

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

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3% (2017: Nil). This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's provision of advertising and public relationship events are 16% (2017: Nil).

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20. INTANGIBLE ASSETS

	Mining rights HK$
Cost	
At 1 January 2017	87,199,153
Arising on acquisition of a subsidiary *(note 39)*	171,617,048
Exchange differences	(10,582,447)
At 31 December 2017 and 1 January 2018	248,233,754
Exchange differences	(13,619,689)
At 31 December 2018	234,614,065
Accumulated amortisation and impairment losses	
At 1 January 2017	87,199,153
Amortisation for the year	7,150,710
Exchange differences	(17,250,758)
At 31 December 2017 and 1 January 2018	77,099,105
Amortisation for the year	13,009,473
Exchange differences	(5,266,433)
At 31 December 2018	84,842,145
Carrying amount	
At 31 December 2018	149,771,920
At 31 December 2017	171,134,649

20. INTANGIBLE ASSETS *(Continued)*

At 31 December 2018, the Group's mining rights are the rights obtained by the Group for production and exploitation of one (2017: one) coal mine located in the PRC and two (2017: two) coal mines located coal mines located in Tajikistan. The major content of the coal mine in PRC and Tajikistan is thermal coal and anthracite and bituminous coal respectively. The terms of the mining rights of the coal mines in PRC and Tajikistan are from January 2019 to December 2019 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.

21. INVESTMENTS IN ASSOCIATES

	2018 HK$	2017 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 2018 is as follows:

Name	Place of incorporation/ registration	Issued and paid up capital	Percentage of ownership interest/voting power/ profit sharing 2018	2017	Principal activities
Pineapple Media	British Virgin Islands	625,650 ordinary shares of US$1 each 92,304 ordinary shares of US$2.08 each	—	30%	Investment holding
People's Communication & Consultant Company Limited	Hong Kong	HK$10,000	—	30%	Advertising & public relationship event

21. 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**	
	From 1 January 2018 to 31 May 2018	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$	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
Period/year ended 31 December:		
Revenue	4,065,135	4,547,362
Profit from continuing operations	988,305	1,036,138
Profit after tax from discontinued operations	—	—
Other comprehensive income	—	—
Total comprehensive income	988,305	1,036,138
Dividends received from associates	—	—
Group's share of profit	296,491	310,841

Pineapple Media 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.

22. FINANCIAL ASSETS AT FVTOCI (2017: AVAILABLE-FOR-SALES FINANCIAL ASSETS)

	2018	2017
	HK$	HK$
Unlisted equity securities		
— in the British Virgin Islands	**9,900,000**	2,700,000
— in United Kingdom	**7,800,000**	7,800,000
	17,700,000	10,500,000
9% redeemable preference shares	**8,200,000**	8,000,000
	25,900,000	18,500,000
Analysed as:		
Current assets	**—**	—
Non-current assets	**25,900,000**	18,500,000
	25,900,000	18,500,000

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

Policy prior to 1 January 2018

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.

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23. LONG-TERM DEPOSITS

	2018 HK$	2017 HK$
Deposits paid for		
— acquisition of a subsidiary *(note)*	**20,000,000**	—

Note:

On 20 December 2018, a wholly-owned subsidiary of the Company entered an agreement with an independent third party for acquisition of the 100% equity capital of Double Up Group Limited at the total consideration of HK$30,000,000. The carrying amounts of other long-term deposits were denominated in HK$. A circular related to the transaction has been published by the Company on 20 December 2018 and 7 January 2019.

24. FINANCIAL ASSETS AT FVTPL

	2018 HK$	2017 HK$
Equity securities, at fair value		
Listed in Hong Kong	**134,134,730**	113,911,680
Analysed as:		
Current assets	**134,134,730**	113,911,680

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

	2018 HK$	2017 HK$
Held for trading	**134,134,730**	113,911,680

The carrying amounts of the above financial assets are measured at FVTPL in accordance with IFRS 9.

24. FINANCIAL ASSETS AT FVTPL *(Continued)*

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.

25. INVENTORIES

	2018 **HK$**	2017 HK$
Raw materials, consumable goods and spare parts	**2,960,344**	3,569,029
Work in progress	**739,768**	722,143
	3,700,112	4,291,172

26. TRADE AND BILLS RECEIVABLES

	2018 **HK$**	2017 HK$
Trade receivables	**87,012,336**	52,454,154
Allowance for doubtful debts	**(813,016)**	(8,900,968)
	86,199,320	43,553,186
Bills receivables	**4,099,091**	360,215
	90,298,411	43,913,401

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

26. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	2018 HK$	2017 HK$
0–30 days	**46,475,730**	5,152,716
31–60 days	**2,294,642**	4,580,301
61–90 days	**1,244,124**	4,389,524
91 days–1 year	**9,080,218**	4,774,210
Over 1 year	**31,203,697**	25,016,650
	90,298,411	43,913,401

As at 31 December 2018, an allowance was made for estimated irrecoverable trade receivables of approximately HK$813,016 (2017: HK$8,900,968).

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

	2018 HK$	2017 HK$
United States dollars	**8,570,587**	—
HK$	**37,808,948**	11,608,388
RMB	**43,918,876**	32,305,013
	90,298,411	43,913,401

27. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2018 HK$	2017 HK$
Deposits placed with a securities broker	**1,295,272**	3,065,457
Trade deposits placed with suppliers	**98,640,863**	98,304,865
Utilities and other deposits	**1,133,990**	859,487
Prepayments	**19,406,662**	3,560,226
Transportation fee receivables	**16,311,079**	9,068,864
Other receivables	**45,889,291**	50,072,888
	182,677,157	164,931,787
Analysed as:		
Non-current assets	**—**	1,482,738
Current assets	**182,677,157**	163,449,049
	182,677,157	164,931,787

As of 31 December 2018, transportation fee receivables and other receivables of HK$24,096,575 (2017: HK$25,032,599) 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:

	2018 HK$	2017 HK$
Up to 3 months	**1,104,128**	8,463,735
Over 3 months but less than 1 year	**6,665,800**	—
Over 1 year	**16,326,647**	16,568,864
	24,096,575	25,032,599

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28. BANK AND CASH BALANCES

As at 31 December 2018, the bank and cash balances of the Group denominated in RMB amounted to HK$3,546,985 (2017: HK$4,840,943). 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.

29. TRADE PAYABLES

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

	2018 HK$	2017 HK$
0–30 days	632,063	1,866,191
31–60 days	542,969	1,154,379
61–90 days	310,310	922,154
91–180 days	171,904	159,732
181–365 days	50,847	294,081
Over 365 days	771,734	738,310
	2,479,827	5,134,847

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

	2018 HK$	2017 HK$
HK$	8,000	—
RMB	2,471,827	5,134,847
	2,479,827	5,134,847

30. OTHER PAYABLES AND ACCRUALS

	2018 **HK$**	2017 HK$
Accruals	**7,631,998**	5,960,313
Other payables	**23,608,110**	24,780,503
Due to a director	**6,311,419**	—
	37,551,527	30,740,816

Included in other payables of HK$Nil (2017: HK$600,360) being advancement from five staffs are denominated in RMB repayable 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.

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

31. BOND PAYABLES

On 24 August 2018, the Company issued the straight bonds, in the principal amount of HK$50,000,000 (the "Bonds"). The Bonds, due on 23 August 2020, are interest-bearing at 8.0% per annum and interests are payable semi-annually in arrears. The Bonds are unsecured.

32. OTHER FINANCIAL LIABILITIES

On 18 April 2018, the Group has entered the agreement with a third party to forward sell financial assets at FVTPL (the "Shares") at a consideration of HK$30,000,000. The completion date of the transaction to be taken place on a date falling 2 years from the date of signing the agreement. The Group grants an option to the third party to buy back the Shares at a price of HK$3.41 per share.

	2018 **HK$**	2017 HK$
Financial liabilities at amortised cost	**30,000,000**	—
Financial liabilities at FVTPL	**3,000,000**	—
	33,000,000	—

33. 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 FVTPL HK$	Total HK$
At 1 January 2017	—	(4,925,492)	(4,925,492)
Arising on acquisition of a subsidiary *(note 39)*	(41,369,990)	—	(41,369,990)
Credit to profit or loss for the year *(note 11)*	1,787,678	2,486,685	4,274,363
Exchange differences	(1,604,871)	—	(1,604,871)
At 31 December 2017 and 1 January 2018	(41,187,183)	(2,438,807)	(43,625,990)
Credit/(debit) to profit or loss for the year *(note 11)*	3,252,368	(452,257)	2,800,111
Exchange differences	2,005,479	—	2,005,479
At 31 December 2018	(35,929,336)	(2,891,064)	(38,820,400)

At the end of the reporting period the Group has unused tax losses of HK$65,303,203 (2017: HK$57,844,290) available for offset against future profits. No deferred tax asset has been recognised in respect of the HK$58,745,138 (2017: HK$57,844,290) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$1,489,861, HK$1,886,136, HK$1,247,114, HK$2,679,423 and HK$573,480 that will expire in 2019, 2020, 2021, 2022 and 2023 (2017: 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) respectively. Remaining tax losses may be carried forward indefinitely.

34. SHARE CAPITAL

	Number of shares	Amount HK$
Authorised:		
Ordinary shares of HK$0.1 (2017: HK$0.1) each		
At 1 January 2017	50,000,000,000	500,000,000
Share consolidation *(note (b))*	(45,000,000,000)	—
At 31 December 2017, 1 January 2018 and 31 December 2018	5,000,000,000	500,000,000
Issued and fully paid:		
Ordinary shares of HK$0.1 (2017: HK$0.1) each		
At 1 January 2017	3,768,405,700	37,684,057
Issue of shares on right issue *(note (a))*	1,884,202,850	18,842,029
Share consolidation *(note (b))*	(5,087,347,695)	—
Issue of shares *(note (c))*	11,305,200	1,130,520
At 31 December 2017, 1 January 2018 and 31 December 2018	576,566,055	57,656,606

Notes:

(a) 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.

(b) 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.

(c) 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.

34. SHARE CAPITAL *(Continued)*

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 2018, 57.9% (2017: 63.07%) of the shares were in public hands.

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

(a) Statement of financial position of the Company

	Note	2018 HK$	2017 HK$
Non-current assets			
Investments in subsidiaries		4,010,139	88,039
Current assets			
Financial assets at fair value through profit or loss		110,972,230	102,181,680
Prepayments and other receivables		37,793,235	36,902,657
Amounts due from subsidiaries		107,891,368	179,785,102
Bank and cash balances		2,965,952	11,752,816
		259,622,785	330,622,255
Current liabilities			
Accruals and other payables		4,901,167	3,502,605
Amounts due to subsidiaries		12,487,106	3,613,839
Amount due to a director		6,000,000	—
Bonds payables		50,000,000	—
Other financial liabilities		33,000,000	—
		106,388,273	7,116,444
Net current assets		153,234,512	323,505,811
Total assets less current liabilities		157,244,651	323,593,850
Non-current liabilities			
Deferred tax liabilities		855,208	—
NET ASSETS		156,389,443	323,593,850
CAPITAL AND RESERVES			
Share capital		57,656,606	57,656,606
Reserves	35(b)	98,732,837	265,937,244
TOTAL EQUITY		156,389,443	323,593,850

Approved by the Board of Directors on 15 March 2019 and are signed on its behalf by:

CHAN Nap Kee, Joseph **YANG Yongcheng**

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

(b) Reserve movement of the Company

	Share premium *(note 36(b)(i))* HK$	Shares held under share award scheme *(note 37)* HK$	Accumulated losses HK$	Total HK$
At 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 share for the year	66,582,175	—	—	66,582,175
At 31 December 2017 and 1 January 2018	1,363,055,228	(1,962,917)	(1,095,155,067)	265,937,244
Adjustments on initial application of — IFRS 9	—	—	(114,912,047)	(114,912,047)
Restated balance as at 1 January 2018	1,363,055,228	(1,962,917)	(1,210,067,114)	151,025,197
Loss for the year	—	—	(53,860,212)	(53,860,212)
Purchase of shares held under the share award scheme	—	(395,065)	—	(395,065)
Award of shares under the share award scheme	—	1,962,917	—	1,962,917
At 31 December 2018	1,363,055,228	(395,065)	(1,263,927,326)	98,732,837

36. 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.

37. 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.

37. 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 Shares was awarded during the year ended 31 December 2018 (2017: Nil).

37. SHARE-BASED PAYMENTS *(Continued)*

Share award scheme *(Continued)*

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

	2018		2017	
	Number of shares	**Amount HK$**	Number of shares	Amount HK$
At 1 January	**2,011,000**	**1,190,067**	20,110,000	1,190,067
Share consolidation	**—**	**—**	(18,099,000)	—
Transfer during the year	**(2,011,000)**	**(1,190,067)**	—	—
At 31 December	**—**	**—**	2,011,000	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.

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.

37. SHARE-BASED PAYMENTS *(Continued)*

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

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").

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.

37. SHARE-BASED PAYMENTS *(Continued)*

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

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.

4,081,000 New Awarded Shares amounted HK$1,962,917 was awarded during the year ended 31 December 2018 (2017: HK$4,522,080).

	2018		2017	
	Number of shares	**Amount HK$**	Number of shares	Amount HK$
At 1 January	**2,070,000**	**772,850**	—	—
Purchase during the year	**1,170,000**	**395,065**	2,070,000	772,850
Transfer during the year	**2,011,000**	**1,190,067**	—	—
Issue of shares	**—**	**—**	11,305,200	4,522,080
Award during the year	**(4,081,000)**	**(1,962,917)**	(11,305,200)	(4,522,080)
At 31 December	**1,170,000**	**395,065**	2,070,000	772,850

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

38. SUBSIDIARIES

Particulars of subsidiaries as at 31 December 2018 are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid up capital/chartered fund	Attributable equity interest	Principal activities
Directly held				
Kaisun CIS Business Limited (formerly known as KEG CIS business Limted)	British Virgin Islands	US$1 Ordinary	100%	Investment holding
Kaisun Energy Group Limited (formerly known as KEG Agriculture & Resources Limited)	British Virgin Islands	US$1 Ordinary	100%	Investment holding
Kaisun New Economy Rangers Limited (formerly known as KEG New Economy Rangers Limited)	British Virgin Islands	US$1 Ordinary	100%	Investment holding
Kaisun Collateral Limited (formerly known as KEG Collateral Limited)	British Virgin Islands	US$10,000 Ordinary	100%	Investment holding
Kaisun Energy Managers Limited	British Virgin Islands	US$1 Ordinary	100%	Investment holding
Kaisun Energy Management Limited	British Virgin Islands	US$1 Ordinary	100%	Trading of securities & Investment holding
KEG Corporate Services Limited	Hong Kong	HK$10,000 Ordinary	100%	Provision of corporate services
Allied Global Limited	British Virgin Islands	US$10,000 Ordinary	100%	Investment holding
West Channel Investments Limited	British Virgin Islands	US$10,000 Ordinary	100%	Investment holding
Asia Coast International Limited	British Virgin Islands	US$10,000 Ordinary	100%	Investment holding
Gold Victoria Investments Limited	British Virgin Islands	US$10,000 Ordinary	100%	Investment holding
Kaisun Consulting Limited (formerly known as Kaisun Holdings Limited)	Hong Kong	HK$3,000,000 Ordinary	100%	Provision of consulting services
Pineapple Media (HK) Limited	Hong Kong	HK$100 Ordinary	100%	Not yet commence business
Connect-Me Technologies Limited	Hong Kong	HK$10,000 Ordinary	100%	Not yet commence business

38. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Issued and paid up capital/chartered fund	Attributable equity interest	Principal activities
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$10,000 Ordinary	100%	Investment holding
First Concept Development Limited	British Virgin Islands	US$1 Ordinary	100%	Investment holding
World Dynasty Holdings Limited	British Virgin Islands	US$10,000 Ordinary	100%	Investment holding
Pineapple Media Limited	British Virgin Islands	625,650 Ordinary shares of US$1 each 92,304 Ordinary shares of US$2.08 each	70%	Investment holding
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
Kaisun Esports Limited (formerly known as 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$617,050 Ordinary	50%	Project investment
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
Kamarob LLC	Republic of Tajikistan	Registered capital TJS4,500,000 Paid up capital TJS2,000,000	52%	Production and exploitation of coal and coal processing

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

38. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Issued and paid up capital/chartered fund	Attributable equity interest	Principal activities
Indirectly held *(Continued)*				
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$28,200,000	81.9%	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$81,830,000	74.33%	Provision of supply chain management services
新疆吐魯番星亮礦業有限公司	PRC	Registered capital RMB50,000,000 Paid up capital RMB13,650,000	74.33%	Production and exploitation of coal and coal processing
泉州市蒙晋电子商務有限公司	PRC	Registered capital RMB500,000 Paid up capital RMB200,000	100%	E-Commerce
VOV Studio Limited (formerly known as Maritime Silk Road (South Asia) Limited)	Hong Kong	HK$10,000 Ordinary	100%	Provision of public relationship services
People's Communication & Consultant Company Limited	Hong Kong	HK$2,862,010 Ordinary	70%	Advertising & public relationship event
Evoloop Limited	Hong Kong	HK$10,008,941 Ordinary	59.57%	E-Sport
Girlgamer Limited	Hong Kong	HK$10,000 Ordinary	59.57%	E-Sport
Kaisun Energy Logistic Limited	Hong Kong	HK$10,000 Ordinary	100%	Investment holding
Kaisun Energy Equipment Limited	Hong Kong	HK$10,000 Ordinary	100%	Investment holding
Kaisun Silk Road Limited	Hong Kong	HK$1 Ordinary	100%	Financial lease & general trading
Kaisun Energy Trading Limited	Hong Kong	HK$10,000 Ordinary	100%	Provision of supply chain management
Kaisun Trust & Trustee Services Company Limited	Hong Kong	HK$3,000,000 Ordinary	100%	Provision of trust and trustee services

38. 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.

	Kamarob LLC		滕州凱源實業有限公司		山東凱萊能源物流有限公司	
	2018	2017	**2018**	2017	**2018**	2017
Principal place of business/country of incorporation	Tajikistan/Tajikistan		PRC/PRC		PRC/PRC	
% of ownership interests/ voting rights held by NCI	**48%**	48%	**18.10%**	20%	**25.67%**	30%
	HK$	HK$	**HK$**	HK$	**HK$**	HK$
At 31 December:						
Non-current assets	**—**	—	**1,668,652**	1,171,130	**199,198,715**	187,020,680
Current assets	**—**	—	**32,955,188**	32,670,946	**29,756,934**	30,523,798
Non-current liabilities	**—**	—	**—**	—	**(35,929,336)**	(41,187,183)
Current liabilities	**(11,415,386)**	(12,176,483)	**(5,606,091)**	(6,373,510)	**(21,102,151)**	(18,690,983)
Net (liabilities)/assets	**(11,415,386)**	(12,176,483)	**29,017,749**	27,468,566	**171,924,162**	157,666,312
Accumulated NCI	**(5,479,385)**	(5,844,712)	**991,578**	3,282,855	**(41,652,278)**	44,312,695
Year ended 31 December:						
Revenue	**—**	—	**20,015,021**	19,907,473	**42,366,073**	65,956,485
Profit/(loss)	**—**	—	**2,104,737**	4,087,350	**(17,473,427)**	94,223,550
Total comprehensive income	**—**	—	**324,694**	3,701,834	**(26,847,562)**	89,046,302
Profit/(loss) allocated to NCI	**—**	—	**382,001**	770,158	**(4,485,429)**	28,267,065
Dividends paid to NCI	**—**	—	**—**	—	**—**	—
Net cash generated from/(used in) operating activities	**—**	—	**1,660,829**	(8,855,354)	**(2,329,592)**	136,240,813
Net cash used in investing activities	**—**	—	**(449,852)**	(5,805,815)	**(2,206,077)**	(193,956,457)
Net cash generated from financing activities	**—**	—	**1,035,718**	13,164,282	**8,526,906**	48,303,094
Effect on foreign exchange rate changes	**—**	—	**(2,227,398)**	1,536,797	**(5,686,268)**	7,325,087
Net increase/(decrease) in cash and cash equivalents	**—**	—	**19,297**	39,910	**(1,695,031)**	(2,087,463)

As at 31 December 2018, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to HK$3,546,554 (2017: HK$4,840,514). 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.

39. NOTED TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Acquisition of subsidiaries

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

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

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

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

Acquisition of subsidiaries *(Continued)*

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

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

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

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

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

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

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

Acquisition of subsidiaries *(Continued)*

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	3,083,286
Intangible assets	171,617,048
Bank and cash balances	2,315,504
Other payables	(6,022,850)
Deferred tax liabilities	(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 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)

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

Acquisition of subsidiaries *(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 gain on fair value of the Xingliang mining right as at 31 December 2017.

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 loss 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.

40. CONTINGENT LIABILITIES

At 31 December 2018, the Group did not have any significant contingent liabilities (2017: Nil).

41. COMMITMENTS

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

	2018	2017
	HK$	HK$
Capital contribution to a subsidiary	**10,000,000**	—
Capital contribution to fixed assets	**1,342,191**	702,827
	11,342,191	702,827

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For the year ended 31 December 2018

41. COMMITMENTS *(Continued)*

(b) Lease commitments

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

	2018 HK$	2017 HK$
Within one year	1,577,069	168,953
In the second to fifth years inclusive	1,686,826	—
	3,263,895	168,953

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.

42. SEGMENT INFORMATION

The Group has eight 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, organising eSports event, corporate services business and media services 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.

42. 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$	Organising eSports event HK$	Corporate services business HK$	Media Services HK$	Trading securities HK$	Total HK$
Year ended 31 December 2018									
Revenue from external customers	95,264,288	—	2,976,107	20,015,021	1,407,635	22,736,377	6,676,915	—	149,076,343
Intersegment revenue	—	—	—	—	207,549	—	575,160	—	782,709
Segment profit/(loss)	18,926,035	(16,303,505)	(263,201)	2,104,738	(2,645,727)	9,195,958	228,716	18,549,569	29,792,583
Interest revenue	322,853	810	—	915	462	—	1,117	—	326,157
Depreciation and amortisation	920,778	13,871,695	—	210,762	8,074	—	8,206	—	15,019,515
Income tax (credit)/expenses	(1,069,200)	(3,252,368)	—	69,705	80	1,817,165	92,554	452,257	(1,889,807)
Other material non-cash items:									
Additions to segment non-current assets	17,000,376	5,516,061	—	880,126	—	—	67,300	—	23,463,863
As at 31 December 2018									
Segment assets	194,165,351	167,370,533	14,574	34,471,988	25,226	22,659,578	1,550,644	134,134,730	554,392,624
Segment liabilities	4,728,968	48,996,424	3,092,431	5,311,040	78,876	1,817,165	1,213,915	4,355,359	69,594,178

	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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

42. SEGMENT INFORMATION *(Continued)*

Reconciliations of segment revenue and profit or loss:

	2018 HK$	2017 HK$
Revenue		
Total revenue of reportable segments	149,859,052	90,679,957
Elimination of intersegment revenue	(782,709)	—
Consolidated revenue	149,076,343	90,679,957
Profit or loss		
Total profit or loss of reportable segments	29,792,583	99,440,602
Share of profits of associates	296,491	310,841
Staff costs	(9,315,463)	(6,322,880)
Unallocated corporate income	1,687,636	2,298,827
Unallocated corporate expense	(17,483,002)	(17,430,153)
Consolidated profit for the year	4,978,245	78,297,237

42. SEGMENT INFORMATION *(Continued)*

Reconciliations of segment assets and liabilities:

	2018 HK$	2017 HK$
Assets		
Total assets of reportable segments	554,392,624	488,605,716
Unallocated corporate assets		
— Investments in associates	—	1,810,841
— Available-for-sales financial assets	—	18,500,000
— Financial assets at FVTOCI	25,900,000	—
— Deposits placed with securities brokers	1,295,938	2,996,756
— Bank and cash balances	20,729,996	24,361,056
— Long-term other receivables	—	1,482,738
— Long-term deposits	20,000,000	—
— Others	43,553,531	24,647,291
Consolidated total assets	665,872,089	562,404,398
Liabilities		
Total liabilities of reportable segments	69,594,178	60,466,072
Bonds payables	50,000,000	—
Other financial liabilities	33,000,000	—
Unallocated corporate liabilities	13,881,251	21,403,592
Consolidated total liabilities	166,475,429	81,869,664

42. SEGMENT INFORMATION *(Continued)*

Geographical information:

The Group's non-current assets by location of assets are detailed below:

Non-current assets

	2018 HK$	2017 HK$
Hong Kong	**598,581**	2,441,751
PRC except Hong Kong	**186,207,798**	188,415,583
Consolidated total	**186,806,379**	190,857,334

Revenue from major customers:

	2018 HK$	2017 HK$
Provision of supply chain management services for mineral business		
Customer a	**23,689,926**	47,730,104
Customer b	**22,012,751**	6,867,761
Customer c	**21,340,703**	6,274,562
Corporate services business		
Customer d	**22,655,677**	—