



# KAISUN HOLDINGS LIMITED

## 凱順控股有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code : 8203



## Third Quarterly Report 2018

\* For identification purpose only

## **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.**

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



## 2018 THIRD QUARTERLY RESULT HIGHLIGHTS

	Unaudited Three months ended 30 September			Unaudited Nine months ended 30 September		
	2018 HK\$'000	2017 HK\$'000	% change	2018 HK\$'000	2017 HK\$'000	% change
Revenue	<b>28,023</b>	18,533	+51%	<b>59,660</b>	75,066	-21%
Gross profit	<b>5,306</b>	2,709	+96%	<b>17,138</b>	6,267	+174%
(Loss) from operations	<b>(26,857)</b>	(18,932)	N/A	<b>(11,857)</b>	(30,470)	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	<b>(714)</b>	1,611	-144%	—	144,809	-100%
Net (loss) for the period For illustration purpose only:	<b>(18,808)</b>	(15,687)	N/A	<b>(10,088)</b>	77,454	-121%
(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	<b>(26,857)</b>	(18,626)	N/A	<b>(11,857)</b>	(25,874)	N/A

## OPERATING RESULT FOR NINE MONTHS ENDED 30 SEPTEMBER 2018

The Group's revenue for the nine months ended 30 September 2018 amounted to approximately HK\$59.7 million (2017 revenue: HK\$75.1 million). Revenue arose from the sales of goods and provision of services amounted to HK\$42.8 million and HK\$16.9 million respectively.

The Group's gross profit for the nine months ended 30 September 2018 increased by approximately 173.5% to approximately HK\$17.1 million compared to the corresponding period in 2017 (2017 gross profit: HK\$6.3 million).



Approximately HK\$11.9 million of the Group's (as defined below) loss from operations for nine months ended 30 September 2018, improving from approximately HK\$30.5 million of loss from operations for the corresponding period in 2017.

## A QUARTER OF STABLE OPERATION

Following our trend during the last quarter and compared to the corresponding quarter in 2017, our operation performance remains stable, in the midst of volatile global economic environment:

The Group's revenue was approximately HK\$28.0 million, representing an increase of approximately 51% from approximately HK\$18.5 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 the last quarter leading to consolidation of revenue from events organizing and management consulting business contribute such increase.

The Group's gross profit was approximately HK\$5.3 million, representing an increase of approximately 96% from approximately HK\$2.7 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\$26.9 million, with the loss widen by approximately HK\$8.0 million from a loss of approximately HK\$18.9 million in 2017; our improvement in top lines as mentioned above, and was offset by fair value loss on financial asset due to poor performance of Hong Kong stock market with our administrative and other operating expenses remaining at a relatively stable level compared to that in 2017.



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 nine months ended 30 September 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 nine months ended 30 September 2018

	Note	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
<b>Revenue</b>	6	<b>28,023</b>	18,533	<b>59,660</b>	75,066
Cost of goods sold		<b>(22,717)</b>	(15,824)	<b>(42,522)</b>	(68,799)
<b>Gross profit</b>		<b>5,306</b>	2,709	<b>17,138</b>	6,267
(Loss)/gain on disposal of financial assets at fair value through profit or loss		<b>(1)</b>	(410)	<b>129</b>	58
Fair value (loss)/gain on financial assets at fair value through profit or loss		<b>(21,065)</b>	(9,289)	<b>8,564</b>	335
Other income		<b>3,269</b>	1,984	<b>8,738</b>	2,895
Mining distribution costs		<b>—</b>	(516)	<b>—</b>	(516)
Administrative and other operating expenses		<b>(14,367)</b>	(13,410)	<b>(46,426)</b>	(39,509)
<b>Loss from operations</b>		<b>(26,857)</b>	(18,932)	<b>(11,857)</b>	(30,470)
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	13	<b>(714)</b>	1,611	<b>—</b>	144,809
Share of profits of an associate		<b>—</b>	306	<b>—</b>	306
Fair value gain on derivative financial instrument		<b>—</b>	—	<b>—</b>	4,290
<b>(Loss)/profit before tax</b>		<b>(27,571)</b>	(17,015)	<b>(11,857)</b>	118,935
Income tax credit/(expense)	7	<b>8,764</b>	1,328	<b>1,769</b>	(41,481)
<b>(Loss)/profit for the period</b>		<b>(18,808)</b>	(15,687)	<b>(10,088)</b>	77,454
<b>Attributable to:</b>					
Owners of the Company		<b>(17,331)</b>	(15,270)	<b>(6,300)</b>	48,045
Non-controlling interests		<b>(1,477)</b>	(417)	<b>(3,788)</b>	29,409
		<b>(18,808)</b>	(15,687)	<b>(10,088)</b>	77,454
<b>(Loss)/earning per share (HK Cents)</b>	9				
Basic		<b>(3.01)</b>	(2.72)	<b>(1.10)</b>	8.71



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

For the nine months ended 30 September 2018

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
<b>(Loss)/profit for the period</b>	<b>(18,808)</b>	(15,687)	<b>(10,088)</b>	77,454
<b>Other comprehensive income for the period, net of tax:</b>				
<i>Items that may be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	<b>(16,893)</b>	1,198	<b>(10,840)</b>	5,944
<b>Total comprehensive income for the period</b>	<b><u>(35,701)</u></b>	<u>(14,489)</u>	<b><u>(20,928)</u></b>	<u>83,398</u>
<b>Attributable to:</b>				
Owners of the Company	<b>(32,545)</b>	(14,056)	<b>(21,514)</b>	53,121
Non-controlling interests	<b>(3,156)</b>	(433)	<b>586</b>	30,277
	<b><u>(35,701)</u></b>	<u>(14,489)</u>	<b><u>(20,928)</u></b>	<u>83,398</u>



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2018

	Unaudited							
	Attributable to owners of the Company							
	Share capital	Share premium	Shares held for share award scheme	Foreign currency translation 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	
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	—	—	—	5,076	48,045	53,121	30,278	83,399
Issue of shares under rights issue (Note 10)	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	—	—	—	—	—	—	17,116	17,116
Award of shares held under share award scheme (Note 10)	1,131	3,392	—	—	—	4,523	—	4,523
Purchase of shares held under the share award scheme	—	—	(563)	—	—	(563)	—	(563)
Changes in equity for the period	19,973	69,975	(563)	5,076	48,045	142,506	47,394	189,900
At 30 September 2017	57,657	1,363,056	(1,753)	(15,782)	(973,466)	429,712	39,883	469,595
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	—	—	—	(10,306)	(11,208)	(21,514)	586	(20,928)
Injection in subsidiaries (Note 13)	—	—	—	—	—	—	8,904	8,904
Changes in equity for the period	—	—	—	(10,306)	(11,208)	(21,514)	9,490	(12,024)
At 30 September 2018	57,657	1,363,055	(1,963)	(17,736)	(983,412)	417,601	50,910	468,511



## 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 nine months ended 30 September 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 nine months ended 30 September 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 September 2018:

Description	<b>Unaudited as at 30 September 2018 HK\$'000</b>	Audited as at 31 December 2017 HK\$'000
<b>Recurring fair value measurements: Using Level 1</b>		
Financial assets at fair value through profit or loss		
Listed securities ( <i>Note 11</i> )	<b>124,738</b>	113,912



**(b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 September 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 assets do not include amounts due from related parties. Segment non-current assets do not include financial instruments.

	Mining and metallurgical machineries production in Shandong	Provision of supply chain management services for mineral business	Production and exploitation of coal in Tajikistan	Production and exploitation of coal in Xinjiang	Trading of securities	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>For nine months ended 30 September 2018 (unaudited)</b>							
Revenue from external customers	11,988	29,926	4,840	—	—	12,906	59,660
Segment profit/(loss)	(867)	5,325	(757)	(6,056)	10,609	(3,199)	5,055
<b>As at 30 September 2018 (unaudited)</b>							
Segment assets	33,497	143,324	4,715	181,158	150,875	13,886	527,455
Segment liabilities	(4,848)	(1,622)	(5,715)	(63,064)	(9,048)	(1,663)	(85,961)



	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
<b>For nine months ended 30 September 2017 (unaudited)</b>							
Revenue from external customers	9,276	61,228	787	—	—	3,775	75,066
Segment profit/(loss)	74	(2,211)	96,179	—	5,842	(3,043)	96,841
<b>As at 31 December 2017</b>							
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  
Nine months ended  
30 September**

	<b>2018 HK\$'000</b>	2017 HK\$'000
<b>Reconciliations of segment profit or loss</b>		
Total profit or loss of reportable segments	<b>5,055</b>	96,841
Other profit or loss	<b>(15,143)</b>	(19,387)
Consolidated profit/(loss) for the period	<b>(10,088)</b>	77,454



## 6. REVENUE

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
<b>Sales of goods</b>				
— Provision of supply chain management services for mineral business	15,672	10,701	29,926	61,228
— Mining and metallurgical machineries production	5,981	1,179	12,828	7,185
<b>Provision of services</b>				
— Provision of logistic services for mineral business	1,582	2,878	4,000	2,878
— Provision of events organizing and management consulting	4,789	3,775	12,906	3,775
	<u>28,023</u>	<u>18,533</u>	<u>59,660</u>	<u>75,066</u>

## 7. INCOME TAX(CREDIT)/EXPENSE

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Deferred tax				
— Hong Kong	(9,690)	(1,784)	(1,069)	440
— PRC	926	456	(700)	41,041
	<u>(8,764)</u>	<u>(1,328)</u>	<u>(1,769)</u>	<u>41,481</u>

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. DIVIDENDS

No dividend has been paid or declared by the Company for the nine months ended 30 September 2018 (Nine months ended 30 September 2017: HK\$Nil).

## 9. (LOSS)/EARNING PER SHARE

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

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
(Loss)/profit for the purpose of calculating basic earning/(loss) per share	<u>(25,146)</u>	<u>(15,270)</u>	<u>(16,426)</u>	<u>48,045</u>
<b>Number of shares ('000)</b> Weighted average number of ordinary shares for the purpose of calculating basic earning/(loss) per share	<u>576,566</u>	<u>561,867</u>	<u>575,215</u>	<u>551,721</u>

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



**10. SHARE CAPITAL**

	<b>Unaudited as at 30 September 2018 HK\$'000</b>	Audited as at 31 December 2017 HK\$'000
<b>Authorised:</b> 5,000,000,000 ordinary shares of HK\$0.10 each	<u><b>500,000</b></u>	<u>500,000</u>
<b>Issued and fully paid:</b> 576,566,055 (31 December 2017: 576,566,055) Ordinary share of HK\$0.1 each	<u><b>57,657</b></u>	<u>57,657</u>

**11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>Unaudited as at 30 September 2018 HK\$'000</b>	Audited as at 31 December 2017 HK\$'000
Equity securities, at fair value — Listed in Hong Kong	<u><b>124,738</b></u>	<u>113,912</u>
Analysed as: Current assets	<u><b>124,738</b></u>	<u>113,912</u>



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

	<b>Unaudited as at 30 September 2018 HK\$'000</b>	Audited as at 31 December 2017 HK\$'000
Held for trading	<b>124,738</b>	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.

## 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<b>Unaudited as at 30 September 2018 HK\$'000</b>	Audited as at 31 December 2017 HK\$'000
Unlisted equity securities, at cost		
— In British Virgin Islands	<b>7,700</b>	2,700
— In United Kingdom	<b>7,800</b>	7,800
	<b>15,500</b>	10,500
9% redeemable preference shares, at cost	<b>8,000</b>	8,000
	<b>23,500</b>	10,500

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



### 13. 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 by acquired new shares issued by Pineapple Media. 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 its date of acquisition is as follow:

	<b>Carrying amount</b>	<b>Fair value adjustment</b>	<b>Fair value</b>
	HK\$'000	HK\$'000	HK\$'000
Net assets acquired:			
Fixed assets	66	—	66
Account Receivable	810	—	810
Bank and Cash	8,111	—	8,111
Prepayment received	(1,450)	—	(1,450)
Other Payable	(1,200)	—	(1,200)
Account Payable	(112)	—	(112)
Accruals	(385)	—	(385)
Tax payable	(194)	—	(194)
			<u>5,645</u>
Less: Fair value of investment in an associate			(1,693)
Non-controlling interests			(2,653)
Goodwill			<u>1,901</u>
			<u><u>3,200</u></u>
Satisfied by:			
Cash consideration paid			<u><u>3,200</u></u>
Net cash inflow arising on acquisition:			
Cash consideration paid			3,200
Cash and cash equivalents acquired			<u>8,111</u>
			<u><u>4,911</u></u>



On 10 October 2016, Shandong Kailai Energy Logistic Company Limited (an indirect 70% owned subsidiary of the Company) (“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:

	<b>Carrying amount</b>	<b>Fair value adjustment</b>	<b>Fair value</b>
	HK\$'000	HK\$'000	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)
			<u>160,466</u>
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			<u>(2,426)</u>
			11,512
Satisfied by:			
Cash consideration paid			<u><u>11,512</u></u>
Net cash outflow arising on acquisition:			
Cash consideration paid			11,512
Cash and cash equivalents acquired			<u>(2,310)</u>
			<u><u>9,202</u></u>



## MANAGEMENT DISCUSSION AND ANALYSIS

The global market has been experiencing some turmoil in the past few months. As chain effects from the trade war between China and America begin to appear, the economic situations of many other countries are also greatly affected by the moves of these two world's largest economies in different ways and directions. China itself is experiencing its slowest growth in 10 years, not only due to external circumstances but also because of internal issues. The US is currently enjoying what seem a boom at the expense of the world, but may have to face severe consequences as it has been neglecting many hidden concerns.

Although uncertainties about future economic prospects continue to pile, Kaisun Holdings remain hopeful about where we stand as the Belt and Road project incubator. Our existing projects have a good diversity that covers different industries, of different natures in production and services along the Belt and Road. The past few months had been a season of continual cultivation as we prepare for the roads ahead. Although few projects maybe affected by the current global situation (currencies, demand, etc.), we are also optimistic about the rewards that will be brought about by some other particular projects.

All in all, as we actively pave the way for current projects to mature, we do not forget to take on a more careful and reserved approach amid the current global economic situation. Nonetheless we look to witness some encouraging development of our projects in the near future.

Below are updates on our current Belt and Road projects.



**1. MINING, MANUFACTURING OF MACHINERIES & SUPPLY CHAIN MANAGEMENT**

***i. Shandong – Mining and Metallurgical Machines Production***



components production process

Products are broadly divided into four categories: overhead manned cableway device, hydraulic and pneumatic transmission devices, valve devices, and belt transportation devices. Moreover, the Company provided after-sales services such as installation and technical support.

Tengzhou Kaiyuan Industrial Co., Ltd (“Tengzhou Kaiyuan”) is a joint venture of the Group’s subsidiaries which specialised in mining and metallurgical machinery production and owns over 20 sets of safety certificates for mining products.



components production process



*Tengzhou Kaiyuan Highlight for 3rd Quarter*

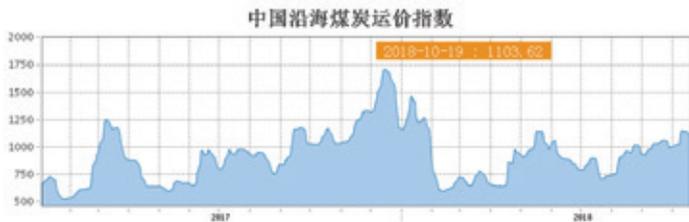


Components of overhead manned cableway devices

- Revenue was approximately HK\$5.28 million for 3 months period and was approximately HK\$11.98 million for 9 months period.



**ii. Shandong – Supply Chain Management Business**



Amid weather turning cold after the National day, power plants need to replenish coal to cope with increasing demand. The above chart showed the cold transportation index has an upward trend. Demand for stock for the coal for the northern region increased as well, which lead to increase in demand for stock of coal by power plant; hence the coal market gradually turns active.



*Shandong Kailai Highlights for 3rd Quarter*



Shandong Kailai Energy Industrial Co., Limited (“Shandong Kailai”) specialised in coal supply chain management, loading and unloading services, and warehousing and logistics services.

Shandong Kailai has the right to use a section of the railway permitted by China’s Jinan Railway Bureau, where we provide loading and storage service to suppliers that use our logistic centre.

The construction of phase II logistics centre is near completion, with a total area of 22,000 square meters and annual loading capacity of 3 million tons.



Coal logistic platform

With expanded capacity, the centre has the capability to provide loading and storing service of coal to suppliers to the power plants outside Shandong, hence can provide considerable profit to the Group.

*Shandong Kailai Highlight for 3rd Quarter*

- Revenue for 3 months was approximately HK\$6.18 million, for 9 months was approximately HK\$17.77 million, including HK\$3.99 million from loading and unloading business and HK\$13.78 million from coal trading business.



- Shandong Kailai has entered into coal transportation and loading and unloading services contract with a number of well-known enterprises, adding eight new customers in the third quarter.

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



Xingliang mine in Turpan, Xinjiang

Xingliang Coal Mine is located in Ququanhu Town, Turpan City and fall into the Tuha coal field area, one of the four major coal fields in Xinjiang province.

In the third quarter, the government of Gao Chang district of Turpan has incorporated Xingliang Mine into the key development project of coal mining in the Turpan region and “13th five-years plan of coal mining construction program”. The government has adjusted annual output of Xingliang Mine to 1.2 million tonnes in according to “Reply of national energy and work plan on coal construction and production in Xinjiang during 13th five-years plan of national development and reform commission”.

In order to speed up the development of Xingliang mine and to fulfil the application for raising the annual production of mining license to 1.2 million tonnes, the management team of Xingliang mine-prepared reports in the third quarter, including feasibility report, social stability risk analysis report, geological disaster assessment report, environmental assessment report, exploration report, etc. In addition, the management will reduce the operating cost to the minimum during this period, hence to redistribute work among mining staff to improve business efficiency.



## 2. AGRICULTURAL INVESTMENT AND DEVELOPMENT

Kaisun 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., Ltd (“Cheung Lee”). The Company also encourages the development of Cheung Lee towards diversified planting.



Kaisun’s team visit to local government and agricultural sites

Cheung lee Highlight for 3rd Quarter:

- Pioneering trading business of fruit and vegetables — Kaisun’s team and Cheung Lee’s team visited Yunnan, Guangxi and Jiangxi and other provinces to study the agriculture markets and the products including kiwi, avocado, grapefruit, etc. The group has discussed with the local government and management of SOE to understand the preferential agricultural policies and investment market.
- Scale up the agricultural base — Cheung Lee has spread the business to Quanan, Jiangxi province, and cooperated with the local government to develop an agricultural base. The first phase of the infrastructure area covers a total area of 246mu, and greenhouses are under construction.



#### **iv. Mongolia – supply chain management business**

Mongolia is located between Russia and China, which is the only way for logistics transportation between the countries. Driven by the proposal of “planning summary of the economic corridor between Russia and Mongolia” and “One Belt And One Road” economic strategy, choir project has obvious geographical advantages.

Kaisun plans to acquire the railway logistics platform in Choir city of Mongolia (“choir project”), which is located in the middle-east of Mongolia. The platform is 250 kilometres away from the capital Ulaanbaatar, covering a total area of 35,000 square meters, with an annual loading capacity of 1.8 million tons. The logistics centre will provide loading and unloading services, warehousing, customs declaration, and logistics services. The ground construction will be completed after the acquisition so as put the logistic centre into operation.

source: [http://big5.xinhuanet.com/gate/big5/www.xinhuanet.com/fortune/2018-10/16/c\\_129972760.htm](http://big5.xinhuanet.com/gate/big5/www.xinhuanet.com/fortune/2018-10/16/c_129972760.htm)



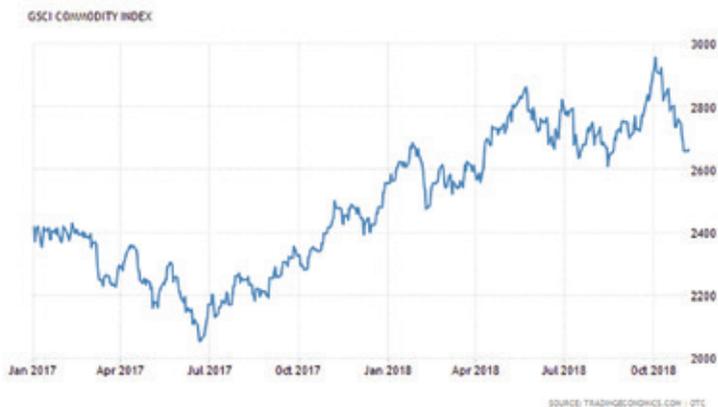
Railway logistics along Russia, Mongolia and China



### ***Choir project follow-up summary***

- After the completion of due diligence and field investigation, the group is negotiating with parties for completion of the audit reports, valuation reports and legal documents required for acquisition.

### **v. *Commodities trade***



The US-China trade war has lasted for more than three months, and the global supply chain is gradually changing, creating a trend of foreign capital withdrawing from China. Foreign companies have been moving or considering to move their production lines in order to avoid tariffs so that the final products to be exported to the United States do not come from China. Furthermore, under the current trend of capital withdrawal from China, Countries in Southeast Asia is gaining benefit as foreign enterprises choose to reallocate their production lines in the region. Therefore commodities trade in South-East Asian countries revives, and the price of raw materials and by-products are on rising trend.

Under such favourable economic environment and as an experienced commodities trader along countries along Belt and Road, Kaisun has re-started the trade of building materials products in Southeast Asian



countries. In the 3rd quarter, the operating income of commodities trading was approximately HK\$8.03 million, and Kaisun will continue to develop the trading business in the region.

## **FOURTH QUARTER 2018 DEVELOPMENT GOALS**

### *Shandong — mining and metallurgical machinery production*

- Establish an effective financial system, maintain sufficient cash flow and increase the recovery of receivables.
- Increase workforce in sales and production, so as to raise turnover by expanding sales network and product diversification.

### *Shandong — supply chain management service*

- Coal demand is expected to rise due to the cold weather. A positive performance is expected in the fourth quarter of 2018.
- The second phase of the logistics park project is near completion and will be put into operation in the fourth quarter to increase the business scale.

### *Xinjiang — coal mining operations*

- Complete the mining area planning report to fulfill requirement of application for raising the annual production of mining license to 1.2 million tonnes.

### *Mongolia — supply chain management service*

- Explore the logistic business by looking for appropriate business partners so as to put into operation as soon as possible. It is hoped that the logistics centre will become a hub for logistics and connecting Russia, Mongolia and China by providing logistics, customs clearance and warehousing services.



*Hong Kong — commodities trade*

- Continue to seek trade opportunities and expand the business scale of commodities trading and diversify the Company business.

*Investment in agriculture*

- Development of agriculture products and by-products trading business by introducing strategic partners, and cooperating with governments and SOE.

**3. ESPORTS BUSINESS**

EvoLoop Limited, a subsidiary under Kaisun Holdings, has been making some positive progress in its eSports-related IP creation. For more details about earlier development please refer to our previous Interim Results.

Data has been gathered about our current signature IP event, Girl Gamer eSports Festival, a global big-scale eSports event that was held in Portugal this July. We recorded some groundbreaking figures, where 4.7 million broadcast viewers watched the event through the TV and the internet, and 22.4 million people were reached over the world through news, social media platform, etc. These means growth of roughly 236% and 148% respectively, compared to the figures from last year's event.

These growing figures, together with new partners such as Sephora, 7up and Logitech (again, please refer to our Interim Results for details), are evidence showing that the brand of Girl Gamer is building its recognition and reputation rapidly in the eSports industry around the world.



▲Partners of 2018 Girl Gamer eSports Festival



Our previous success has opened many doors to new potential connections and partnerships for upcoming development. We are hoping to disclose some exciting news when the time has matured, and we are confident that our eSports-related IP creation will grow further.

#### 4. EVENTS & CONSULTANCY BUSINESS

Our subsidiary, People's Communication and Consultancy Company Limited, has completed various organizational restructuring and manpower arrangements during the first half of 2018. In the third quarter, based on existing projects, the company continued its effort to develop business ideas.



We are able to garner more information and opportunities by maintaining traditional investment attraction projects with listed company consulting businesses, while also networking extensively with associations and non-profit organizations in Hong Kong.



▲Existing Clients of PCCC

In the first three quarters, the company has accumulated a substantial number of renowned clients and partners in the industry in hopes to synergize Kaisun’s Belt and Road business in the future.



## 5. SECURITIES TRADING BUSINESS

The Group's listed-securities trading business continues to contribute in our business portfolio. Recently, the global stock market has been crashing and the Hong Kong stock market has also been crumbling under pressure by the escalating trade war between China and the United States. The Hong Kong stocks are entering into a bear period as the Hang Seng index ended at a near 14-months low. Our listed-securities trading has performed well under the management of the investment committee by monitoring the market situation closely. We will continue to target the long-term growth securities that pay dividend and wait for opportunities to arise.

As at 30 September 2018, the fair value of listed investment and unlisted investment were HK\$124,738,490 and HK\$23,500,000 respectively. The cost of listed investment was HK\$71,793,790.

During the nine months ended 30 September 2018, fair value gain on listed securities was HK\$8,563,610, gain on disposal of listed securities was HK\$128,600, dividend income from listed securities was HK\$1,485,336.

## 6. INVESTMENT VEHICLE DEVELOPMENT

Our investment in Xin Ying preference shares and Sturgeon Capital remain constant. Dividend income from Xinying Financial was HK\$540,000, while Sturgeon Capital continues to build up the Belt and Road portfolio.

## 7. ESTABLISHMENT OF BUSINESS UNIT FOR CONSULTING AND TRUST BUSINESS

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



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

Over the many years of operating in the Belt and Road regions we have gained a reputation as the Belt and Road pioneer and expert in Hong Kong. Many of our peers or companies introduced by our business network that would like to take expand their business into the Belt and Road region seek advice from us because we have the know-how.

Management of the Group has been sharing our experience and helping these companies as a way to expand our own Belt and Road business network as well as to screen for potential investments during the past years. We have realized a while ago that this is actually very valuable information we are sharing with others and it is possible to capitalize on it.

With this in mind, the Group set up Kaisun Consulting Limited at the back of our newly established secretarial company earlier this year. Kaisun Consulting has the capabilities in helping our Belt and Road peers to run their secretarial services and to assist in our peers' business strategies. Furthermore to meet the needs of our Belt and Road peers, we set up Kaisun Trust and Trustee Services Company Limited to provide trust services. With these two companies together, the Group is not only able to continue to share our experience with our peers and to expand our Belt and Road network but also actually provide some professional services to our peers at a cost.

Some of our belt and road peers have already made the transition into becoming our service clients and has engaged Kaisun Consulting to be their corporate services provider. Since inception, Kaisun Consulting Limited has generated HK\$7.5 million income from various clients operating in different industries.



## CORPORATE SOCIAL RESPONSIBILITIES

### ***2018 Raleigh Challenge – Wilson Trail (October 13-14, 2018)***

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



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

### ***“Belt and Road Conference 2018”***

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

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



As the supporting organization, Kaisun believed that Hong Kong is well positioned for tapping Belt and Road Opportunities in Greater Bay Area. Through sharing and discussion by guests and attendees, potential opportunities in Greater Bay Area and Belt and Road initiative can be explored.



- ▲ Right 1: Professor K.C. Chan, Former Secretary for Financial Services and the Treasury, HKSAR, Adjunct Professor of Finance, Hong Kong University of Science and Technology.
- Right 3: Mr. Matthew Cheung Kin-chung, *GBM, GBS, JP*, Chief Secretary of the Government of HKSAR
- Right 4: H.E.Rashid Alimov, Secretary-General of The Shanghai Cooperation Organization;
- Right 5: Mr. Joseph Chan, Kaisun’s chairman and CEO;
- Right 6: Mrs. Regina Ip, *GBS, JP*, Co-Chair, The Maritime Silk Road Society



- ◀ Center: Mr. Joseph Chan, Kaisun’s Group chairman & CEO
- Left: Mr. Zhao Jie, Group VP & CEO of Kaisun’s CIS Business



## FINANCIAL REVIEW

Revenue of the Group for the nine months ended 30 September 2018 amounted to approximately HK\$59.7 million, representing a drop of approximately 20.5% compared to that of the same period of 2017 (2017: HK\$75.1 million). Revenue arose from the sales of goods and provision of services amounted to HK\$42.8 million and HK\$16.9 million respectively.

The drop in revenue was mainly caused by a decrease in revenue from the provision of supply chain management services for mineral business by approximately 51% to approximately HK\$29.9 million for the nine months ended 30 September 2018 from HK\$61.2 million for the corresponding period in 2017. Such decrease in revenue from the provision of supply chain management services for mineral business, which was due to the cut-off time of the shipments, which had led to completion of the trading transaction after the period ended 30 September 2018.

The Group's gross profit for the nine months ended 30 September 2018 increased approximately 173.5% to HK\$17.1 million compared to the corresponding period in 2017 (2017: HK\$6.3 million). Gross profit arising from the sales of goods and provision of services amounted to HK\$3.5 million and HK\$13.6 million respectively.

For the nine months ended 30 September 2018, the total administrative and other operating expenses from the Group's operations was approximately HK\$46.4 million (2017: HK\$39.5 million).

The increase of total administrative and other operating expenses for the nine months ended 30 September 2018 was mainly caused by the total administrative and other operating expenses of the acquired subsidiary in Xinjiang during the quarter ended 30 September 2017, from HK\$3.5 million for the nine months ended 30 September 2017 to HK\$9.2 million for the nine months ended 30 September 2018.

For the nine months ended 30 September 2018, the loss from operations was approximately HK\$11.9 million (2017 loss: HK\$30.5 million).

The improvement of loss from operations for the nine months ended 30 September 2018 compared to the corresponding period in 2017 was attributable to improvement in the Company's gross profit from HK\$6.3 million in 2017 to HK\$17.1 million in 2018. The improvement in gross profit was attributable to the consolidation of operating results from event organizing and servicing business, as such revenue generated is with high gross profit margin. Secondly, Fair value gain on financial assets at fair value through profit or loss contributed the improvement in loss from operations, to HK\$8.6 million for the nine months ended 30 September 2018 from HK\$0.3 million for the same period of 2017, due to relatively good performance of our investment portfolio, which comprises of Hong Kong listed stocks compared to the corresponding period in 2017.



The Group recorded net loss for the nine months ended 30 September 2018 of approximately HK\$10.1 million (2017 net profit: HK\$77.5 million).

The total comprehensive loss attributable to owners of the Company for the period amounted to approximately HK\$21.5 million (2017 total comprehensive income: HK\$53.1 million).

As at 30 September 2018, the Group held financial assets at fair value through profit or loss of approximately HK\$124.7 million, wholly comprised of listed investment in securities listed in Hong Kong. In the midst of poor performance of Hong Kong stock market, the gain on disposal of financial assets at fair value through profit or loss increased approximately 122% to HK\$129,000 compared to the same period in 2017 (2017: HK\$58,000), whilst the fair value gain on financial assets at fair value through profit or loss was approximately HK\$8.6 million for the nine months ended 30 September 2018 (2017: HK\$335,000). The details of financial assets at fair value through profit or loss are set out as follow:

Company Name	Number of	% of	Unrealized	Dividends or	Fair value as at		% of the	Investment	Reasons for fair
	shares held	share-holding	gain/(loss) on	interests	30 September	31 December	Group's net		
	as at	as at	change for	received for	2018	2017	assets as at	cost	value loss
	30 September	30 September	the period	the period	30 September	31 December	30 September		
	2018	2018	ended	ended	2018	2017	2018	HK\$	HK\$
			HK\$	HK\$	HK\$	HK\$			
<b>Hong Kong Listed</b>									
<b>Securities</b>									
361 Degrees International Limited (1361) (Note 1)	219,000	0.01	(33,760)	20,856	435,810	—	0.09	1,308,070	Drop in Share price
EJE (Hong Kong) Holdings Limited (8101) (Note 2)	110,000,000	3.80	11,990,000	—	19,800,000	7,810,000	4.23	7,775,000	—
FSM Holdings Limited (1721) (Note 3)	3,600,000	0.36	(108,000)	—	1,800,000	—	0.38	1,908,000	Drop in Share price
Larry Jewelry International Co Ltd (8351) (Note 4)	2,600,000	0.07	(730,600)	—	543,400	1,274,000	0.12	1,027,000	Drop in Share price
MTR Corporation Limited (0066) (Note 5)	7,000	0.00	2,450,000	—	288,400	—	0.06	411,200	—
OP Financial Investments Limited (1140) (Note 6)	36,612,000	1.25	(1,464,480)	1,464,480	100,316,880	102,181,680	21.41	53,764,520	Drop in Share price
Sau San Tong Holdings Limited (8200) (Note 7)	42,000,000	0.77	(1,092,000)	—	1,554,000	2,646,000	0.33	5,600,000	Drop in Share price
<b>Total</b>			<b>8,563,610</b>	<b>1,485,336</b>	<b>124,738,490</b>	<b>113,911,680</b>	<b>26.62</b>	<b>71,793,790</b>	



*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 (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. FSM Holdings Limited (HKEx: 1721) — The group is a sheet metal fabricator with a focus on precision engineering and a precision machining service provider based in Singapore. Sheet metal fabrication is the use of sheet metal to produce structures and products for various applications, whereas precision engineering requires attention to detail and knowledge for careful application of measurements, control and fabrication methods which supports the production of complex components in various industries.
4. Larry Jewelry International Co Ltd (HKEx: 8351) — The principal activities of the Group are design and retailing of jewelry products and sales of Chinese pharmaceutical products, dried seafood, health products and foodstuffs ("pharmaceutical and health food products").
5. MTR Corporation Limited (HKEx: 0066) — The Group is principally engaged in the following core businesses — railway design, construction, operation, maintenance and investment in Hong Kong, the Mainland of China and a number of major overseas cities; project management in relation to railway and property development businesses; station commercial business including leasing of station retail space, leasing of advertising space inside trains and stations, and enabling of telecommunication services on the railway system in Hong Kong; property business including property development and investment, management and leasing management of investment properties (including shopping malls and offices) in Hong Kong and the Mainland of China; and investment in Octopus Holdings Limited.
6. OP Financial Investments Limited (HKEx: 1140) — OP Financial Investments Limited ("OP Financial" or "the Group") is a Hong Kong listed Investment Company with the mandate allowing the Company to invest in various assets, financial instruments, and businesses globally. The Group produce medium to long term shareholder returns by developing customized investment solutions for and alongside institutional and corporate investors in the region. The Group's co-investors are mainly large financial institutions and organizations targeting either high growth opportunities within China or strategic investments outside the region. The Group 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.



7. Sau San Tong Holdings Limited (HKEx: 8200) — The Group 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.

As at 30 September 2018, the Group held financial assets at fair value through other comprehensive income of approximately HK\$23.5 million, wholly comprised of unlisted equity securities in Hong Kong and United Kingdom. The details of financial assets at fair value through other comprehensive income are set out as follow:

Company Name	Number of	% of share-	% of the	Investment cost	
	sharers held			Group's net	as at
	as at	holding as at	assets as at	30 September	31 December
	30 September	30 September	30 September	30 September	2017
	2018	2018	2018	2018	2017
				HK\$	HK\$
Cheung Lee Farming Corporation (Note 1)	770	7.7	1.64	7,700,000	2,700,000
Sturgeon Capital Limited (Note 2)	24,999	10.0	1.66	7,800,000	7,800,000
Xin Ying Holdings Limited (Note 3)	8,000,000	N/A	1.71	8,000,000	8,000,000
			5.01	23,500,000	18,500,000

Notes:

- 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.
- 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 September 2018, the Group has a bank and cash balance of approximately HK\$51.2 million (as at 31 December 2017: HK\$26.0 million).

On 24 August 2018, the Company issued a 8% unlisted straight bonds due 2020 in an aggregate principal amount of HK\$50,000,000. Among of that, HK\$30,000,000 of the net proceeds will be reserved for the execution of our acquisition of the railway logistics platform in Choir city of Mongolia, whilst the remaining net proceed will be used to facilitate our 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 long term debts over the Group’s total equity, was approximately 10.7% as at 30 September 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 (“RMB”), Sterling Pound, United States dollars and Tajikistan Somoni. As at 30 September 2018, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.



## 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	Approximate percentage of	
		Number of shares as at 30 September 2018	the total issued shares as at 30 September 2018
Chan Nap Kee, Joseph	Beneficial owner	166,253,298 <i>(Note 1)</i>	28.84%
Yang Yongcheng	Beneficial owner	1,615,000 <i>(Note 2)</i>	0.28%
Liew Swee Yean	Beneficial owner	204,000 <i>(Note 3)</i>	0.04%
Siu Siu Ling, Robert	Beneficial owner	204,000 <i>(Note 3)</i>	0.04%
Wong Yun Kuen	Beneficial owner	525,000 <i>(Note 3)</i>	0.09%
Anderson Brian Ralph	Beneficial owner	150,000 <i>(Note 3)</i>	0.03%

Save as disclosed above, as at 30 September 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.



*Notes:*

1. After allotment of rights shares on 16 January 2017 and share consolidation of 10 shares into 1 share became effective on 16 February 2017, the total number of shares beneficially owned by Mr. Chan Nap Kee, Joseph ("Mr. Chan") was 160,212,298. Of these, 2,004,000 shares were shares awarded to Mr. Chan as Director on 30 December 2015 under 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, 1,290,000 shares were purchased by Mr. Chan on the market from 29 June 2018 to 30 September 2018. Hence the total number of shares owned by Mr. Chan was 166,253,298 as at 30 September 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 September 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 September 2018
Mr. Chan Nap Kee, Joseph	Beneficial Owner	166,253,298	28.84%
Ms. Yeung Po Yee, Bonita	Interest of spouse <i>(Note 1)</i>	166,253,298	28.84%
Mr. Zhang Xiongfeng	Beneficial Owner	70,120,000	12.16%
Ms. Wu Mingqin	Interest of spouse <i>(Note 2)</i>	70,120,000	12.16%

#### *Notes:*

- 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.
- 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 September 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.

#### ***1. 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 100,000 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 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 was no shares left in the Share Award Scheme 2016 after completion of grant of shares to the Directors as stated above.

During the nine months ended 30 September 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 260,000 shares for total consideration of about HK\$98,550.



#### 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 nine months ended 30 September 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](http://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](http://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](http://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 nine months ended 30 September 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 260,000 shares for total consideration of about HK\$98,550.

## **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 September 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 nine months ended 30 September 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, 8 November 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>.*

