KAISUN HOLDINGS LIMITED

凱順控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8203)

A Belt & Road Participant

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

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This announcement, 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 announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FINANCIAL SUMMARY

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

RESULTS

	Year ended 31 December				
	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: (Profit)/loss 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.

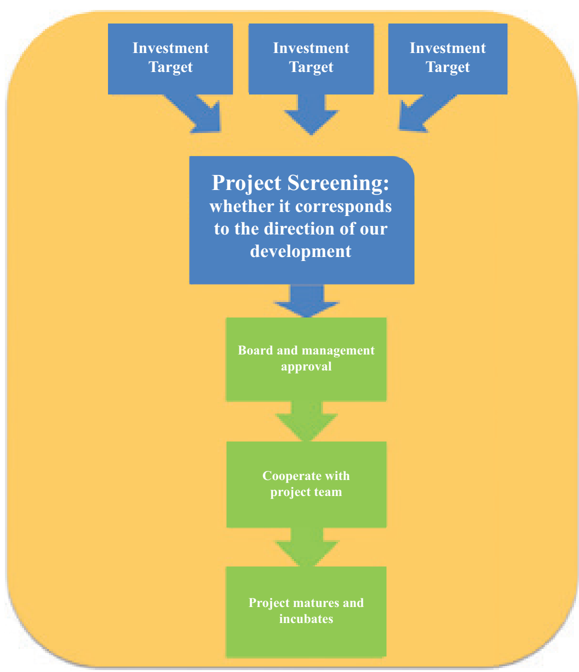
MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 Holdings 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 machines 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

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$2.2 million.

- Tengzhou Kaiyuan customers are mainly stated-owned enterprises. In 2018, Tengzhou 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 Holdings, 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 Holdings 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 compared to 2018, an increase of about 7.8%. Of these targeted additional 250 million, 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.

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 company 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.

Meeting NWPC, Shaanxi team and Xingliang team

- 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.

- 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

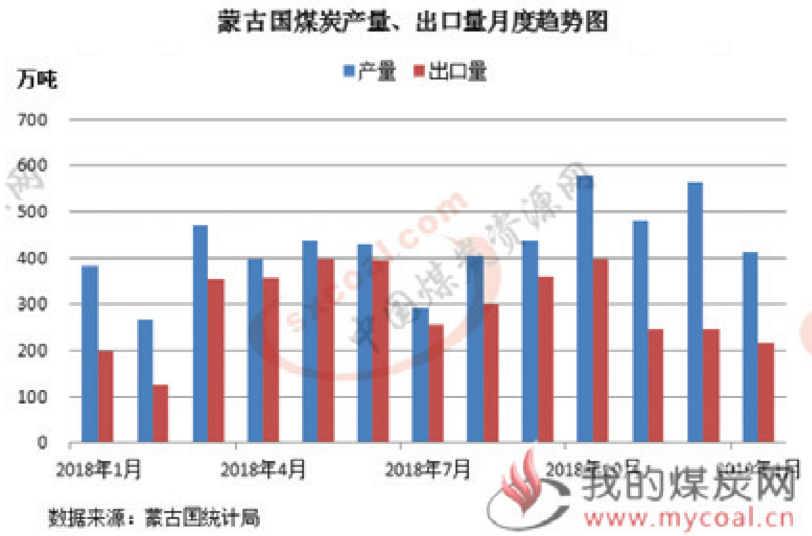
iv. Mongolia — supply chain management business

Resource analysis of Mongolia

Mining is an important basic 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

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.

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.

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 over 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 over HK$10 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

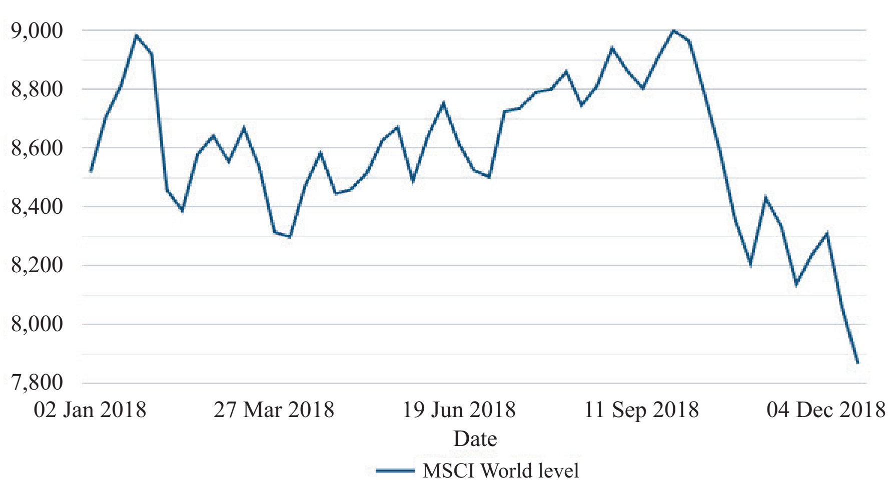
There has been no substantial change to both investments in 2018, and our investment in Sturgeon and Xin Ying preference shares maintain at a steady pace at the date of this report, where the interest from the preference shares continued to provide regular administrative expense support.

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 that does not mean the we will 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 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

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, represented an increase of approximately 64.4% when compared with the same period in 2017 (2017: HK$90.7 million). Revenue arose 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 subsidiary and was completed in June 2018, which is engaging in events organizing and management consulting business; and 3. establishment of consulting and trust business which generates 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 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 interest on loan by approximately HK$1.3 million due to our bond issuance in 2018, 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 attributable to one-off gain of HK$94.1 million attained only in 2017 but not in 2018 which was partially offset by improvement in gross profit and fair value gain on financial assets at fair value through profit or loss contributed to improvement in loss from operations, to HK$17.5 million for the year ended 2018 from HK$13.4 million for corresponding period in 2017, due to relatively good performance of our securities trading business.

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	Dividends received for the year ended 31 December 2018	Fair value as at		% of the Group's net assets as at 31 December 2018	Investment cost	Reasons for fair value loss
					2018	2017			
			HK$	*HK$*	*HK$*	*HK$*		*HK$*	
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	4.1	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	20.6	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	0.2	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%	(199,500.00)	—	2,793,000	—	0.5	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	25.63	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. Jia Meng Holdings Limited (HKEx: 8101) — The principal activity of Jia Meng Holdings Limited is investment holding. The principal activities of the Jia Meng Holdings Limited's subsidiaries are: (i) design, manufacture and sales of mattress and soft bed products; (ii) property investment; (iii) securities investment; and (iv) provision of property management and property agency services.

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.

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%	1.5%	7,800,000	7,800,000
Xin Ying Holdings Limited *(Note 3)*	8,000,000	N/A	1.5%	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 the company together with its subsidiaries are engaged in the business of production and distribution of pollution-free vegetables.

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

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

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 recommends 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, 17M 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 6.

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 13.

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.

EVENTS AFTER THE REPORTING PERIOD

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

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 Jan 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, and various distinguished speakers were invited for panel discussions (photo left).

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 co-organizing 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

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

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

During the year 2018, the audit committee held four meetings to review and supervise the financial reporting process. The results for the year 2018 had been reviewed by the Audit Committee who was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and adequate disclosures have been made.

Role and Function of the Audit Committee

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 non-compliance.

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.

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.

Code on Corporate Governance Practices

The Board is committed to maintain good standard of corporate governance practices and procedures. 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 Controls Report

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

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

Review of Risk Management and Internal control Effectiveness

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

The Board is pleased to announce the audited results of the Group for the year ended 31 December 2018 together with the audited comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2018

	Note	**2018** *HK$*	2017 *HK$*
Revenue	5	**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		**(726,860)**	209,070
Fair value gain on financial assets at fair value through profit or loss		**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		**—**	94,052,901
Other income and gains and losses		**26,895,089**	6,739,225
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		**296,491**	310,841
Finance costs		**(1,333,333)**	—
Profit before tax		**3,088,438**	73,754,266
Income tax credit	6	**1,889,807**	4,542,971
Profit for the year	7	**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	9	**1.82**	13.07

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$	*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		**24,272,793**	17,911,844
Prepaid land lease		**12,761,666**	—
Goodwill		**1,118,218**	—
Intangible assets	10	**149,771,920**	171,134,649
Investments in associate		**—**	1,810,841
Available-for-sale financial assets		**—**	18,500,000
Financial assets at FVTOCI		**25,900,000**	—
Long-term deposits		**20,000,000**	—
Long-term other receivables		**—**	1,482,738
		233,824,597	210,840,072
Current assets			
Prepaid land lease		**507,086**	—
Inventories		**3,700,112**	4,291,172
Trade and bills receivables	11	**90,298,411**	43,913,401
Deposits, prepayments and other receivables		**182,677,157**	163,449,049
Bank and cash balances		**20,729,996**	25,999,024
Financial assets at fair value through profit or loss		**134,134,730**	113,911,680
		432,047,492	351,564,326
Current liabilities			
Trade payables	12	**2,479,827**	5,134,847
Other payables and accruals		**37,551,527**	30,740,816
Bonds payable		**50,000,000**	—
Financial liabilities at amortised cost with put option		**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

	2018	2017
	HK$	*HK$*
Non-current liabilities		
Deferred tax liabilities	**38,820,400**	43,625,990
NET ASSETS	**499,396,660**	480,534,734
Capital and reserves		
Share capital	**57,656,606**	57,656,606
Reserves	**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

NOTES

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.

2. BASIS OF PREPARATION

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

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

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Application of new and revised IFRSs

The International Accounting Standards Board has issued a number of new and revised IFRSs that are first effective for annual periods beginning on or after 1 January 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 fair value through profit or loss ("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.

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 asset at its fair value plus, in the case of a financial asset 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.

- 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.

The following table summaries the impact on the Group's opening accumulated losses as at 1 January 2018 is as follows:

	Note	*HK$*
Decrease in impairment losses for:		
— Trade and other receivables	(c)	1,398,057
Related tax		—
Adjustment to accumulated losses 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

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	206,291,430

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		1,200,000	—
Total impact		1,200,000	—
Opening balance — IFRS 9		1,200,000	(972,204,062)

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.

Note:

(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 recorded in 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. A 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 additional impairment allowance as follows:

	Note	*HK$*
Impairment allowance at 31 December 2017 under IAS 39		153,374,230
Reversal impairment recognised at 1 January 2018 on:		
— Trade and other receivables	(c)	(1,006,468)
Impairment allowance at 1 January 2018 under IFRS 9		152,367,762

Impairment losses related to trade and other receivables are presented separately in the statement of profit or loss. As a result, the Group reclassified impairment losses amounting to HK$1,006,468, recognised under IAS 39, from "other expenses" to "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.

(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.

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

The Group's future minimum lease payments under non-cancellable operating leases for its office and factory properties 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

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

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

5. REVENUE

(a) Disaggregation of revenue

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

	2018	2017
	HK$	*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
— 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 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

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		Supply chain management services for mineral business		Mining and metallurgical machineries products		Logistics services for mineral business		eSports		Corporate service business		Media services		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	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.

6. INCOME TAX CREDIT

	2018	2017
	HK$	*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	**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.

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

	2018	2017
	HK$	*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	**2,551,214**	1,946,740
Tax effect of tax loss not recognised	**2,099,863**	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)

7. PROFIT FOR THE YEAR

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

	2018	2017
	HK$	*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 leases	**528,466**	—
Write off of fixed assets	**—**	644,304
Other receivables written off	**3,423**	—
Loss on disposal of fixed assets	**75,271**	2,824
Loss/(gain) on disposal of financial assets at fair value through profit or loss (held for trading)	**726,860**	(209,070)
Fair value gain on financial assets at fair value through profit or loss	**(17,521,600)**	(13,352,360)
Fair value loss on put option	**3,000,000**	—
Reversal of allowance of doubtful debts	**(15,675,686)**	(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

8. DIVIDEND

Subsequent to the end of the reporting period, final dividend and special dividend in respect of the year ended 31 December 2018 of HK cents 0.17 (2017: Nil) and HK cents 0.17 (2017: Nil) respectively per ordinary share has been proposed by the directors and is subject to approval by the shareholders at the forthcoming general meeting.

9. EARNINGS PER SHARE

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

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

Number of shares	**2018**	2017
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.

10. INTANGIBLE ASSETS

	Mining rights
	HK$
Cost	
At 1 January 2017	87,199,153
Arising on acquisition of a subsidiary	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

At 31 December 2018, the Group's mining rights are the rights obtained by the Group for production and exploitation of one coal mine (2017: one) 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 in Tajikistan are in progress. The mining rights are stated at cost less accumulated amortisation and impairment losses over the term of the mining rights.

11. TRADE AND BILLS RECEIVABLES

	2018	2017
	HK$	*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.

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

	2018	2017
	HK$	*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).

As of 31 December 2018, trade receivables of HK$39,611,493 (2017: HK$43,553,186) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. An ageing analysis of these trade receivables is as follows:

	2018	2017
	HK$	*HK$*
Up to 3 months	**6,284,773**	13,762,327
Over 3 months but less than 1 year	**2,461,520**	4,774,210
Over 1 year	**30,865,200**	25,016,649
	39,611,493	43,553,186

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

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

12. TRADE PAYABLES

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

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

13. SEGMENT INFORMATION

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

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

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

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

	Supply chain management services for mineral business	Production and exploitation of coal in Xinjiang	Production and exploitation of coal in Tajikistan	Mining and metallurgical machineries production in Shandong	eSports	Corporate services business	Media services	Trading securities	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
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)/expense	(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	Production and exploitation of coal in Xinjiang	Production and exploitation of coal in Tajikistan	Mining and metallurgical machineries production in Shandong	Trading securities	Others	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Year ended 31 December 2017							
Revenue from external customers	64,555,879	—	2,441,671	19,907,472	—	3,774,935	90,679,957
Segment profit/(loss)	(8,223,060)	95,203,937	(1,073,884)	4,087,350	12,369,495	(2,923,236)	99,440,602
Interest revenue	8,450	431,064	—	2,722	478	—	442,714
Depreciation and amortisation	282,143	7,219,169	—	185,765	—	6,135	7,693,212
Income tax credit	—	(1,787,678)	—	—	(2,755,293)	—	(4,542,971)
Other material non-cash items:							
Additions to segment non-current assets	644,388	3,083,286	—	161,787	—	—	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

Reconciliations of segment revenue and profit or loss:

	2018	2017
	HK$	*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

Reconciliations of segment assets and liabilities:

	2018	2017
	HK$	*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**	—
Financial liabilities at amortised cost with put option	**33,000,000**	—
Unallocated corporate liabilities	**13,881,251**	21,403,592
Consolidated total liabilities	**166,475,429**	81,869,664

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**	—

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

Hong Kong, 15 March 2019

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

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

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

* *for identification purpose only*