KAISUN HOLDINGS LIMITED
凱順控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8203

Interim Report 2018

* For identification purpose only

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

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

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

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

2018 INTERIM RESULT HIGHLIGHTS

	Unaudited Three months ended 30 June			Unaudited Six months ended 30 June		
	2018 HK$'000	2017 HK$'000	% change	**2018 HK$'000**	2017 HK$'000	% change
Revenue	**19,537**	6,304	+210%	**31,637**	56,533	−44%
Gross profit	**11,163**	1,072	+941%	**11,832**	3,558	+233%
Profit/(loss) from operations	**(18,344)**	(28,246)	N/A	**15,001**	(11,538)	N/A
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	**714**	143,198	−99%	**714**	143,198	−99%
Net profit/(loss) for the period	**(14,514)**	81,032	−118%	**8,720**	93,141	−91%
For illustration purpose only:						
Profit/(loss) before tax less 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	**(18,517)**	(23,956)	N/A	**15,001**	(7,248)	N/A

OPERATING RESULT FOR 2018 FIRST HALF

The Group's revenue for the six months ended 30 June 2018 amounted to approximately HK$31.6 million (2017 revenue: HK$56.5 million). Revenue arose from the sales of goods and provision of services amounted to HK$21.1 million and HK$10.5 million respectively.

The Group's gross profit for the six months ended 30 June 2018 increased by approximately 232.6% to approximately HK$11.8 million compared to the corresponding period in 2017 (2017 gross profit: HK$3.6 million). Gross profit arising from the sales of goods and provision of services was approximately HK$4.1 million (2017: HK$3.6 million) and approximately HK$7.7 million (2017: Nil) respectively.

Approximately HK$15.0 million of the Group's (as defined below) profit from operations for half year ended 30 June 2018, turning over from approximately HK$11.5 million of loss from operations for the corresponding period in 2017.

A QUARTER OF OPERATION IMPROVEMENT

Compared to the corresponding quarter in 2017, the Group experienced an upward trend in operation performance:

The Group's revenue was approximately HK$19.5 million, representing an increase of approximately 210% from approximately HK$6.3 million in 2017; increasing number of new customers for our mining, manufacturing of machineries and supply chain management business and the increased shareholding in an associate to become subsidiary in June 2018 leading to consolidation of revenue from events organizing and management consulting business contribute such increase.

The Group's gross profit was approximately HK$11.2 million, representing an increase of approximately 941% from approximately HK$1.1 million in 2017; improvement of gross margins for our mining, manufacturing of machineries and supply chain management and the higher margin of consolidated revenue generated from events organizing and management consulting business led to surging gross profit.

The Group's loss from operations was approximately HK$18.3 million, with the loss narrowed by approximately HK$9.9 million from a loss of approximately HK$28.2 million in 2017; our improvement in top lines as mentioned above, and was partly offset by fair value loss on financial asset with our administrative and other operating expenses remaining at a relatively stable level compared to that in 2017.

The Group's loss before tax for the quarter ended 30 June 2018 amounted to approximately HK$17.8 million comparing with same period 2017 amounted to approximately HK$119.2 million profit before tax. The difference was attributable to excess of the Group's share of the net fair value of the identifiable asset, liabilities and contingent liabilities over the cost of acquisition of a subsidiary of approximately HK$0.7 million and HK$143.2 million for the quarter ended 30 June 2018 and 2017 respectively, which is solely a fair value impact. After taking out such fair value impact, the Group's loss before tax narrowed to approximately loss of HK$18.5 million for the quarter ended 30 June 2018 from HK$24.0 million for the quarter ended 30 June 2017 by approximately HK$5.5 million.

The board of directors (the "Board" or the "Directors") of Kaisun Holdings Limited (the "Company") is pleased to announce the unaudited results of the Company and its subsidiaries (collectively, the "Group") for the three months and six months ended 30 June 2018, together with the unaudited comparative figures for the corresponding periods in 2017 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	Note	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Revenue	6	**19,537**	6,304	**31,637**	56,533
Cost of goods sold		**(8,374)**	(5,232)	**(19,805)**	(52,975)
Gross profit		**11,163**	1,072	**11,832**	3,558
Gain on disposal of financial assets at fair value through profit or loss		**22**	104	**130**	468
Fair value gain/(loss) on financial assets at fair value through profit or loss		**(14,234)**	(14,394)	**29,628**	9,624
Other income		**439**	585	**5,469**	911
Administrative and other operating expenses		**(15,734)**	(15,613)	**(32,058)**	(26,099)
Profit/(loss) from operations		**(18,344)**	(28,246)	**15,001**	(11,538)
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	20	**714**	143,198	**714**	143,198
Share of profit of associates		**(173)**	—	**–**	—
Fair value gain on derivative financial instrument		**–**	4,290	**–**	4,290
Profit/(loss) before tax		**(17,803)**	119,242	**15,715**	135,950
Income tax expenses	7	**3,289**	(38,210)	**(6,995)**	(42,809)
Profit/(loss) for the period	8	**(14,514)**	81,032	**8,720**	93,141
Attributable to:					
Owners of the Company		**(13,456)**	51,012	**11,031**	63,315
Non-controlling interests		**(1,058)**	30,020	**(2,311)**	29,826
		(14,514)	81,032	**8,720**	93,141
Earnings/(loss) per share (HK Cents)	10				
— Basic		**(2.33)**	9.09	**1.92**	11.58

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Profit/(loss) for the period	**(14,514)**	81,032	**8,720**	93,141
Other comprehensive income for the period, net of tax:				
Items that may be reclassified to profit or loss:				
Exchange differences on translating foreign operations	**(2,846)**	4,126	**6,053**	4,746
Total comprehensive income for the period	**(17,360)**	85,158	**14,773**	97,887
Attributable to:				
Owners of the Company	**(50,185)**	54,614	**11,031**	67,177
Non-controlling interests	**32,825**	30,544	**3,742**	30,710
	(17,360)	85,158	**14,773**	97,887

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	**Unaudited As at 30 June 2018 HK$'000**	Audited As at 31 December 2017 HK$'000
Non-current assets			
Fixed assets	11	**22,635**	17,912
Intangible assets	12	**166,717**	171,135
Investment in associate		**–**	1,811
Available-for-sale financial assets	19	**18,500**	18,500
Long-term other receivables		**1,577**	1,483
		209,429	210,841
Current assets			
Inventories		**6,387**	4,291
Trade and bills receivables	13	**53,687**	43,913
Deposits, prepayments and other receivables		**155,029**	163,449
Bank and cash balances		**23,303**	25,999
Financial assets at fair value through profit or loss		**143,438**	113,912
		381,844	351,564

	Note	**Unaudited As at 30 June 2018 HK$'000**	Audited As at 31 December 2017 HK$'000
Current liabilities			
Trade payables	14	**5,580**	5,135
Other payables and accruals		**30,548**	30,741
Current tax liabilities		**1,581**	2,368
		37,709	38,244
Net current assets		**344,135**	313,320
Total assets less current liabilities		**553,564**	524,161
Non-current liabilities			
Deferred tax liabilities		**52,121**	43,626
		52,121	43,626
NET ASSETS		**501,443**	480,535
Capital and reserves			
Share capital	15	**57,657**	57,657
Reserves		**391,622**	381,458
Equity attributable to owners of the Company		**449,279**	439,115
Non-controlling interests		**52,164**	41,420
TOTAL EQUITY		**501,443**	480,535

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Unaudited							
	Attributable to owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Shares held for share award scheme HK$'000	Foreign currency translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2017	37,684	1,293,081	(1,190)	(20,858)	(1,021,511)	287,206	(7,511)	279,695
Total comprehensive income for the period	–	–	–	3,862	63,315	67,177	30,710	97,887
Issue of shares under rights issue	18,842	71,600	–	–	–	90,442	–	90,442
Transaction costs attributable to issue of shares	–	(5,017)	–	–	–	(5,017)	–	(5,017)
Capital injection in a subsidiary	–	–	–	–	–	–	15,434	15,434
Award of shares held under share award scheme	1,131	3,392	–	–	–	4,523	–	4,523
Purchase of shares held under the share award scheme	–	–	(366)	–	–	(366)	–	(366)
Changes in equity for the period	19,973	69,975	(366)	3,862	63,315	156,759	46,144	202,903
At 30 June 2017	57,657	1,363,056	(1,556)	(16,996)	(958,196)	443,965	38,633	482,598
At 1 January 2018	**57,657**	**1,363,055**	**(1,963)**	**(7,430)**	**(972,204)**	**439,115**	**41,420**	**480,535**
Total comprehensive income for the period	**–**	**–**	**–**	**(867)**	**11,031**	**10,164**	**3,742**	**13,906**
Capital injection in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**7,002**	**7,002**
Changes in equity for the period	**–**	**–**	**–**	**(867)**	**11,031**	**10,164**	**10,744**	**20,908**
At 30 June 2018	**57,657**	**1,363,055**	**(1,963)**	**(8,297)**	**(961,173)**	**449,279**	**52,164**	**501,443**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Unaudited Six months ended 30 June **2018** **HK$'000**	 2017 HK$'000
Net cash (used in) operating activities	**(4,508)**	(52,690)
Net cash (used in)/generated from investing activities	**(8,078)**	(22,265)
Net cash generated from/(used in) financing activities	**7,002**	87,713
Net increase/(decrease) in cash and cash equivalents	**(5,584)**	12,758
Effect of foreign exchange rate changes	**2,888**	2,064
	(2,696)	14,822
Cash and cash equivalents at beginning of period	**25,999**	36,333
Cash and cash equivalents at end of period	**23,303**	51,155

NOTES

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. 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 Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The condensed consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group's condensed 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 condensed 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").

The condensed consolidated financial statements should be read in conjunction with the 2017 annual financial statements. The accounting policies and methods of computation used in preparation of these condensed financial statements are consistent with those used in the annual financial statement for the year ended 31 December 2017.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

During the six months ended 30 June 2018, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB") that are relevant to its operations and effective for its accounting periods beginning on 1 January 2018. IFRSs comprise of International Financial Reporting Standards ("IFRS"); International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the six months ended 30 June 2018 and the same period in last year.

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. The directors anticipate that the new and revised IFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group has assessed, where applicable, the potential effect of all new and revised IFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

4. FAIR VALUE MEASUREMENTS

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

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

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

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

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

(a) Disclosures of level in fair value hierarchy at 30 June 2018:

	Fair Value Measurements	
Description	**Unaudited as at 30 June 2018 HK'000**	Audited as at 31 December 2017 HK'000
Recurring fair value measurements:		
Financial assets		
Level 1		
Financial assets at fair value through profit or loss Listed securities	**143,438**	113,912

(b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2018:

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

5. SEGMENT INFORMATION

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

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

The accounting policies of the operating segments are the same as those described in the Group's financial statements for the year ended 31 December 2017. Segment profits or losses do not include dividend income. Segment assets do not include amounts due from related parties and derivative instruments. Segment non-current assets do not include financial instruments.

	Mining and metallurgical machineries production in Shandong HK$'000	Provision of supply chain management services for mineral business HK$'000	Production and exploitation of coal in Tajikistan HK$'000	Production and exploitation of coal in Xinjiang HK$'000	Trading of securities HK$'000	Others HK$'000	Total HK$'000
For six months ended 30 June 2018 (unaudited)							
Revenue from external customers	6,847	15,960	712	–	–	578	24,097
Segment (loss)/profit	(630)	4,535	(3,212)	(4,116)	20,921	(202)	17,296
As at 30 June 2018 (unaudited)							
Segment assets	33,869	134,359	530	185,589	165,322	5,590	525,259
Segment liabilities	(4,344)	(2,227)	(5,279)	(61,906)	(12,524)	(8)	(86,288)

	Mining and metallurgical machineries production in Shandong HK$'000	Provision of supply chain management services for mineral business HK$'000	Production and exploitation of coal in Tajikistan HK$'000	Production and exploitation of coal in Xinjiang HK$'000	Trading of securities HK$'000	Others HK$'000	Total HK$'000
For six months ended 30 June 2017 (unaudited)							
Revenue from external customers	6,006	50,527	—	—	—	—	56,533
Segment profit/(loss)	140	32	(8,317)	101,923	12,142	(91)	105,829
As at 31 December 2017							
Segment assets	33,710	155,245	12	185,606	113,912	121	488,606
Segment liabilities	(6,373)	(7,160)	(3,307)	(41,187)	(2,439)	—	(60,466)

	Unaudited Three months ended 30 June	
	2018 HK$'000	2017 HK$'000
Reconciliations of segment profit or loss:		
Total profit or loss of reportable segments	**17,296**	105,829
Other profit or loss	**(8,576)**	(12,688)
Consolidated profit for the period	**8,720**	93,141

6. REVENUE

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Sales of goods				
— Provision of supply chain management services for mineral business	**3,671**	2,797	**14,254**	50,527
— Mining and metallurgical machineries production	**6,590**	3,507	**6,847**	6,006
Provision of services				
— Provision of logistic services for mineral business	**1,158**	—	**2,418**	—
— Provision of events organizing and management consulting	**8,118**	—	**8,118**	—
	19,537	6,304	**31,637**	56,533

7. INCOME TAX EXPENSES

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Deferred tax — Hong Kong	**9,690**	(2,375)	**8,621**	2,224
— PRC	**(12,979)**	40,585	**(1,626)**	40,585
	(3,289)	38,210	**6,995**	42,809

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit arising in or derived from these jurisdictions for the relevant periods.

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.

8. PROFIT/(LOSS) FOR THE PERIOD

The Group's profit/(loss) for the period is arrived at after charging/(crediting) the following:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Directors' remuneration	**1,243**	929	**2,189**	1,856
Cost of inventories sold of supply chain management services for mineral business	**2,883**	2,723	**1,945**	49,782
Cost of mining and metallurgical machineries production	**3,589**	2,509	**3,709**	3,193
Depreciation	**1,499**	95	**1,782**	171
Write off of fixed assets	**–**	1,730	**–**	1,730
Operating lease rentals in respect of land and buildings	**481**	507	**979**	890
Gain on disposal of financial assets at fair value through profit or loss (held for trading)	**(22)**	(104)	**(130)**	(468)
Fair value (gain)/loss on financial assets at fair value through profit or loss	**14,234**	14,394	**(29,628)**	(9,624)
Staff costs (including directors' emoluments)				
Basic salaries, bonuses, allowances, and benefits in kind	**5,673**	8,781	**10,715**	13,878
Retirement benefits scheme contributions	**136**	107	**283**	230

9. DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 30 June 2018 (Six months ended 30 June 2017: HK$Nil).

10. EARNINGS/(LOSS) PER SHARE

The calculations of the basic and diluted earnings/(loss) per share are based on the following data:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Profit/(loss) for the purpose of calculating basic earnings/(loss) per share	**(13,456)**	51,012	**11,031**	63,315
Number of shares *('000)*				
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	**576,566**	561,165	**574,536**	546,585

No diluted earnings/(loss) per share are presented as the Company did not have any dilutive potential ordinary sharing during the period ended 30 June 2018 and 2017.

11. FIXED ASSETS

During the six months ended 30 June 2018, the Group acquired fixed assets of approximately HK$6,689,000 (Six months ended 30 June 2017: HK$15,664,000).

12. INTANGIBLE ASSETS

	Mining rights
	HK$'000
Cost	
At 1 January 2017	87,199
Arising on acquisition of a subsidiary	171,617
Exchange difference	(10,582)
At 31 December 2017	248,234
Exchange difference	8,229
At 30 June 2018	256,463
Accumulated amortization and impairment losses	
At 1 January 2017	87,199
Amortisation for the year	7,151
Exchange difference	(17,251)
At 31 December 2017	77,099
Amortisation for the period	4,592
Exchange difference	8,055
At 30 June 2018	**89,746**
Carrying amount	
At 30 June 2018	**166,717**
At 31 December 2017	**171,135**

At 30 June 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 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 April 2018 to December 2018 and August 1997 to September 2018 respectively. The mining rights are stated at cost less accumulated amortisation and impairment losses over the term of the mining rights.

13. TRADE AND BILLS RECEIVABLES

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:

	Unaudited as at 30 June 2018 HK$'000	Audited as at 31 December 2017 HK$'000
0–30 days	**10,885**	5,153
31–60 days	**7,088**	4,580
61–90 days	**7,598**	4,389
91 days–1 year	**7,969**	4,774
Over 1 year	**20,147**	25,017
	53,687	43,913

The carrying amounts of the Group's trade and bill receivables are denominated in Renminbi and Hong Kong dollars.

14. TRADE PAYABLES

At 30 June 2018, the ageing analysis of trade payables based on the date of receipt of goods, is as follows:

	Unaudited as at 30 June 2018 HK$'000	Audited as at 31 December 2017 HK$'000
0–30 days	**55**	1,866
31–60 days	**165**	1,154
61–90 days	**654**	922
91–180 days	**1,342**	160
181–365 days	**766**	294
Over 365 days	**2,598**	739
	5,580	5,135

The carrying amounts of the Group's trade payables are denominated in Renminbi and Hong Kong dollars.

15. SHARE CAPITAL

	Unaudited as at 30 June 2018 HK$'000	Audited as at 31 December 2017 HK$'000
Authorised:		
5,000,000,000 ordinary shares of HK$0.10 each	**500,000**	500,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each 576,566,055 (31 December 2017: 576,566,055)	**57,657**	57,657

16. CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any significant contingent liabilities (31 December 2017: HK$Nil).

17. COMMITMENTS

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

	Unaudited as at 30 June 2018 HK$'000	Audited as at 31 December 2017 HK$'000
Capital contribution to fixed asset	**208**	703

(b) Lease commitments

As at 30 June 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Unaudited as at 30 June 2018 HK$'000	Audited as at 31 December 2017 HK$'000
Within one year	**1,193**	169
In the second to fifth years inclusive	**975**	—
	2,168	169

Operating lease payments represent rentals payable by the Group for certain of its offices and factory premises. Leases are negotiated for an average term of 1 to 4 years and rentals are fixed over the lease terms and do not include contingent rentals.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited as at 30 June 2018 HK$'000	Audited as at 31 December 2017 HK$'000
Equity securities, at fair value		
— Listed in Hong Kong	**143,438**	113,912
Analysed as:		
Current assets	**143,438**	113,912

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

	Unaudited as at 30 June 2018 HK$'000	Audited as at 31 December 2017 HK$'000
Held for trading	**143,438**	113,912

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

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

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited as at 30 June 2018 HK$'000	Audited as at 31 December 2017 HK$'000
Unlisted equity securities, at cost		
— In British Virgin Islands	2,700	2,700
— In United Kingdom	7,800	7,800
	10,500	10,500
9% redeemable preference shares, at cost	8,000	8,000
	18,500	18,500

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

The unlisted equity securities in British Virgin Islands and United Kingdom were denominated in Hong Kong dollars and Great British Pound respectively.

20. ACQUISITION OF SUBSIDIARIES

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

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

	Carrying amount HK$'000	**Fair value adjustment** HK$'000	**Fair value** HK$'000
Net assets acquired:			
Fixed assets	66	—	66
Account Receivable	810	—	810
Bank and Cash	8,111	—	8,111
Prepayment received	(1,250)	—	(1,250)
Other Payable	(1,200)	—	(1,200)
Account Payable	(112)	—	(112)
Accrual	(16)	—	(16)
Tax payable	(194)	—	(194)
			6,215
Less: Fair value of investment in an associate			(1,864)
Non-controlling interests			(2,670)
Goodwill			2,233
			3,914
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			(714)
			3,200
Satisfied by:			
Cash consideration paid			3,200
Net cash inflow arising on acquisition:			
Cash consideration paid			3,200
Cash and cash equivalents acquired			8,111
			4,911

On 10 October 2016, Shandong Kailai Energy Logistic Company Limited (an indirect 70% owned subsidiary of Kaisun Energy Group Limited) ("Kailai"), entered into two share transfer agreements with Mr. Zhou Xingliang and Ms. Yan Weihua to acquire 90% and 10% shares of Xinjiang Turpan Xingliang Mining Limited ("Xingliang") each owned respectively for total cash consideration of RMB10 million. The transaction was completed on 8 February 2017.

Xingliang is a Xinjiang mining company incorporated on 4 May 2011. It holds a mining license with coal output up to 900,000 tonne per year. Kailai (the Company's 70% subsidiary) obtained ownership of Xingliang on 8 February 2017 with government approval on the transfer of the valid mining license from the sellers.

The fair value of the identifiable assets and liabilities of Xingliang acquired as at its date of acquisition is as follow:

	Carrying amount HK$'000	**Fair value adjustment** HK$'000	**Fair value** HK$'000
Net assets acquired:			
Fixed assets	3,076	—	3,076
Intangible assets	6,122	165,091	171,213
Cash at banks	2,310	—	2,310
Other payables and accruals	(19,463)	—	(19,463)
			157,136
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			(143,198)
Exchange difference			(2,426)
			11,512
Satisfied by:			
Cash consideration paid			11,512
Net cash outflow arising on acquisition:			
Cash consideration paid			11,512
Cash and cash equivalents acquired			(2,310)
			9,202

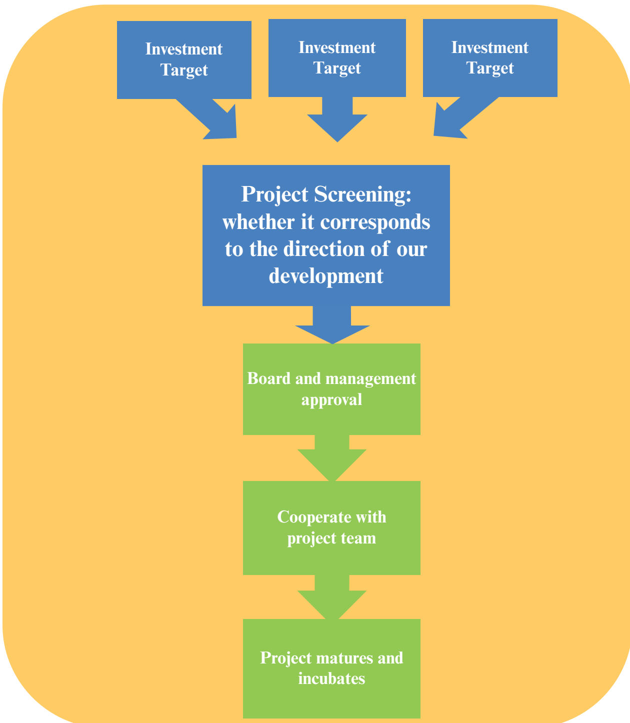
As Xingliang is still in the pre-mining preparation phase, there is no contribution to the Group's revenue during the period. The Company has engaged Access Partner Professional Services Limited to prepare valuation and technical assessment for the Xingliang Coal Mine located in Xinjiang Province, PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

A BRAND NEW NAME

Many would have already been aware by now as to how we have been presenting itself to the public lately. Starting on 1st August, Kaisun Energy Group Limited has officially become Kaisun Holdings Limited ("Kaisun Holdings").

With an intention to cultivate untapped markets in the landlocked regions of Central Asia and Mongolia, Kaisun Holdings has begun to plant seeds along the now-called Belt and Road region as early as 2011. Our initial business focus was placed in the primary energy sector. Yet over the years, as we proliferate our connections and mature in our know-how, Kaisun has developed into more than just a mining company — we have become a Belt and Road project incubator, with the vision of implementing the Belt and Road Initiative rooted in mind.



Our current projects cover different parts along the Belt and Road (please see map below), and our business portfolio comprises a good diversity of mining and related-manufacturing of machineries, agriculture, supply-chain management, event management, public relations and consultancy, eSports, etc. Each of these projects, based on their properties, is assigned to a project development team, and each is progressing at a steady pace with their own development timeline.

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

Since our business scope is no longer bounded by one single industry sector of energy, the Board has decided to adopt the brand new name of "Kaisun Holdings Limited" in order to better reflect our business position. We are no longer the former Kaisun Energy Group which only engaged in the mining business — we are the Belt and Road project incubator — Kaisun Holdings Limited.

OVERVIEW OF CURRENT PROJECTS

Apart from the aforementioned new changes made to Kaisun Holdings, we are also continuing with the cultivation of our current existing projects. All these projects have their own thought-out timelines and are progressing at different development stages: some are at their initial preparation stage, some are providing steady inward cash flow and some are growing towards a promising direction. As such, this provides the basis to diversify our portfolio risk.

We previously categorized our business portfolio into two major business units, namely Traditional Economy Business Unit and New Economy Business Unit. However as the projects evolve, even those that would formerly be considered as under traditional economy are also incorporating new technology and elements of the new economy. As we embrace the new identity as Kaisun Holdings, we decided it is a good timing to abolish the stringent categorization and present our diverse business portfolio at each individual project level, which will also make it more straightforward for our shareholders and potential investors to review and understand our business operation.

Our current projects cover the following:

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

In addition to operating or managing existing projects, we also have our ongoing securities trading business that continues to help cover administrative costs. Kaisun Holdings is optimistic about bringing returns to our shareholders as we see our Belt and Road projects continue to grow and mature.

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

1. MINING, MANUFACTURING OF MACHINERIES & SUPPLY CHAIN MANAGEMENT

i. Shandong — Mining and Metallurgical Machines Production

Tengzhou Kaiyuan specialised in mining and metallurgical machinery production, its major product is overhead manned cableway device, and the company's business include equipment installation and technical support.

Tengzhou Kaiyuan Highlight for 2nd Quarter

In June 2018, Mr Shao Shiguan, the Secretary of the Municipal Party Committee of Tengzhou city, accompanied by the main executives to visit those foreign-funded enterprises. Mr Shao paid -visit to Tengzhou Kaiyuan to learn more about the current development of the company. He mentioned government of Tengzhou city will provide friendly business environment and well-quality services to foreign-funded enterprises to facilitate foreign-funded enterprise to develop their business.

Mr. Shao Shiguan, the Secretory of Municipal Party Committee of Tengzhou City, visited Kaiyuan factory

- As product varieties and Tengzhou Kaiyuan's product market stretched far into Xinjiang and Gansu, Tenzhou Kaiyuan has growing number of new customers.

- Revenue of approximately HK$6.84 million in the 2nd Quarter, YoY increased by 14%.

ii. Shandong — Supply Chain Management Business

In the first half of 2018, the utilization rate of rail-freight transport has a significant increase. The Ministry of Ecology and Environment Department said on June 20 that the "Three-Year Action Plan for Winning the Battle for a Blue Sky" will be implemented. Under implementation of such policy, the logistics industry is transforming from the road haulage to rail-freight transport. hence the demand for railway freight transport will greatly increased. Furthermore, the National Railway Administration of PRC is implementing the strategy of transporting coal from the west to east; from north to south; resulting in rising demand for the freight transport by railway, and will create great demand for usage of Logistic Centre owned by Shandong Kailai.

Besides specializing in supply chain management, Shandong Kailai has logistic centre business, and possess the right to use of railway section allocated by Jinan Railway Bureau. The logistic centre covers an area of 10,000 m^2, with an annual loading capacity of 1 million tons of coal.

Shandong Kailai has entered into coal transportation and loading and unloading services contracts with numbers of the well-known enterprise since the launch of business in May 2017. In 2018, a new customer, Jiangsu Dinghuide Energy Co., Ltd. was added.

Shandong Kailai Highlight for 2nd Quarter

Revenue of approximately HKD11.84 million, including HKD2.418 million from loading and unloading business, YoY increased by 152%; and HKD9.423 million from coal trading business, YoY increased by 413%.

As explained previously on the expected increase in demand for logistic centre business from the increased railway usage resulting from the "Three-Year Action Plan for Winning the Battle for a Blue Sky", Shandong Kailai is expanding the logistics park area. The park area is expected to double to 20,000 m^2 after the completion of the second phase of the construction, with a loading capacity of 3 million tons per year and a storage capacity of 300,000 tons.

Coal Loading and Stevedoring Services

New land prepared for Phase II, Logistic Park

iii. Xinjiang — Coal Exploitation Business (A wholly-owned subsidiary of Shandong Kailai)

Located in Qiquanhu Town, Turpan City, Xingliang Coal Mine was one of the four major coal fields in Xinjiang. Xingliang is a wholly owned subsidiary of Shandong Kailai. At present, the company is applying for the coal mining license with an annual output of 1.2 million tons from the original license with the production of 450,000 tons.

Xingliang Mining highlight for 2nd Quarter

Xingliang Mine incorporated in the "13th five-year plan for Coal Industry" to raise the mining license to 1.2 million tons per year

Signing Ceremony — Integrity Contract Agreement for Xinliang Coal Mine 1.2 million tons/Year Project

In order to promote new industrialization, accelerate the reform of the coal industry, and ensure the consistent long-term supply of coal, the local government of Gaochang District recently entered into preliminary agreement with management of Xingliang Mine for raising the mining license of Xinjiang Turpan Mining Co., Ltd No. 2 Mine to 1.2 million tons per year to be incorporated in the "13th five year plan for Coal industry".

Co-operate with the SOE in order to accelerate the development of Xingliang Mine

NWPC is expected to be the EPC contractor of Xinliang Project

In June 2018, Xingliang Mine invited China Energy Construction Group Northwest Power Construction Engineering Co., Ltd ("NWPC") to the site to evaluate the potential of the Xingliang Mine project. After conducting analysis of the site environment and data, the team agreed about the good development prospects of Xingliang Coal Mine based on:

- Good geographical position of Xinglaing mine and its outstanding coal quality;
- Huge demand in the local coal market;
- Completion of ground work ready for mine construction.

iv. *Kaisun engaged as coordinator and introducer to the Debt Restructuring for Up Energy Development Group Limited ("Up Energy") (HKEx: 307)*

Up Energy is a Hong Kong-based investment holding company principally engaged in coking coal businesses. Its main businesses include the mining of coking coal, as well as the production and sales of raw and fine coking coal and coking coal-based products. However, due to rapid downturn in coal sector, it went into debt crisis. Up Energy is currently in provisional liquidation.

In view of Kaisun's experience, knowledge and connections in the coal industry, Xinjiang in particular, we have been invited by major creditors, including banks, financial institutions and trade creditors for the restructuring of Up Energy. An official engagement was signed on 8 August 2018 under which Kaisun will act as coordinator and introducer for Debt restructuring for Up Energy, and Kaisun will receive consideration in stages for services rendered pursuant to this engagement.

Under this restructuring, Kaisun will work alongside financial advisors, EPC contractors and local government.

v. *Mongolia — Supply Chain Management Business*

Current macro-economic environment — Integration of logistics among China, Mongolia and Russia

Mongolia and Russia are located in the north of Asia and countries along Belt and Road. In 2015, China, Mongolia and Russian have formulated "the Plan on Establishing the China-Mongolia-Russia Economic Corridor" guided by the principles of "equality, mutual benefit, and win-win", to dock with economic development outcome from the Silk Road Economic Belt, Eurasian Economic Union (EEU) and Mongolia's Steppe Road. The plan proposed some crucial area of cooperation for China-Russia-Mongolia logistics integration, including promoting the development of transportation infrastructure; enhancing port construction and customs, inspection and quarantine supervision; and enhance cooperative investment in the energy industry.

Sources: http://www.beltandroadforum.org/BIG5/n100/2017/0407/c27–21.html

As Mongolia is located on the Belt and Road, Kaisun Holdings began to explore the logistics market in Mongolia in 2016 and plan to acquire the railway platform in Choir, Mongolia ("Choir project"). The platform covers a total area of 35,000 m^2; the annual average handling capacity would reach 1.8 million tons. The platform would provide loading and unloading services, warehousing, customs declaration, and logistics services. The ground construction of the platform includes administrative centre, railway scales, dormitories, security offices, etc. Kaisun Holdings currently plans for acquisition and will complete the infrastructure after the planned acquisition so as to put the platform into operation as soon as practicable.

The follow-up summary for the Choir project:

- In the second quarter of 2018, Kaisun Holdings arranged a profession team including valuers, auditors and lawyers to Choir, Mongolia for site investigation and conduct due diligence work including financial, taxation and legal aspects.

- The Group appointed independent director to travel with the professional team to inspect the project and report to the board of directors on the progress of work.

On site visiting

Administrative Building

Railway Owned by the Group

Security Office

DEVELOPMENT PLAN FOR MINING, MANUFACTURING OF MACHINERIES AND SUPPLY CHAIN MANAGEMENT BUSINESS IN Q3 2018

To sum up, the management team for each project has completed the goals and will advance the course of business for every sector to prepare for the next phase of work.

i. Shandong – Mining and Metallurgical Machines Production

- Maintain a good momentum of growth in existing business, expand marketing scale, increase the receivables turnover ratio to ensure abundant cash flow for the company.

- Choosing an appropriate strategic partner, mainly focus on state-owned enterprises, implement the integration strategy of industry and finance, and achieve the comprehensive upgrade of the asset, management, technology and personnel.

ii. Shandong — Supply Chain Management Business

- Accelerate the construction progress of the 2nd phase of the logistics park and put into use as soon as possible.

- After several rounds of negotiations, it is hoped that the 3rd quarter of 2018 will begin to implement the coal supply and marketing contract signed in November 2017.

iii. Xinjiang — Coal Exploitation Business

Raising annual output of Xinliang coal mine could be adjusted to 1.2 million tons from 450,000 tons is under application.

- In the 3rd quarter, we plan to complete the preparation for the planning report of the mining area and gain the approval by the Autonomous Region Development and Reform Commission.

vi. Mongolia — Supply Chain Management Business

After the site investigation and due diligence, it is hoped that the planned acquisition will be completed in the 3rd quarter of 2018. With the addition of Mongolia Choir project, our supply chain management business will move from domestic coal logistics and warehousing to the international market.

1(A). CENTRAL ASIA – MINING IN TAJKISTAN

After winter, workers had cleaned off snow and preparatory work was already completed for the mining business. Revenue from coal mining in Tajikistan for the period was HK$710,000. However, we will continue our conservative approach and maintain relatively small-scale mining due to the current volatility in exchange rate.

2. AGRICULTURAL INVESTMENT AND DEVELOPMENT

Kaisun Holdings would offer sustained professional guidance and services for Cheung Lee Agricultural Co., Ltd ("Cheung Lee") included corporate governance, internal control and financial reporting that further standardise the finance and tax system.

Cheung Lee Highlight for 2nd Quarter

Kaisun Holdings introduced new strategic investor to Cheung Lee. Cheung Lee is trying to diversify its vegetable portfolio. In addition to the conventional products, the company is developing an experimental field for the new "Wild Vegetable" (pure, natural, free of the chemical). Furthermore, the company is planting broccoli and straw mushroom, which is the most common vegetables used by fast food restaurants in HK. With deepening cooperation with catering enterprises is, we plan to make Cheng Lee one of the most qualified vegetable suppliers, especially for large chain fast food enterprises.

Working Scene

Experimental Field to Plant "Wild Vegetable"

Development Plan for Agricultural Investment and Development in Q3 2018

- Continue publicise Cheung Lee, and introduce more quality investors and resources for the company;
- Seek for strategic partnerships and targeted to become a major supplier of vegetables to fast food chain enterprise in Hong Kong market;
- Integrate the resources in mainland China, and cooperate with agricultural internet enterprise to create an O2O sales model for agricultural products.

3. eSPORTS BUSINESS

Evoloop Limited ("Evoloop") is Kaisun's subsidiary formed in mid-2016. Our current objective is to build up Evoloop's own eSports-related IP, and organizing reputable eSports events could be seen as the 1st milestone towards our IP creation. After laying the foundation for Evoloop through securing strategic partners as well as equity partners during 2017 and early 2018, Evoloop had successfully hosted another two notable events — "Belt & Road eSports Festival — Battle of Emperors" in Shenzhen in June; and "Girl Gamer 2018", the 2nd year of the big-scale event under the Girl Gamer brand in Lisbon of Portugal in July:

i. Belt & Road eSports Festival — Clash Royale: Battle of Emperors ("BoE")

Further to signing of our MOU in 2017 with our strategic partner — China Travel Cultural Media Hong Kong Limited ("CTCM"), a subsidiary of the China Travel Services Holdings (Hong Kong) Limited ("CTS", HKEx: 308), a joint eSports competition event on a popular mobile game, which is one of the six games debuting as 2018 Asian Games Official Demonstration Sports and is also one of the world's top grossing mobile games, was held in June 2018.

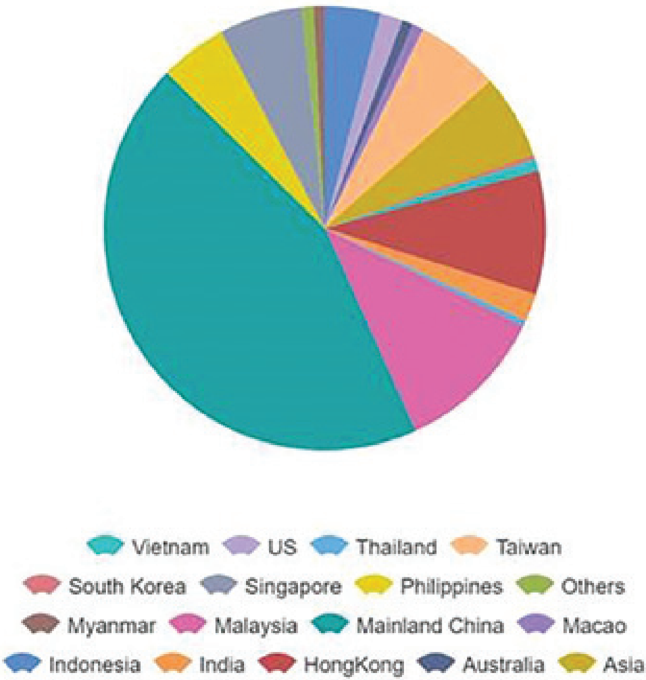

皇室战争
MOMAX
源傳媒
Pineapple
中旅巴士
SILK ROAD
KEG

By creating synergy between theme park tourists and eSports audience, Evoloop successfully organized the Battle of Emperor (BoE) event that took place in Shenzhen's Splendid China, one of the theme parks under the CTS brand. Notable sponsors of the event include CTS Express Coach and Momax

The BoE event attracted renowned 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 Asian Games representatives from mainland China and HKSAR respectively.

(Left to right, top to bottom) Lciop, Aaron and Little Chen attended our BoE event as player candidates. Images sourced from the web.

Thanks to assistance and support from our partners, our first event held in mainland China working with a theme park under China Travel was a success. The event had a reach of over 5.5 million (includes event attendance and viewership, news outlet, social media reach, online discussion platform, etc.). The following chart reveals the regions and countries coverage of news outlet:



The BoE event marked Evoloop's tapping into mainland China's eSports market. Though eSports market in mainland China has a relatively distinctive ecosystem, we are confident that we can cooperate with other potential business partners from mainland China to further tap the expanding Chinese eSports market. With our experience built from the BoE event on how to work with a theme park, we are well prepared for any other future theme park-based events.

ii. Girl Gamer eSports Festival 2018 ("Girl Gamer 2018")

Building on our previous success from the first Girl Gamer event held in Macau last year, Evoloop had brought this year's Girl Gamer 2018 to Casino Estoril, the largest casino in Europe. As an event with a vision to celebrate female eSports players and to raise the awareness of female's contribution in the professional eSports scene, Girl Gamer 2018 had the honour to continue its partnership with established brands such as Alibaba Cloud, Red Bull, PlayStation and XBOX, and had gained support from the local government at Lisbon.

Girl Gamer 2018 had a number of exciting new achievements, which included the following:

- 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 Girl Gamer

Girl Gamer 2018 marked the very 1st time in history for a global female-oriented retail brand, namely Sephora, entering the eSports scene.

Not only has this created a cross promotion effect which benefits 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, and we are hopeful in benefitting from this positive drive for our future events.

This year participants (speakers, players, etc.) coming from at least over 18 countries attended the event, and the participants enjoyed seeing some of the world's top female professional players showcasing their skills.

Looking at the current accomplishments from this building stage of the brand Girl Gamer, we are confident on IP creation in eSports.

eSPORTS BUSINESS — FUTURE PROSPECTS

Looking ahead, we are hoping to leverage the cross promotion effects and synergy brought about by our sponsors and partners in order to create even more value through different channels such as advertisement, paid subscription (such as Twitch subscriptions) and merchandise goods as the brand continues to mature.

We are also exploring the possibilities to work with data analytic companies, government departments and other retail brands to strengthen the business of Evoloop.

As a Belt & Road project incubator that enjoys its previously-built connections along the region, Evoloop is also looking at utilizing its existing resources to explore the Central Asia eSports market.

4. EVENTS & CONSULTANCY BUSINESS

In June 2018, Kaisun Holdings has completed the process to increase its shareholding in one of its holding companies, People's Communication and Consultant Corporate Limited ("PCCC"). Corporate restructuring was performed within PCCC as it becomes a subsidiary of Kaisun Holdings in early June. In order to provide better quality services, the business operation of PCCC now focuses on 3 main sectors: government and associations public relations, branding consultancy for listed companies, and media relations. On top of that, we have made some adjustments to the staff, while at the same time recruiting young and international talents into the PCCC team.

As a subsidiary of Kaisun Holdings, PCCC is also providing brand consulting and public relations services for its parent company. During the period, PCCC had successfully organized over 10 different events covering all 3 sectors mentioned above.

Previously, services for government and associations public relations form the major income source for PCCC, but now we observe there is a 50/50 contribution from both government and associations public relations as well as branding public relations for listed companies. This change in the composition of income source shows that we have opened up the business scope of PCCC, which in turn will also form a solid foundation for bringing steady revenue into the subsidiary.

5. INVESTMENT VEHICLE DEVELOPMENT

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

The team is also remaining in close contact with Sturgeon Capital on a regular basis regarding our Belt and Road portfolio development. Also, Sturgeon Capital will also continue to introduce potential partners via its European connections that could contribute to the Group's project development or exit.

6. SECURITIES TRADING BUSINESS

The Group's listed-securities trading activities is an essential component to our incubator pipeline as the securities trading activities can help cover part of the administrative, legal, and other fees associated with the business operation.

The overall securities trading philosophy is simple and it is to predominantly target long-term growth securities which pays dividend while leaving a portion for stocks that has potential and will likely make a capital gain. The decision of the trade itself is managed by the Group's investment committee and the investment committee regularly monitors and review existing portfolio as well as potential opportunities.

As at 30 June 2018, the fair value of listed investment and unlisted investment were HK$143,438,000 and HK$18,500,000 respectively. The cost of listed investment was HK$68,465,000.

During the six months ended 30 June 2018, fair value gain on listed securities was HK$29,628,000, gain on disposal of listed securities was HK$130,000 and dividend income from Xinying Financial was HK$360,000.

CORPORATE SOCIAL RESPONSIBILITIES

Besides focusing on business development, our group spares no effort in contributing to corporate social responsibility and enhancing the cultural exchange along Belt and Road, including Belt and Road sport development. We won the outstanding award on Corporate Social Responsibility organized by The Mirror Magazine, enhancing our group as an all-rounded Belt and Road "Incubator".

THE 2ND BELT AND ROAD FRIENDLY BASKETBALL TOURNAMENT (4TH MAY 2018 — 6TH MAY 2018)

In May of 2018, our group was an event partner of the 2nd Belt and Road Friendly Basketball Tournament. By inviting teams from different Belt and Road countries and Consul Generals Hong Kong to the tournament, we hope to enhance cultural exchanges.

HONG KONG WOMEN'S KABADDI TEAM (JUNE 2018)

In June of 2018, our group became one of the supporting organizations of Hong Kong Women's Kabaddi team for participating in Inter-City Championship in Malaysia. By supporting Hong Kong Women's Kabaddi team, we hope to contribute to Hong Kong sport development, as well as letting public know more about Kabaddi, a sport from India, Pakistan and Bangladesh, and different cultures of Belt and Road countries.

WON THE OUTSTANDING AWARD ON CORPORATE SOCIAL RESPONSIBILITY ORGANIZED BY THE MIRROR MAGAZINE (JULY 2018)

In 17th July of 2018, our group won the outstanding award on Corporate Social Responsibility organized by The Mirror Magazine in recognition of our contributions in corporate social responsibility.

FINANCIAL REVIEW

The Group's revenue for the three months ended 30 June 2018 amounted to approximately HK$19.5 million, representing an increase of approximately 210% compared to the corresponding period of 2017 (2017 revenue: HK$6.3 million). Revenue arose from the sales of goods and provision of services amounted to approximately HK$10.2 million and HK$9.3 million respectively. The increase in revenue was due to: 1. improvement in performance for our mining, manufacturing of machineries and supply chain management business; and 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.

The Group's gross profit for the three months ended 30 June 2018 amounted to approximately HK$11.2 million, representing an increase of approximately 941% compared to the corresponding period of 2017 (2017 gross profit: HK$1.1 million). 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 and management consulting business.

The Group's loss from operations for the three months ended 30 June 2018 amounted to approximately HK$18.3 million, narrowing the loss by approximately HK$9.9 million compared to the corresponding period of 2017 (2017 loss from operations: HK$28.2 million). Such narrowing in loss from operations was mainly attributable to our improvement in top lines as mentioned above, and was offset by fair value loss on financial asset with our administrative and other operating expenses remaining at a relatively stable level compared to the corresponding period in 2017.

The Group's loss before tax for the three months ended 30 June 2018 amounted to approximately HK$17.8 million (2017 profit: HK$119.2 million). The difference was attributable to excess of the Group's share of the net fair value of the identifiable asset, liabilities and contingent liabilities over the cost of acquisition of a subsidiary of approximately HK$0.7 million (2017: HK$143.2 million), which is solely a fair value impact. Excluding such fair value impact the Group's loss before tax narrowed for the three months ended 30 June 2017 from approximately loss of HK$24.0 million by approximately HK$5.5 million to for the three months ended 30 June 2018 approximately loss of HK$18.5 million.

The Group's revenue for the six months ended 30 June 2018 amounted to approximately HK$31.6 million (2017 revenue: HK$56.5 million). Revenue arose from the sales of goods and provision of services amounted to HK$21.1 million and HK$10.5 million respectively.

The Group's gross profit for the six months ended 30 June 2018 increased by approximately 232.6% to approximately HK$11.8 million compared to the corresponding period in 2017 (2017 gross profit: HK$3.6 million). Gross profit arising from the sales of goods and provision of services was approximately HK$4.1 million (2017: HK$3.6 million) and approximately HK$7.7 million (2017: Nil) respectively.

The Group's profit from operations was approximately HK$15.0 million (2017 loss from operations: HK$11.5 million).

The Group's net profit for the six months ended 30 June 2018 amounted to approximately HK$8.7 million (2017 net profit: HK$93.1 million).

The fair value of listed securities amounted to HK$143.4 million.

As at 30 June 2018, the Group held financial assets at fair value through profit or loss of approximately HK$143.4 million, wholly comprised of listed investment in securities listed in Hong Kong. The details of financial assets at fair value through profit or loss are set out as follow:

Company Name	**Number of sharers held as at 30 June 2018**	**% of share-holding as at 30 June 2018**	**Unrealized gain/(loss) on fair value change for the period ended 30 June 2018**	**Dividends received for the period ended 30 June 2018**	**Fair value as at**		**% of the Group's net assets as at 30 June 2018**	**Investment cost**	**Reasons for fair value loss**
					30 June 2018	**31 December 2017**			
			HK$	HK$	**HK$**	HK$	%	HK$	
Hong Kong Listed Securities									
361 Degrees International Limited (1361) *(Note 1)*	117,000	0.01	(16,770)	4,212	**281,970**	–	0.1	298,740	Drop in Share price
EJE (Hong Kong) Holdings Limited (8101) *(Note 2)*	110,000,000	3.8	19,140,000	–	**26,950,000**	7,810,000	5.4	7,775,000	–
OP Financial Investments Limited (1140) *(Note 3)*	36,612,000	1.25	12,081,960	–	**113,863,320**	102,181,680	22.7	53,764,520	–
Sau San Tong Holdings Limited (8200) *(Note 4)*	42,000,000	0.77	(966,000)	–	**1,680,000**	2,646,000	0.3	5,600,000	Drop in Share price
Larry Jewelry International Co. Limited (8351) *(Note 5)*	2,600,000	0.07	(611,000)	–	**663,000**	1,274,000	0.1	1,027,000	Drop in Share price
Total			**29,628,190**	**4,212**	**143,438,290**	**113,911,680**	**28.6**	**68,465,260**	

Note:

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

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

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

4. 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.

5. Larry Jewelry International Co. Limited (HKEx: 8351) — The principal activities of Larry Jewelry International Co. Limited are design and retailing of jewelry products and sales of Chinese pharmaceutical products, dried seafood, health products and foodstuffs ("pharmaceutical and health food products").

As at 30 June 2018, the Group held available-for-sale financial assets of approximately HK$18.5 million, wholly comprised of unlisted equity securities in Hong Kong and United Kingdom. The details of available-for-sale financial assets are set out as follow:

Company Name	Number of sharers held as at 30 June 2018	% of share-holding as at 30 June 2018	% of the Group's net assets as at 30 June 2018	Investment cost as at 30 June 2018 HK$	Investment cost as at 31 December 2017 HK$
Cheung Lee Farming Corporation *(Note 1)*	270	2.7	0.54	**2,700,000**	2,700,000
Sturgeon Capital Limited *(Note 2)*	24,999	10.0	1.55	**7,800,000**	7,800,000
Xin Ying Holdings Limited *(Note 3)*	8,000,000	N/A	1.60	**8,000,000**	8,000,000
			3.69	**18,500,000**	18,500,000

Note:

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.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group has a bank and cash balance of approximately HK$23.3 million (as at 31 December 2017: HK$26.0 million).

GEARING RATIO

The Group's gearing ratio, which represents the ratio of the Group's long term debts over the Group's total asset, was Nil as at 30 June 2018 (as at 31 December 2017: Nil).

FOREIGN EXCHANGE EXPOSURE

Majority of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars, Renminbi, Great British Pound, United States dollars and Tajikistan Somoni. As at 30 June 2018, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

RIGHT ISSUE AND USE OF PROCEEDS

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

For the 17 months up to 30 June 2018, approximately HK$76.8 million had been used as intended, including approximately: (i) HK$19.5 million used from expansion of mining and metallurgical machineries production and supply chain management services for mineral business; (ii) HK$26.1 million used for business or investment opportunities in countries and regions covered by the "Belt & Road" initiatives of the PRC government; (iii) HK$31.2 million used for general working capital.

The Company intends to use the remaining proceeds, including (i) approximately HK$1.9 million for expansion of mining and metallurgical machineries production, and supply chain management services for mineral business, (ii) approximately HK$3.9 million for business or investment opportunities in countries and regions covered by the "Belt and Road" initiatives of the PRC government and (iii) approximately HK$2.8 million for the Group's general working capital, as intended.

HUMAN RESOURCES

As at 30 June 2018, the Group had 182 (as at 31 December 2017: 171) staff in Hong Kong, the PRC 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 period, 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$10.9 million for the six months ended 30 June 2018 (Six months ended 30 June 2017: HK$14.1 million).

OTHER INFORMATION

1. DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY

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

Name of Directors	Capacity	Number of shares as at 30 June 2018	Approximate percentage of the total issued shares as at 30 June 2018
Chan Nap Kee, Joseph	Beneficial owner	165,253,298 *(Note 1)*	28.66%
Yang Yongcheng	Beneficial owner	1,615,000 *(Note 2)*	0.28%
Liew Swee Yean	Beneficial owner	204,000 *(Note 3)*	0.04%
Siu Siu Ling, Robert	Beneficial owner	204,000 *(Note 3)*	0.04%
Wong Yun Kuen	Beneficial owner	525,000 *(Note 3)*	0.09%
Anderson Brian Ralph	Beneficial owner	150,000 *(Note 3)*	0.03%

Save as disclosed above, as at 30 June 2018, none of the directors of the Company had any interest or short position in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Ordinance) which is required to be notified to the Company and the Stock Exchange pursuant to divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or any interests required to be entered in the register maintained in accordance with Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors.

Note:

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

   On 22 March 2018, 3,081,000 shares were shares awarded to Mr. Chan as Director under the Share Award Scheme 2016. Hence, the total no. of shares owned by Mr. Chan was 164,963,298. In addition, 290,000 shares were purchased by Mr. Chan on the market on 29 June 2018. Hence the total number of shares owned by Mr. Chan was 165,253,298 as at 30 June 2018.

2. Of these, 400,000 shares were shares awarded to Mr. Yang Yongcheng as Director on 30 December 2015 under the Share Award Scheme 2013. On 22 March 2018, 1.000,000 shares were shares awarded to Mr. Yang as Director under the Share Award Scheme 2016. Hence, the total no. of shares owned by Mr. Yang was 1,615,000.

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

2. INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN SHARES OF THE COMPANY

As at 30 June 2018, so far as is known to the Directors of the Company, the persons (not being a Director of the Company) who had an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Long positions in Shares and underlying Shares

Name of Shareholders	Capacity and nature of interest	Number of shares	Approximate percentage of the total issued shares as at 30 June 2018
Mr. Chan Nap Kee, Joseph	Beneficial Owner	165,253,298	28.66%
Ms. Yeung Po Yee, Bonita	Interest of spouse *(Note 1)*	165,253,298	28.66%
Mr. Zhang Xiongfeng	Beneficial Owner	66,700,000	11.57%
Ms. Wu Mingqin	Interest of spouse *(Note 2)*	66,700,000	11.57%

Notes:

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

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

Save as disclosed above, the Directors were not aware of any other person (other than the directors and the chief executives of the Company) who, as at 30 June 2018, had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 & 3 of Part XV of the SFO.

3. SHARED-BASED COMPENSATION SCHEME

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

I. Share Award Scheme 2016

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

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

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

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

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

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

The aggregate of 2,070,000 Award Shares were purchased by the Trustee on the market in accordance with the Company's instructions pursuant to the 2016 Share Award Scheme during the year ended 31 December 2017. (the "Purchased Shares").

For further details, please refer to the Company's announcement dated 22 March 2018 on grant of award shares pursuant to the Share Award Scheme 2016 to the two Directors.

As the trustee of the Share Award Scheme 2016 had not purchased any shares of the Company during the 6 months ended 30 June 2018, and as all Purchased shares in the Share Award Scheme 2016, which was 4,081,000 shares, were granted to the two Directors on 22 March 2018 as stated above, hence, there would be no shares left in the Share Award Scheme 2016 after completion of grant of shares to the Directors as stated above.

4. DIRECTORS' INTEREST IN COMPETING BUSINESS

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

5. AUDIT COMMITTEE

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

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

The primary duties of the AC are to review and supervise the financial reporting process, risk management 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 Group's financial statements for the six months ended 30 June 2018 have 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.

Written terms of reference which describes its authorities and duties is available on the Company's website www.kaisun.hk under "Investor Relations" section with heading of "Corporate Governance".

6. REMUNERATION COMMITTEE

The Company established the Remuneration Committee ("RC") with written terms of reference that sets out the authorities and duties of the committee. The RC comprised one executive director and two independent non-executive directors, namely Mr. Chan Nap Kee Joseph, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph. Dr. Wong Yun Kuen is the chairman of the Remuneration Committee.

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

Written terms of reference which describes its authorities and duties is available on the Company's website www.kaisun.hk under "Investor Relations" section with heading of "Corporate Governance".

7. NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

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

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

Written terms of reference were adopted in compliance with the GEM Listing Rules, and is available on the Company's website www.kaisun.hk under "Investor Relations" section with heading of "Corporate Governance".

8. MANDATORY PROVIDENT FUND COMMITTEE

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

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

9. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries had purchased or sold any of its listed securities, and no shares were purchased by the trustee of the Share Award Scheme 2016 pursuant to the terms of the rules and trust deed of the Share Award Scheme 2016.

10. CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors 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 six months ended 30 June 2018. The Company has also made specific enquiry to all Directors and the Company was not aware of any noncompliance with the required standard of dealings under the GEM Listing Rules and its code of conduct regarding securities transactions by Directors.

11. CODE ON CORPORATE GOVERNANCE PRACTICE

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 period ended 30 June 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.

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

12. REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL EFFECTIVENESS

The Board has conducted a review of the effectiveness of the Group's risk management and internal control systems for the six months ended 30 June 2018, covering material financial, operational and compliance controls, and considered that the Group's risk management and internal control systems are effective and adequate.

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

Hong Kong, 9 August 2018

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

As at the date of this report, the Board comprises two executive directors of the Company: Mr. CHAN Nap Kee Joseph and 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 report will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for 7 days from the day of its posting, and on the Company's website at http://www.kaisun.hk.