KAISUN HOLDINGS LIMITED
凱順控股有限公司

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

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2019

CHARACTERISTICS OF 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.

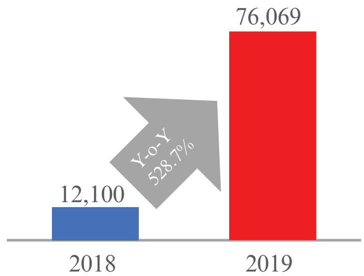
Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This 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.

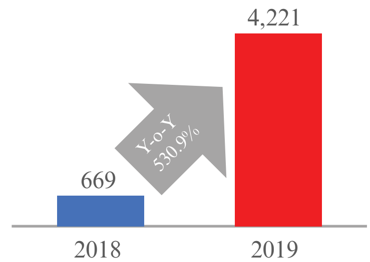
* *for identification purpose only*

2019 FIRST QUARTERLY RESULT HIGHLIGHTS (HK$'000)

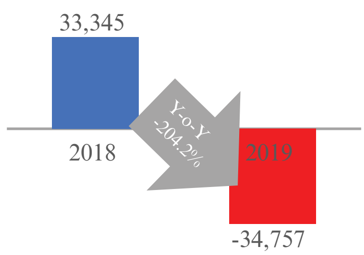
Revenue



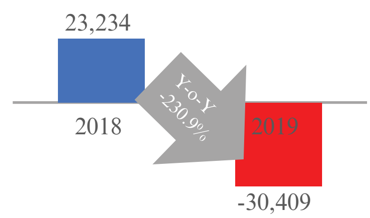
Gross profit



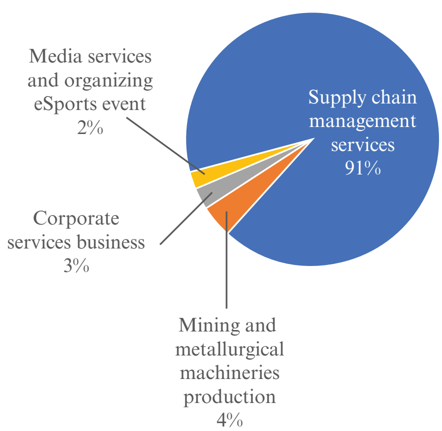
(Loss)/Profit from operations



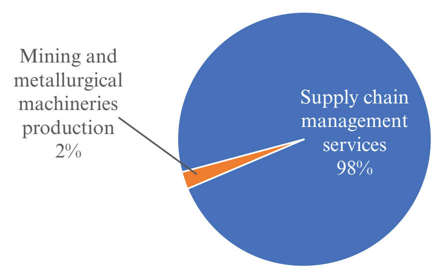
(Loss)/Profit for the period



2019 Segment Revenue



2018 Segment Revenue



The Board is pleased to announce the unaudited results of the Group for the three months ended 31 March 2019 together with the unaudited comparative figures period in 2018 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the three months ended 31 March 2019

		Unaudited	
		Three months ended 31 March	
		2019	2018
	Note	***HK$'000***	*HK$'000*
Revenue	5	**76,069**	12,100
Cost of goods sold		**(71,848)**	(11,431)
Gross profit		**4,221**	669
(Loss)/Gain on disposal of financial assets at fair value through profit or loss (FVTPL)		**(111)**	108
Fair value (loss)/gain on financial assets at FVTPL		**(33,044)**	43,862
Reversal of impairment loss on trade and other receivables		**11,900**	—
Other income and gains		**230**	5,030
Fair value loss on financial liabilities at FVTPL		**(1,300)**	—
Administrative and other operating expenses		**(16,653)**	(16,324)
(Loss)/profit from operations		**(34,757)**	33,345
Share of profit of associates		**—**	173
Finance costs	13	**(1,084)**	—
(Loss)/profit before tax		**(35,841)**	33,518
Income tax credit/(expense)	7	**5,432**	(10,284)
(Loss)/profit for the period		**(30,409)**	23,234
Attributable to:			
Owners of the Company		**(28,297)**	24,487
Non-controlling interests		**(2,112)**	(1,253)
		(30,409)	23,234
(Loss)/earnings per share (HK cents)			
Basic	9	**(4.91)**	4.28

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

For the three months ended 31 March 2019

	Unaudited Three months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(30,409)**	23,234
Other comprehensive income for the period, net of tax		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**4,561**	8,899
Total comprehensive income for the period	**(25,848)**	32,133
Attributable to:		
Owners of the Company	**(23,378)**	32,825
Non-controlling interests	**(2,470)**	(692)
	(25,848)	32,133

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2019

	Unaudited								
	Attributable to owners of the Company								
	Share capital	Share premium	Share held for share award scheme	Foreign currency translation reserve	Financial assets at FVTOCI reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2018	57,657	1,363,055	(1,963)	(7,430)	–	(972,204)	439,114	41,420	480,535
Total comprehensive income for the period	–	–	–	8,338	–	24,487	32,825	(692)	32,133
Capital injection by non-controlling interests in a subsidiary	–	–	–	–	–	–	–	1,002	1,002
Changes in equity for the period	–	–	–	8,338	–	24,487	32,825	310	33,135
At 31 March 2018	57,657	1,363,055	(1,963)	908	–	(947,718)	471,939	41,730	513,669
At 1 January 2019	**57,657**	**1,363,055**	**(395)**	**(9,479)**	**2,400**	**(959,211)**	**454,026**	**45,370**	**499,397**
Total comprehensive income for the period	**–**	**–**	**–**	**4,919**	**–**	**(28,297)**	**(23,378)**	**(2,470)**	**(25,848)**
Purchase of shares held under the share award scheme	**–**	**–**	**(167)**	**–**	**–**	**–**	**(167)**	**–**	**(167)**
Changes in equity for the period	**–**	**–**	**(167)**	**4,919**	**–**	**(28,297)**	**(23,545)**	**(2,470)**	**(26,015)**
At 31 March 2019	**57,657**	**1,363,055**	**(562)**	**(4,560)**	**2,400**	**(987,508)**	**430,482**	**42,900**	**473,382**

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 GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company.

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") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The condensed 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 condensed consolidated financial statements should be read in conjunction with the 2018 annual financial statements. Saved for the new and revised international financial reporting standards adopted as mentioned in note 3, 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 2018.

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

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

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Application of new and revised IFRSs

The International Accounting Standards Board has issued a number of new and revised IFRSs that are first effective for annual periods beginning on or after 1 January 2019. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) IFRS 16 Leases

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

(iii) Annual Improvements to IFRSs 2015–2017 Cycle

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

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 applies 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.

IFRIC 23 Uncertainty over income tax treatments

The Interpretation is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted. An entity can, on initial application, elect to apply this Interpretation either:

(i) retrospectively applying IAS 8, if possible without the use of hindsight; or

(ii) retrospectively, with the cumulative effect of initially applying the Interpretation recognised at the date of initial application as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate).

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 31 March 2019:

Description	Fair value measurements using: Level 1 Unaudited *HK$'000*	Level 3 Unaudited *HK$'000*	Total 31 March 2019 Unaudited *HK$'000*
Recurring fair value measurements:			
Financial assets			
Financial assets at fair value through profit or loss			
Listed securities	**98,924**	**—**	**98,924**
Financial assets at FVTOCI			
Unlisted equity securities	**—**	**25,900**	**25,900**
Total	**98,924**	**25,900**	**124,824**
Recurring fair value measurements:			
Financial liabilities			
Financial liabilities at FVTPL			
Put option	**—**	**4,300**	**4,300**

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

Description	Fair value measurements using: Level 1 Audited *HK$'000*	Level 3 Audited *HK$'000*	Total 31 December 2018 Audited *HK$'000*
Recurring fair value measurements:			
Financial assets			
Financial assets at fair value through profit or loss			
Listed securities	134,135	—	134,135
Financial assets at FVTOCI			
Unlisted equity securities	—	25,900	25,900
Total	134,135	25,900	160,035
Recurring fair value measurements:			
Financial liabilities			
Financial liabilities at FVTPL			
Put option	—	3,000	3,000

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

	Unaudited as at 31 March 2019 ***HK$'000***	Audited as at 31 December 2018 *HK$'000*
Financial assets at FVTOCI		
At 1 January	**25,900**	—
Initial application of IFRS 9	**—**	19,700
Purchases	**—**	2,500
Settlements	**—**	2,500
Total gains or losses recognised in other comprehensive income	**—**	1,200
	25,900	25,900

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

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

(c) **Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 March 2019:**

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

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

Level 3 fair value measurements

Description	**Valuation technique**	**Unobservable inputs**	**Range**	**Effect on fair value for increase of inputs**	**Fair value 31 March 2019 Unaudited** *HK$'000* Assets/ (Liabilities)
Private equity investments classified as financial assets at FVTOCI	Discounted cash flows	weighted average cost of capital	14%–16%	Decrease	25,900
		long-term revenue growth rate	3%	Increase	
		long-term pre-tax operating margin	15%–20%	Increase	
		discount for lack of marketability	30%	Decrease	

5. REVENUE

	Unaudited Three months ended 31 March **2019** ***HK$'000***	2018 *HK$'000*
Revenue from contract with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
Sales of goods:		
— Provision of supply chain management services business	**69,122**	11,843
— Mining and metallurgical machineries products	**2,821**	257
Provision of services:		
— Corporate services business	**2,599**	—
— Media services and organising eSports event	**1,527**	—
	76,069	12,100

6. SEGMENT INFORMATION

The Group has six reportable segments which are provision of supply chain management services, mining and metallurgical machineries products, production and exploitation of coal, corporate services business, media services and organising eSports event and securities trading for the period.

The Group's reportable segments are strategic business units that offer different products an 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 2 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:

	Provision of supply chain management services business	**Mining and metallurgical machineries production**	**Production and exploitation of coal**	**Securities trading**	**Corporate services business**	**Media services and organising eSports event**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
For three months ended 31 March 2019 (unaudited)							
Revenue from external customers	**69,122**	**2,821**	**—**	**—**	**2,599**	**1,527**	**76,069**
Segment profit/(loss)	**(3,075)**	**(2,507)**	**(30)**	**(30,403)**	**1,501**	**(512)**	**(35,026)**
As at 31 March 2019 (unaudited)							
Segment assets	**127,505**	**34,582**	**176,963**	**134,708**	**32,852**	**901**	**507,510**
Segment liabilities	**13,316**	**4,256**	**56,219**	**104,367**	**2,774**	**881**	**181,814**

	Provision of supply chain management services business	Mining and metallurgical machineries production	Production and exploitation of coal	Securities trading	Corporate services business	Media services and organising eSports event	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For three months ended 31 March 2018 (unaudited)							
Revenue from external customers	11,843	257	—	—	—	—	12,100
Segment profit/(loss)	(6,979)	(2,196)	(5,723)	32,143	—	(2,923)	14,322
As at 31 March 2018 (unaudited)							
Segment assets	135,855	35,031	194,302	179,875	—	3,341	548,404
Segment liabilities	2,813	71,761	66,161	15,830	—	1,011	157,576

Reconciliations of segment revenue and profit or loss:

	Unaudited Three months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments	**76,069**	12,100
Consolidated revenue	**76,069**	12,100

7. INCOME TAX (CREDIT)/EXPENSE

	Unaudited Three months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Current tax — Hong Kong & China		
(Over)/under-provision for prior years	**—**	(1,069)
Income tax	**20**	—
Deferred tax	**(5,452)**	11,353
	(5,432)	10,284

Hong Kong Profits Tax has been provided at a rate of 16.5% (2018: 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% (2018: 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. DIVIDEND

No dividend has been declared by the Company the quarter ended 31 March 2019 (three months ended 31 March 2018: HK$Nil).

9. (LOSS)/EARNINGS PER SHARE

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

	Unaudited Three months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
(Loss)/profit for the purpose of calculating basic (loss)/earnings per share	**(28,297)**	24,487
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	**576,566**	576,566

No diluted earnings/(loss) per share are presented as the Company did not have any dilutive potential ordinary sharing during the quarter ended 31 March 2019 and 2018.

10. SHARE CAPITAL

	Unaudited as at 31 March 2019	Audited as at 31 December 2018
	HK$'000	*HK$'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$0.10 each 576,566,055 (31 December 2018: 576,566,055)	**57,657**	57,657

11. INTANGIBLE ASSETS

	Mining rights
	HK$'000
Cost	
At 1 January 2018	248,234
Exchange differences	(13,620)
At 31 December 2018 and 1 January 2019	234,614
Exchange differences (Unaudited)	4,733
At 31 March 2019 (Unaudited)	239,347
Accumulated amortisation and impairment losses	
At 1 January 2018	77,099
Amortisation for the year	13,009
Exchange differences	(5,266)
At 31 December 2018 and 1 January 2019	84,842
Amortisation for the period (Unaudited)	3,196
Exchange differences (Unaudited)	544
At 31 March 2019 (Unaudited)	88,582
Carrying amount	
At 31 March 2019 (Unaudited)	150,765
At 31 December 2018	149,772

At 31 March 2019, the Group's mining rights are the rights obtained by the Group for production and exploitation of one (2018: one) coal mine located in the PRC and two (2018: two) coal mines located coal mines located in Tajikistan. The major content of the coal mine in PRC and Tajikistan is thermal coal and anthracite and bituminous coal respectively. The terms of the mining rights of the coal mines in PRC and Tajikistan are from January 2019 to December 2019 and August 1997 to September 2018 respectively. The application of mining licenses renewal are in progress. The mining rights are stated at cost less accumulated amortisation and impairment losses over the term of the mining rights.

12. FINANCIAL ASSETS AT FVTPL

	Unaudited Three months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Equity securities, at fair value		
Listed in Hong Kong	**98,924**	157,374
Analysed as:		
Current assets	**98,924**	157,374

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

	Unaudited Three months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Held for trading	**98,924**	157,374

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

13. FINANCE COSTS

	Unaudited Three months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Interest on bonds payables	**1,000**	—
Interest component of lease liabilities	**84**	—
	1,084	—

MANAGEMENT DISCUSSION & ANALYSIS

The First Quarter in 2019 for Kaisun Holdings was about "focus". With various Belt and Road projects in hand, it is essential to maintain the business objectives strong in mind when planning forward and carrying out ongoing operations in order to contribute best to the interest of the Group and its shareholders.

In the past few years there have been endless sceptics who are skeptical about the Belt and Road Initiative. The recent revival on suspended projects, new partnership with Italy, ever-improving business relations with the UK, the 2nd Belt and Road Forum for International Cooperation, which is led by Chinese President Xi Jin Ping and held in Beijing, etc. have proved that this plan of China is not to be stopped. As a Belt and Road project incubator, Kaisun will also maintain our stance to implement our vision along the Belt and Road region.

On the other hand, in order to cater for better business development, we have brought in some younger staff to inject a new breath of fresh air for a couple of our projects, as we believe the innate elements of energy and creativity in the younger generation can bring a positive impact to the Group.

In general, our Belt and Road projects have been progressing and growing at a steady pace that was mapped out by their own dedicated management teams. At the same time, the Group has also been reviewing its allocation of resources and structuring of these projects according to our vision and business direction, and we will not cease to strive for better operation by making use of existing strengths and resources from different teams to create better synergy for the Group.

Our current projects cover the following:

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

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

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

1. MINING, MANUFACTURING OF MACHINERIES & SUPPLY

i. Shandong — Mining and Metallurgical Machinery Production

Tengzhou Kaiyuan specialized in mining and metallurgical machinery production and owned 32 sets of safety certificates for mining products. Its major products are overhead manned cableway devices and accessories, and its business include equipment installation, technical support and after sales services.

Tengzhou Kaiyuan Highlight for 1st Quarter

Updates of Recent Market Development in Mining Machinery Production

One of the important strategy underlying "Outline of the 13th Five-Year Plan for the National Economic and Social Development of the People's Republic China" is energy saving and environmental protection. In order to better protect environment, upgrading and replacement of mining machineries to meet with new requirements on environmental protection by many coal enterprises become imminent. As a well recognized enterprises in mining and metallurgical machinery production, Tengzhou Kaiyuan will benefit from such expansion of market for upgrading mining machineries.

(Retrieved sources: http://www.xinhuanet.com//politics/2016lh/2016–03/17/c_1118366322.html)

Entering into Innovation and Technology Park in Tengzhou for production of Mining Machineries

Under the invitation of local Government of Tengzhou, in 2018, Tengzhou Kaiyuan decided to move into Mo Zi Innovation and Technology Park to enjoy the preferential rental policy.

Mr. Joseph Chan lifting veil to show the signboard of Tengzhou Kaiyuan

Mr. Joseph Chan, Kaisun's Chairman attended the opening ceremony held in February 2019 for Tengzhou Kaiyuan moving the new mining machinery production centre into Mo Zi Innovation and Technology.

Mr. Chan expressed that Tengzhou Kaiyuan will expand its business scope, strengthen cooperation with local government and corporations, further contributing to Tengzhou's economy, and Kaisun Energy will use Tengzhou as its China's headquarter.

Mr. Joseph Chan attended and delivered the speech on opening ceremony

Officials of Tengzhou local government, Tengzhou state-owned asset management company, management team for construction of Innovation and Technology Industrial Park, and representatives of China Energy Engineering Group Northwest Power Construction Engineering Co., Ltd attended the opening ceremony as well.

Tengzhou Kaiyuan new production centre in
Mo Zi Innovation and Technology Park

- Revenue for Tengzhou Kaiyuan in the 1st quarter of 2019 was approximately HKD2.8 million. Tengzhou Kaiyuan performed well this quarter, as revenue increased 10.5 times compared to that of the same period last year.

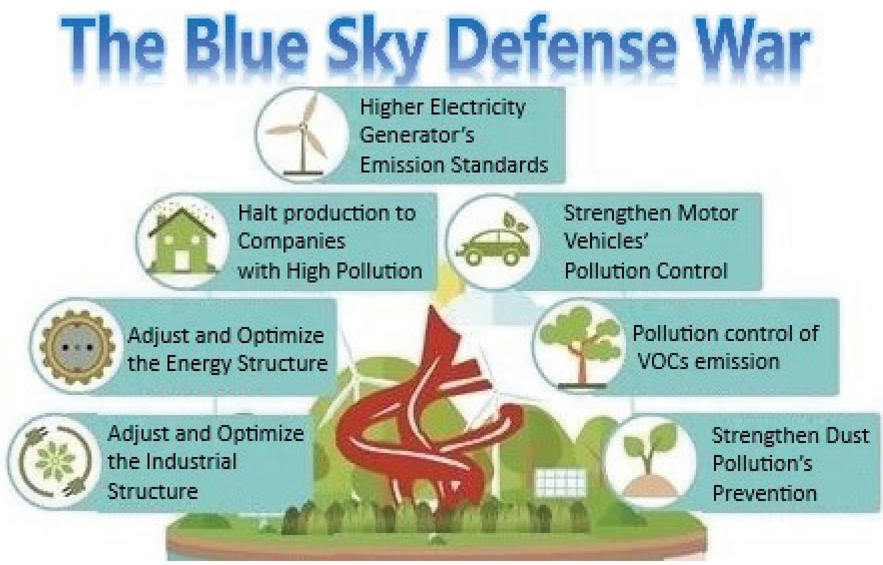
- New equipments for use in mines were added to our existing products, further diversifying our product base and expanding our portfolio of clients.

Inside view of Kaiyuan new production centre

ii. Shandong — Supply Chain Management Services

Shandong Kailai Energy Industrial Co., Limited ("Shandong Kailai") specialized in coal supply chain management, warehouse and logistics management, and loading and unloading service. It has the right to use a section of railway permitted by the China's Jinan Railway Bureau.

Following the completion of levelling work of Phase II coal yard, Shandong Kailai logistic centre currently has total area of 40,000 square meters and annual loading capacity of 30 million tons.



According to the "Report on the Work of the Government", Chinese government endeavors to continue promoting sustainable development and environmental protection by encouraging enterprises to lower their emission, utilize clean energy so as to enhance the result of the "Blue Sky Defense War". As using trucks results in emission of volatile organic compounds which pollute environment, the use of rail for transporting coal changed the traditional way of transporting coal by trucks.

The increase in demand for using railway instead of trucks to transport coal will bring great business opportunities to Shandong Kailai. The installation of environmental-friendly facilities of Shandong Kailai can also help to reduce dust and air pollution.

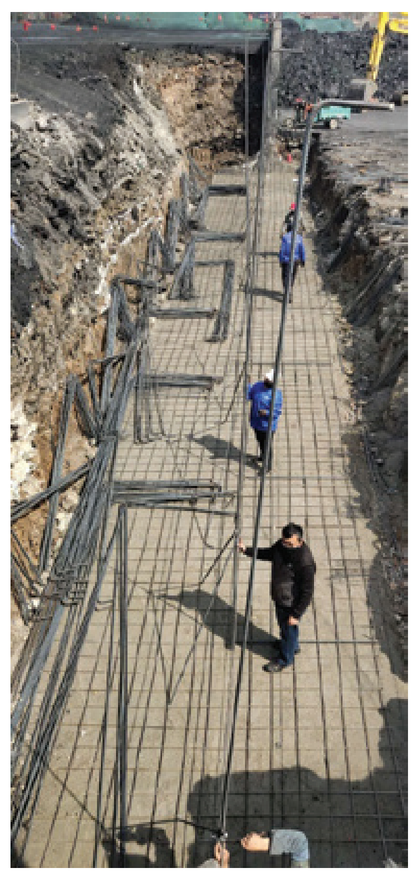
(Retrieved source: http://www.ce.cn/xwzx/gnsz/szyw/201903/16/t20190316_31692857.shtml)

Shandong Kailai Highlight for 1st Quarter

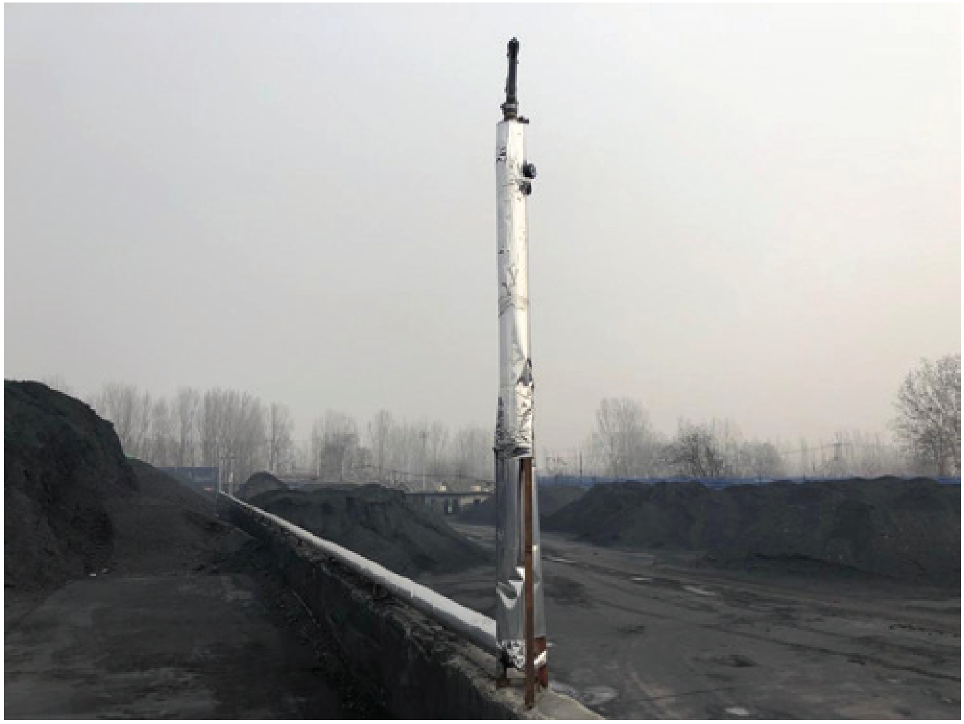
- With completion of construction of Phase II Logistic Centre, total area has increased to 40,000 square meters, annual loading capacity reached 30 million tons and storage capacity reached 4.8 million tons. Operation had already started with revenue for first quarter of 2019 of approximately HKD6.7 million.

- To support "Blue Sky Defense War," Shandong Kailai added a few environmental-friendly facilities, for example, spraying system, dustproof net and high wall to comply with the environmental standard and fulfill social responsibilities.

- To cope with increasing future business for loading, unloading and transport of coal, Shandong Kailai invested on construction of using Cement and Concrete to reinforce steel to strengthen and widen the cargo platform, so that the base of platform can have stronger support and raising coal storage capacity in the cargo platform, hence be well prepared for future business growth.

Cement and Concrete were used to reinforce steel to strengthen and widen the cargo platform at Shandong Kailai



Spraying equipment

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

Xinjiang Turpan Xingliang Mining Co., Limited ("Xingliang Mine") is a wholly-owned subsidiary of Shandong Kailai. It is located in Ququanhu Town, Turpan City and within the scope of the Tuha coal field area, which is one of the four major coal fields in Xinjiang province. Xingliang Mine had signed an agreement with local government in 2018, allowing Xingliang mine to consolidate small mines in its neighbourhood.

Xingliang Mine Highlight for 1st Quarter

- At the 1st quarter of 2019, Xingliang Mine continues the registration process of raising the annual output of mining license from 90,000 tons to 1.2 million tons. It includes preparing and analyzing all of the reports and expects to finish the feasibility report, social stability risk analysis report, geological disaster assessment report, environmental assessment report and exploration report at the 3rd quarter.

- Under the "13th Five-Year Plan" and recognized by Xinjiang local government, it is expected Xingliang mining area will be increased from 1.1 square kilometers to 8.8 square kilometers. As Xinjiang local government hoped to consolidate smaller mines, Xingliang Mine was chosen to be the main entity for consolidating smaller mines in neighbouring area.

- By negotiating with the Xingjiang Mining Geological Team (156 team), Xingliang Mine has signed the drilling contract with them and planned to start drilling at the 2nd quarter. Underground natural resources will be explored and future agenda can be planned.

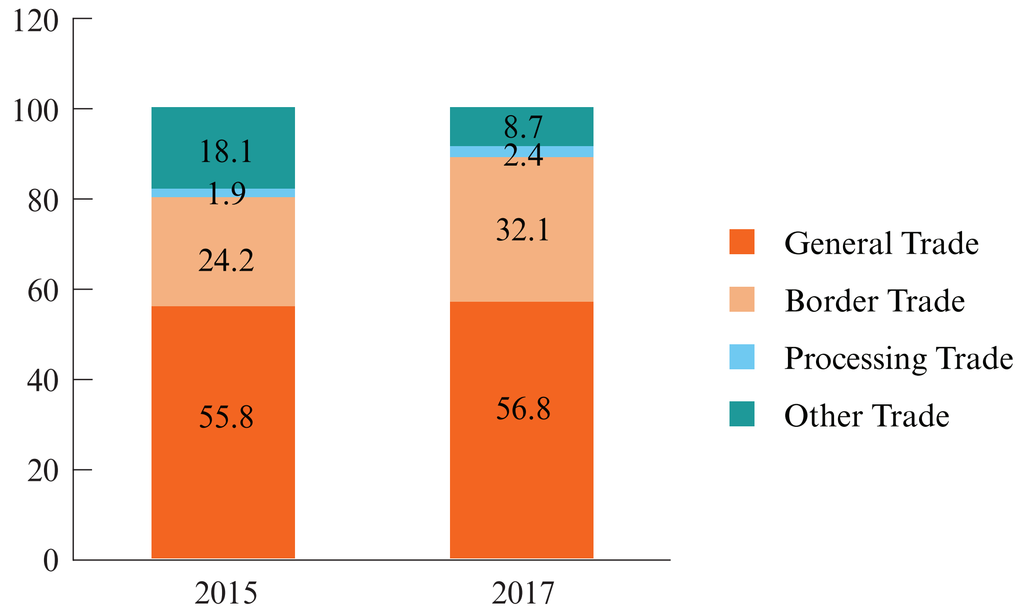
iv. Mongolia — Supply Chain Management Business

With the development of exploration of deep coal seam and mining by well, the quality of Mongolian coal will probably be raised, enhancing its further co-operation with China. It is likely that Mongolia coal resources can become an important part of China's energy system, reaching a long term, stable and co-operative relationship with China for future development.

China, Mongolia and Russia have signed the "Outline of a development plan for establishing the China-Mongolia-Russia Economic Corridor" in order to increase trilateral trading, increase competitiveness of their products, improve transportation networks and infrastructure development. As Mongolia is located at the middle part of the corridor, border trade in Mongolia has increased gradually.

(retrieved source: https://hkmb.hktdc.com/sc/1X0AG5BA/經貿研究/內蒙古在「一帶一路」的角色和功能)

Inner Mongolia's proportion of various form of trades in Total Exports(%)



Source from: Inner Mongolia Municipality Statistic Bureau

Kaisun Holdings acquired the railway logistic platform in Choir city of Mongolia. Choir is located along Belt and Road and can benefit from "Prairie Road Project" implemented by the Mongolia government to revitalize its economy. The Choir Platform covers a total area of 35,000 square meters, with an annual average loading capacity of 1.8 million tons. It mainly provides loading and unloading services, customs declaration, warehousing and logistics services.

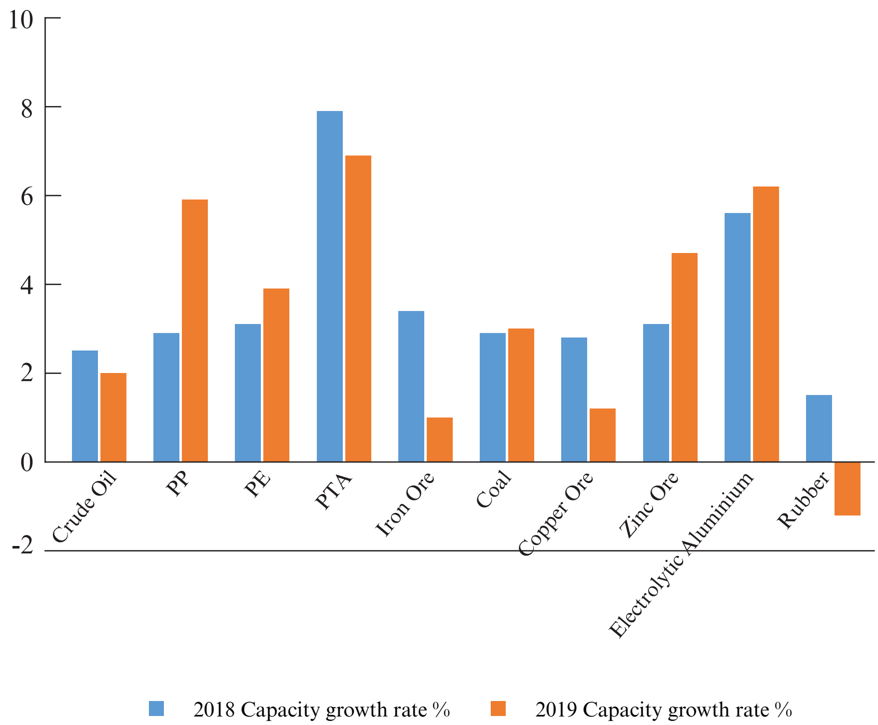
Choir Project Highlight

- Progress on the acquisition of Mongolia Choir Railway Platform: all relevant documents were transferred, completing registration of relevant legal documents for preparing application to government for relevant licenses.

- Our team visited the Mongolia Choir Logistic Centre again and discussed with the China Railway Engineering Construction Mongolia about the remaining part of the construction of Railway platform. It is expected that the agreement for construction will be signed soon.

v. **Commodities Trade**

Ignoring all irrelevant factors, under general environment of clearer policies, better transparency of rules and lower interest rate, it is expected that supply for large scale commodities will continue on rising trend, and its average will not be lower than that of 2018. For some commodities, it is expected that its supply will grow at a pace faster than 2018.



(retrieved source: https://www.zhitongcaijing.com/content/detail/164404.html)

For cement, government is still maintaining its policy of limiting production. As cement industry is highly concentrated with few suppliers and difficult to increase production, together with adopting similar price in the industry, price for cement remain quite steady. Vietnam cement and cement clinker's export has reached 53.7 million tons with revenue of US$2.28 billion, and increased by 7.4% and 29.9% respectively. Export volume and export value of cement has been increased by 10% and 9% compared to December 2018. In view of the of the high price of cement, it is expected that the higher profit margin for cement can be maintained for a considerable period.

Kaisun Holdings maintains positive outlook for cement, and have engaged in cement trading in the previous quarter, and based on above data, more business opportunities for commodities trading is expected.

(retrieved source: https://finance.now.com/analysis/post.php?id=468365&type=3020)

(retrieved source: http://www.ccement.com/news/content/52007809119851.html)

Commodities Trade Highlight for 1st Quarter

- Commodities trade recorded revenue of approximately HKD60.9 million for first quarter 2019, including commodities trade of cement of approximately HKD51.5 million Cement is a major item of commodities trading and was an important source of revenue.

2. AGRICULTURAL INVESTMENT AND DEVELOPMENT

Kaisun Holding provides professional guidance and service for internal control, and corporate governance for reporting system on areas of financial and tax to Cheung Lee Agricultural Co., Limited ("Cheung Lee").

Cheung Lee Highlight for 1st Quarter

- Cheung Lee set up a new agricultural base in Jiangxi to increase export of vegetables and broaden business scope.
- Cheung Lee Fresh Limited and Cheung Lee AgroSolutions Limited were established to cultivate avocado, engaged in trading of tea and research of plant nutrient solution.

Cheung Lee Fresh Limited's agricultural base for cultivating avocado

- To widen distribution network, Cheung Lee cooperate with Shenzhen Fuying Financial Group, and plan to include sales of agricultural products in financial services as well. Sales volume and profit is expected to increase.

SECOND QUARTER 2019 DEVELOPMENT GOALS

We will further endeavor on our existing business, our second quarter business goals are as follows:

Shandong — Mining and Metallurgical Machinery Production

- After entering Mo Zi Innovation and Technology Park, Tengzhou Kaiyuan will increase its manpower in manufacturing and marketing, investing in new equipment and machinery. Considerate growth is expected in the future.

Shandong — Supply Chain Management Services

- Expand coal yard to increase loading and unloading area as well as storage space. Trading capacity increased accordingly.

Xinjiang — Coal Exploitation Business

- We will arrange relevant professionals to speed up exploration work for Xingliang Mine, and to provide exploration and technical report.

- Expected to complete the application of 1.2 million tons of mining license in the third quarter.

Mongolia — Supply Chain Management Business

- Follow up with the contract signed with China Railway Engineering Construction 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.

Commodities Trade

- Keep on focusing on cement commodities trade while looking for new trading opportunities to enlarge business scale.

Agricultural Investment and Development

- Cheung Lee will engage in avocado cultivation, trading of tea and further develop business in avocado, and plan to increase the cultivation area of avocado in Yunnan.

- With positive outlook on prospect on Cheung Lee, on Kaisun Holdings will further invest in Cheung Lee.

EVENT MANAGEMENT & CONSULTANCY BUSINESS

The Group's subsidiary, People's Communication & Consultant Company Limited ("PCCC"), have completed 8 projects during the first quarter of 2019 and will continue to take on projects from the mainland government and various associations in Hong Kong.

With respect to the company's strategic plan, the company will continue to develop the fields of event planning and consulting services by leveraging its advantageous network to amass potential business ventures for the HQ group, achieving a collaborative expansion effort. The future developmental direction of PCCC will hinge on its holding company's reorganization and changes will follow its holding company's reorganization accordingly.

ESPORTS BUSINESS UNIT

2019 will be a crucial year for the growth of Kaisun's Esports subsidiary EvoLoop Limited. Our current major focus is to build up our award-winning signature Esports IP event, namely GirlGamer Esports Festival.

Following the rapidly-growing recognition and reputation accumulated in the past 2 years, we plan to take GirlGamer further this year to different parts of the world. Our objective is to expand the base of female gamers participating in the signature festival, and to increase the Festival's exposure as well as reach to a new level by a form that is different from the past 2 years.

We believe the step-up in competition participants as well as synergy effect created among partners and sponsors this year will create an even bigger positive impact to the brand of GirlGamer. EvoLoop is extremely excited about the new plans for GirlGamer in 2019, and official press releases are expected to be made soon on GirlGamer's website and social media platforms.

INVESTMENT VEHICLE DEVELOPMENT

In the first quarter of 2019, there has been no substantial changes to both investments. Dividend received from Xinying preference shares continued to provide support for part of regular administrative expense support.

Kaisun and Sturgeon Capital are looking at long term development along the Belt and Road, in light of Belt and Road Initiative moving into development stage from initiative. Due to the positive changes in some regions, Kaisun and Sturgeon will leverage their experience and network to introduce potential partners and investors to each other from the Eurasia region, which could contribute to the Group's project development or exit.

SECURITIES TRADING BUSINESS

The Group's listed-securities trading activities continued to be managed by the investment committee. China and the United States have been seeking a solution for the ongoing trade conflict and situation seems optimistic with the progress of the representatives meetings throughout the past three months. But the results are still uncertain and we will lower the weight of our existing portfolio and continue to target the long-term growth securities that pay dividend.

As at 31 March 2019, the fair value of listed investment was HK$98,924,490. The cost of listed investment was HK$68,969,450.

During the three months ended 31 March 2019, part of our existing listed securities portfolio recorded an unrealized loss compared to the fourth quarter of 2018, the fair value lost on listed securities was HK$33,043,940. Dividend received from listed securities was HK$23,400.

BUSINESS UNIT FOR CONSULTING AND TRUST BUSINESS

As stated in Annual Report 2018, with our professional staffs that are qualified to set up companies to obtain Trust or Company Service Provider ("TCSPs") licenses and having reputation as the Belt and Road pioneer and expert in Hong Kong after our many years of operating in the Belt and Road Regions, 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.

Hence, we set up Kaisun Consulting Limited just after our newly established secretarial company obtained the TCSP License. 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 ("Kaisun Trust") to provide trust services. Kaisun Trust obtained the registration as a Trust Company by Hong Kong Companies Registry in March 2019.

With these two companies, we provided some professional services to our peers at a fee. During the three months ended 31 March 2019, Kaisun Consulting Limited has generated around HK$2.6 million in revenue from various clients operating in different industries.

CORPORATE SOCIAL RESPONSIBILITY

During the first quarter 2019, we continued our Corporate Social Responsibility. Through organizing and participating in various Belt and Road events, Kaisun continued to take part in discussion with people from different sectors of the community.

March 2019

"Recent Development in Uzbekistan" organized by Silk Road Economic Development Research Centre was held on March 20, 2019.

Professor Komiljon Karimov, Rector of Westminster International University in Tashkent (photo right 3), was invited as keynote speaker. Dr. Chan Man-hung (photo right 1) and Mr. Joseph Chan (photo right 4) together with various guests participated in the event.

March 2019

On March 27, 2019, Mr. Joseph Chan, Kaisun's Chairman, was invited by Department of Politics and Public Administration, The University of Hong Kong, as guest speaker on "The China Dream and the Belt and Road Initiative".

Starting with the Coverage of Belt and Road and Greater Bay Area initiative, Mr. Chan went on insight discussions on energy and infrastructure including Notable Projects such as China-Pakistan-Economic —Corridor and Sri-Lanka port. Furthermore, Mr. Chan shared his business experiences and challenges in Belt and Road countries. Participating students in this lecture showed great interest which led to a lively discussion during the Questions & Answers session.

April 2019

On April 3. 2019, Mr. Joseph Chan, Kaisun Chairman was invited by DBS Bank as guest speaker for "DBS Greater Bay Area Conference 2019 — Laying Foundation for Greater China's Transformation", where Mr. Chan shared his view on exploring how best to leverage the opportunities on Greater Bay Area alongside with other industry leaders and academics.

FINANCIAL REVIEW

Revenue of the Group for three months ended 31 March 2019 amounted to approximately HK$76.1 million, represented an increase of approximately 528.7% when compared with the same period in 2018 (three months ended 31 March 2018: HK$12.1 million). The increase in revenue was mainly attributable to: 1. increase in trading activities from our provision of supply chain management services business; 2. consulting and trust business established in last quarter of 2018 that generated revenue of approximately HK$2.6 million; and 3. an associate became our subsidiary in June 2018 and its financial results were consolidated into our unaudited condensed consolidated financial statements.

The Group gross profit for three months ended 31 March 2019 increased by approximately 530.9% to approximately HK$4.2 million when compared with the same period in 2018 (three months ended 31 March 2018: HK$669,000). The improvement in gross profit was mainly attributable to increased revenue generated from provision of supply chain management services business.

For three months ended 31 March 2019, the total administrative and other operating expenses was approximately HK$16.7 million, slight increase of approximately 2.5% compared with the same period in 2018 (three months ended 31 March 2018: HK$16.3 million).

For three months ended 31 March 2019, the loss from operations was approximately HK$34.8 million (three months ended 31 March 2018 gain: HK$33.3 million). The loss from operation was mainly attributable to the fair value loss on financial asset at fair value through profit or loss by approximately HK$33.3 million, and was partially offset by reversal of impairment loss on trade and other receivables by approximately HK$11.9 million.

The Group recorded loss for three months ended 31 March 2019 of approximately HK$30.4 million, represented a decrease of approximately 230.9% when compared with the same period in 2018 (profit for three months ended 31 March 2018: HK$23.2 million).

The total comprehensive loss attributable to owners of the Company for three months ended 31 March 2019 amounted to approximately HK$23.4 million (The total comprehensive income attributable to owners of the Company for three months ended 31 March 2018: HK$32.8 million).

As at 31 March 2019, the Group held financial assets at fair value through profit or loss of approximately HK$98.9 million, wholly comprised of securities listed in Hong Kong. The loss on disposal of financial assets at fair value through profit or loss amounted to approximately HK$111,000 compared to a gain in the same period in 2018 (as at 31 March 2018 gain: HK$108,000), whilst the fair value loss on financial assets at fair value through profit or loss was approximately HK$33.0 million for three months ended 31 March 2019 (fair value gain for three months ended 31 December 2018: HK$43.9 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 March 2019	% of share-holding as at 31 March 2019	Unrealized gain/(loss) on fair value change for the year ended 31 March 2019 HK$	Dividends received for the year ended 31 March 2019 HK$	Fair value as at 31 March 2019 HK$	Fair value as at 31 December 2018 HK$	% of the Group's net assets as at 31 March 2019	Investment cost HK$	Reasons for fair value loss
Hong Kong Listed Securities									
361 Degrees International Limited (1361) *(Note 1)*	219,000	0.01%	(30,660)	—	326,310	617,770	0.08%	474,790	Drop in Share price
EJE (Hong Kong) Holdings Limited (8101) *(Note 2)*	110,000,000	3.80%	(3,520,000)	—	18,040,000	21,560,000	4.42%	7,775,000	Drop in Share price
Hysan Development Company Limited (0014) *(Note 3)*	20,000	0.00%	14,000.00	23,400.00	841,000	288,400	0.21%	827,000	—
OP Financial Investments Limited (1140) *(Note 4)*	35,648,000	1.22%	(29,231,360)	—	75,217,280	107,273,160	18.45%	50,751,360	Drop in Share price
Sau San Tong Holdings Limited (8200) *(Note 5)*	42,000,000	0.77%	(42,000)	—	1,218,000	1,260,000	0.30%	5,600,000	Drop in Share price
Target Insurance (Holdings) Limited (6161) *(Note 6)*	2,838,000	0.54%	(97,820.00)	—	1,560,900	2,793,000	0.38%	1,658,720	Drop in Share price
The Bank of East Asia, Limited (0023) *(Note 7)*	54,000.00	0.00%	(137,700.00)	—	1,377,000.00	—	0.34%	1,514,700.00	Drop in Share price
Wang Yang Holdings Limited (1735) *(Note 8)*	20,000	0.01%	1,600	—	344,000	—	0.08%	367,880	—
Total			(33,043,940)	23,400	98,924,490	133,792,330	24.26%	68,969,450	

Notes:

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

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

3. Hysan Development Company Limited (HKEx: 0014) — Hysan Development Company Limited's principal activities are property investment, management and development.

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. Target Insurance (Holdings) Limited (HKEx: 6161) — Target Insurance (Holdings) Limited is principally engaged in writing of motor insurance business in Hong Kong.

7. The Bank of East Asia, Limited (HKEx: 0023) — The Bank of East Asia, Limited belongs to the banking industry, which is mainly engaged in the provision of banking and related financial services, and business, corporate and investor services.

8. 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.

As at 31 March 2019, the Group held financial assets at fair value through other comprehensive income ("FVTOCI") of approximately HK$25.9 million, wholly comprised of unlisted equity securities in Hong Kong and United Kingdom and redeemable preference shares. The details of financial assets FVTOCI at investment cost are set out as follow:

Company Name	Number of sharers held as at 31 March 2019	% of share-holding as at 31 March 2019	% of the Group's net assets as at 31 March 2019	Investment Cost	
				Unaudited as at 31 March 2019	Audited as at 31 December 2018
				HK$'000	*HK$'000*
Cheung Lee Farming Corporation *(Note 1)*	770	7.7	2.43%	**7,700**	7,700
Sturgeon Capital Limited *(Note 2)*	24,999	9.96	1.91%	**7,800**	7,800
Xin Ying Holdings Limited *(Note 3)*	8,000,000	N/A	2.01%	**8,000**	8,000
				23,500	23,500

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 31 March 2019, the Group has bank and cash balances of approximately HK$23.7 million (as at December 2018: HK$20.7 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 March 2019 (as at 31 December 2018: 0.08).

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 March 2019, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

OTHER INFORMATION

1. Share-based Compensation Scheme

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

Share Award Scheme 2016

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

During the three months ended 31 March 2019, the trustee of the Share Award Scheme 2016, pursuant to the terms of the rules and trust deed of the Share Award Scheme 2016, purchased on the Stock Exchange a total of 520,000 shares for total consideration of about HK$167,250. During the year ended 31 December 2018, the trustee of the Share Award Scheme 2016, pursuant to the terms of the rules and trust deed of the Share Award Scheme 2016, purchased on the Stock Exchange a total of 1,170,000 shares for total consideration of about HK$395,050. Hence, the total no. of shares in the Share Award Scheme as at 31 March 2019 was 1,690,000.

No share was awarded to any director or employee of the Company under the Share Award Scheme during the period.

2. 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.

3. Purchase, Sale or Redemption of Listed Securities

During the three months ended 31 March 2018, neither the Company nor any of its subsidiaries had purchased or sold any of its listed securities, except that the trustee of the Share Award Scheme 2016, pursuant to the terms of the rules and trust deed of the Share Award Scheme 2016, purchased on the Stock Exchange a total of 520,000 shares for total consideration of about HK$167,250.

CORPORATE GOVERNANCE

Based on principles of transparency and independence, the Board of Directors and management are committed to principles of good corporate governance consistent with enhancement of shareholder value.

The Board has established the following committees with written terms of reference which are in line with the Corporate Governance Code (the "CG Code") and Corporate Governance Report stated in Appendix 15 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). Details of written terms of reference are available on the Company's website:

www.kaisun.hk under "Investor Relations" section with heading of "Corporate Governance":

Audit Committee
Remuneration Committee
Nomination and Corporate Governance Committee

All the committees comprise a majority of Independent Non-Executive Directors. Each of the Audit Committee, Remuneration Committee and Nomination and Corporate Governance Committee is chaired by an Independent Non-executive Director.

Full details of the Company's corporate governance practices are set out in Company's Annual Report 2018.

1. 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 three months ended 31 March 2019 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.

2. 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 three months ended 31 March 2019. 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.

3. 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 31 March 2019 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.

4. 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 three months ended 31 March 2019, 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, 6 May 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.