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## 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



### 2023 FIRST QUARTERLY RESULTS ANNOUNCEMENT

The board (the “**Board**”) of directors (the “**Directors**”) of Kaisun Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (the “**Group**”) for the three months ended 31 March 2023. This announcement, containing the full text of the 2023 first quarterly report of the Group, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM (the “**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcement of first quarterly results.

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

Hong Kong, 15 May 2023

\* *for identification purpose only*

*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 three independent non-executive directors of the Company Mr. LIEW Swee Yean, Dr. WONG Yun Kuen and Mr. WU Zheng.*

*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 GEM of The Stock Exchange (the “GEM Listing Rules”) 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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*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>.*

## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher 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.**

**Given that the companies listed on GEM are generally small and mid-sized companies, 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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The board of Directors (the “Board”) is pleased to announce the unaudited results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2023 together with the unaudited comparative figures period in 2022 as follows:

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2023

		<b>Unaudited Three months ended 31 March</b>	
		<b>2023</b>	2022
		<b>HK\$'000</b>	HK\$'000
	<i>Note</i>		
<b>Revenue</b>	4	<b>107,271</b>	86,832
Cost of goods sold and services		<u>(102,320)</u>	<u>(79,892)</u>
<b>Gross profit</b>		<b>4,951</b>	6,940
Investment and other income	6	<b>7,889</b>	210
Other gains and losses	7	<b>(1,930)</b>	(8,627)
Administrative and other operating expenses		<u>(12,596)</u>	<u>(15,729)</u>
<b>Loss from operations</b>		<b>(1,686)</b>	(17,206)
Finance costs	12	<u>(1,707)</u>	<u>(1,681)</u>
<b>Loss before tax</b>		<b>(3,393)</b>	(18,887)
Income tax credit	8	<u>679</u>	<u>1,234</u>
<b>Loss for the period</b>		<u><b>(2,714)</b></u>	<u>(17,653)</u>
<b>Attributable to:</b>			
Owners of the Company		<b>(3,248)</b>	(15,996)
Non-controlling interest		<u>534</u>	<u>(1,657)</u>
		<u><b>(2,714)</b></u>	<u>(17,653)</u>
<b>Loss per share (HK cents)</b>			
Basic	10	<u><b>(0.56)</b></u>	<u>(2.77)</u>

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

For the three months ended 31 March 2023

	<b>Unaudited Three months ended 31 March</b>	
<i>Note</i>	<b>2023 HK\$'000</b>	2022 HK\$'000
<b>Loss for the period</b>	<b>(2,714)</b>	(17,653)
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>(848)</u>	<u>686</u>
<b>Other comprehensive income for the period, net of tax</b>	<u><b>(848)</b></u>	<u>686</u>
<b>Total comprehensive income for the period</b>	<u><b>(3,562)</b></u>	<u>(16,967)</u>
<b>Attributable to:</b>		
Owners of the Company	<u><b>(4,320)</b></u>	(15,542)
Non-controlling interest	<u><b>758</b></u>	<u>(1,425)</u>
	<u><b>(3,562)</b></u>	<u>(16,967)</u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2023

	Share capital	Share premium	Shares held under share award scheme	Foreign currency translation reserve	Financial assets at FVTOCI reserve	Accumulated losses	Total	Non-controlling interests	Total equity/(capital deficiency)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2023 (audited)	57,657	1,361,095	(3,371)	(978)	(6,300)	(1,425,071)	(16,968)	16,127	(841)
Total comprehensive income for the period	—	—	—	(1,072)	—	(3,248)	(4,320)	758	(3,562)
Changes in equity for the period	—	—	—	(1,072)	—	(3,248)	(4,320)	758	(3,562)
At 31 March 2023	57,657	1,361,095	(3,371)	(2,050)	(6,300)	(1,428,319)	(21,288)	16,885	(4,403)
At 1 January 2022 (audited)	57,657	1,361,095	(3,371)	5,421	700	(1,409,713)	11,789	18,970	30,759
Capital injection by non-controlling interest in a subsidiary	—	—	—	—	—	—	—	3,025	3,025
Total comprehensive income for the period	—	—	—	454	—	(15,996)	(15,542)	(1,425)	(16,967)
Changes in equity for the period	—	—	—	454	—	(15,996)	(15,542)	1,600	(13,942)
At 31 March 2022	57,657	1,361,095	(3,371)	5,875	700	(1,425,709)	(3,753)	20,570	16,817

## 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 Room 1304, 13/F., Car Po Commercial Building, 18–20 Lyndhurst Terrace, Central, Hong Kong. The Company’s shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. The Group is principally engaged in coal mining business, consulting and media services business and corporate and investment business.

### 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 (the “IASB”). 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 information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the 2022 annual financial statements. The accounting policies and methods of computation used in preparation of these condensed financial information are consistent with those used in the annual financial statement for the year ended 31 December 2022, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of these changes in accounting policies are set out in note 3.

As disclosed in the Annual Report 2022 of the Company, the Group had net current liabilities of approximately HK\$196,149,000 as at 31 December 2022. These events or conditions indicate the existence of a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors has given careful consideration to the future liquidity and performance of the Group and its available sources of finance to continue as going concern. In the opinion of the directors, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future, based on the cash flow projections of the Group covering the next twelve months from 31 March 2023 prepared by the management of the Company, and after taking into consideration the following:

- (i) having regard to the gradual resumption of normal business activities of the Group following the ease of COVID-19 Pandemic, the directors believe that the Group is able to continue to generate sufficient cash flows from operations; and
- (ii) the expected positive results of the ongoing negotiations with the Group's creditors on the extension of repayment of debts.

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to the condensed consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

### **3. CHANGES IN ACCOUNTING POLICIES**

The Group has applied the following amendments to International Financial Reporting Standards ("IFRS") issued by IASB to these financial statements for the current accounting period:

Amendments to IAS 1 and IFRS Practice Statement 2 — Disclosure of Accounting Policies

Amendments to IAS 8 — Definition of Accounting Estimates

Amendments to IAS 12 — Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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



## 4. REVENUE

### Disaggregation of revenue

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

	<b>2023</b> <b>HK'000</b>	2022 HK'000
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
Disaggregated by major products or service lines		
Sales of goods:		
— Provision of supply chain management services for mineral business	<b>97,629</b>	74,521
— Mining and metallurgical machineries products	<b>4,218</b>	9,254
Provision of services:		
— Logistics services for mineral business	<b>3,562</b>	1,945
— Corporate services business	<b>128</b>	132
— Trust and trustee services	<b>523</b>	588
— Event management services	<b>526</b>	392
— Operating of railway logistic platform	<b>685</b>	—
	<b><u>107,271</u></b>	<u>86,832</u>

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

For the three months ended 31 March (unaudited)	Provision of supply chain management services business		Mining and metallurgical machineries production		Logistics services for mineral business		Corporate services business		Trust and trustee services		Event management services		Operating of railway logistic platform		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000
<b>Revenue by primary geographical markets</b>																
— Hong Kong	—	—	—	—	—	—	128	132	523	588	526	392	—	—	1,177	1,112
— PRC except Hong Kong	97,629	74,521	4,218	9,254	3,562	1,945	—	—	—	—	—	—	685	—	106,094	85,720
— Others	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Revenue from external customers	97,629	74,521	4,218	9,254	3,562	1,945	128	132	523	588	526	392	685	—	107,271	86,832
<b>Timing of revenue recognition</b>																
Products transferred at a point in time	97,629	74,521	4,218	9,254	3,562	1,945	—	—	—	—	—	—	—	—	105,409	85,720
Products and services transferred over time	—	—	—	—	—	—	128	132	523	588	526	392	685	—	1,862	1,112
Total	97,629	74,521	4,218	9,254	3,562	1,945	128	132	523	588	526	392	685	—	107,271	86,832

## 5. SEGMENT INFORMATION

IFRS 8 requires segmental disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purpose of assessing segmental performance and making decisions about operating matters.

The Group has three reportable segments namely coal mining business segment, consulting and media service business segment and corporate and investment business segment.

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.

Information about operating segment profit or loss:

	<b>Coal mining business segment HK\$'000</b>	<b>Consulting and media services business segment HK\$'000</b>	<b>Corporate and investment business segment HK\$'000</b>	<b>Total HK\$'000</b>
<b>For three months ended 31 March 2023 (unaudited)</b>				
Revenue from external customers	<b>106,095</b>	<b>1,056</b>	<b>120</b>	<b>107,271</b>
Segment profit/(loss)	<b>1,793</b>	<b>(534)</b>	<b>(3,973)</b>	<b>(2,714)</b>
Interest revenue	<b>1</b>	<b>1</b>	<b>41</b>	<b>43</b>
Interest expenses	<b>534</b>	<b>3</b>	<b>1,170</b>	<b>1,707</b>
Depreciation and amortisation	<b>3,763</b>	<b>—</b>	<b>—</b>	<b>3,763</b>
Income tax credit	<b>(587)</b>	<b>—</b>	<b>(92)</b>	<b>(679)</b>
Other material items of income and expenses:				
Staff cost	<b>2,552</b>	<b>516</b>	<b>2,237</b>	<b>5,305</b>
Other material non-cash items:				
Impairment loss on/(reversal of impairment loss on) trade and other receivables	<b>1,619</b>	<b>3</b>	<b>(297)</b>	<b>1,325</b>
	<b><u>1,619</u></b>	<b><u>3</u></b>	<b><u>(297)</u></b>	<b><u>1,325</u></b>

	Coal mining business segment HK\$'000	Consulting and media services business segment HK\$'000	Corporate and investment business segment HK\$'000	Total HK\$'000
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**For three months ended**

**31 March 2022 (unaudited)**

Revenue from external customers	85,720	992	120	86,832
Segment loss	(10,708)	(589)	(6,356)	(17,653)
Interest revenue	1	—	—	1
Interest expenses	426	5	1,250	1,681
Depreciation and amortisation	4,267	1	2	4,270
Income tax credit	657	—	577	1,234
Other material items of income and expenses:				
Staff cost	3,077	687	2,081	5,845
Other material non-cash items:				
Impairment loss on/(reversal of impairment loss on) trade and other receivables	5,483	36	(41)	5,478

**Unaudited  
Three months ended  
31 March**

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>Reconciliations of segment profit or loss</b>		
Total loss of reportable segments	<b>(2,714)</b>	(17,653)
Other profit or loss	—	—
Consolidated loss for the period	<b>(2,714)</b>	(17,653)

## 6. INVESTMENT AND OTHER INCOME

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Interest income on bank deposits	<b>43</b>	1
Dividend income from equity investments	<b>68</b>	—
Service income for coal fire extinguishment works	<b>7,668</b>	—
Sundry income	<b>110</b>	209
	<b>7,889</b>	210

## 7. OTHER GAINS AND LOSSES

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Gain on disposal of financial assets at fair value through profit or loss ("FVTPL")	<b>—</b>	351
Fair value loss on financial assets at FVTPL	<b>(605)</b>	(3,500)
Impairment loss on trade and other receivables	<b>(1,325)</b>	(5,478)
	<b>(1,930)</b>	(8,627)

## 8. INCOME TAX CREDIT

	<b>Unaudited</b>	
	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Current tax — Hong Kong & China		
Income tax expenses	<b>67</b>	39
Deferred tax credit	<b>(746)</b>	(1,273)
	<b>(679)</b>	(1,234)

Under the two-tiered Profits Tax regime, the first HK\$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered Profit Tax rate regime will continue to be taxed at a rate of 16.5%.

No provision for the Hong Kong Tax is required since the Group has no assessable profit for the period.

PRC Enterprise Income Tax has been provided at a rate of 25% (2022: 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.

## 9. DIVIDEND

No dividend has been declared by the Company for the three months ended 31 March 2023 (three months ended 31 March 2022: HK\$Nil).

## 10. LOSS PER SHARE

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

	<b>Unaudited Three months ended 31 March</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Loss for the purpose of calculating basic loss per share	<u>(3,248)</u>	<u>(15,996)</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u><b>576,566,055</b></u>	<u>576,566,055</u>

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary sharing during the quarter ended 31 March 2023 and 2022.

## 11. SHARE CAPITAL

	<b>Unaudited as at 31 March 2023 HK\$'000</b>	Audited as at 31 December 2022 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 ordinary shares of HK\$0.10 each	<u><b>57,657</b></u>	<u>57,657</u>

## 12. FINANCE COSTS

	<b>Unaudited Three months ended 31 March 2023 HK\$'000</b>	2022 HK\$'000
Interest on bonds payables	<b>1,170</b>	1,250
Interest component of lease liabilities	<b>13</b>	24
Others	<u><b>524</b></u>	<u>407</u>
	<u><b>1,707</b></u>	<u>1,681</u>



## MANAGEMENT DISCUSSION & ANALYSIS

### CHAIRMAN'S STATEMENT

Looking back on 2022, it has been a worse year compared to 2021. Global growth slowed in 2022 to 3.2%, mainly weighed down by Russian-Ukraine war and the associated cost-of-living crisis in many countries. Hong Kong economy shrinks worse-than-expected 3.5% in 2022, which has also been reflected in our 2022 annual report. Sharply rising costs in the past few years has been crimping our margins.

More than that, as Hong Kong steps up its game on environmental, social and governance ("ESG") issues, the city's listed firms will have to spend more time and money to comply with green reporting and for small companies like us, it takes us a significant amount of time and money to do so, as well as gaining experience with creating such reports. In spite of this, we have been doing our best to comply with the requirements and reduce our carbon footprint with down-to-earth plans to reduce energy waste in our office and it has proved to be effective with our electricity bills been on a reducing trend.

China's re-opening brings hope and we have witnessed an improvement in activity and sentiment in early 2023. All of our business departments are ready to embark on the new journey. The Group's event management and eSports business has back to normal in full gear with plans to secure more contracts every month. The feedback is positive. What limit us now, probably the plight the whole industry facing, is the manpower shortage. Therefore, we are cautious about introducing new projects for not letting them cloud our reputations. Group's trust business is in the same predicament. Brain drain limits its business to grow and it further leads us to a vicious circle.

The focus of the Group's energy business unit in the first quarter was to reshape our business in ShanDong and the priority of it was collecting accounts receivable. Our operation in XinJiang still in a difficult position. As Xinjiang represents the "sensitive" border China shares with the Central Asia, making it more challenging to improve its business environment compared to inland and coastal cities. It is hoped that the region's energy industry will have clearer strategic guidance to follow and bring benefits to Hong Kong enterprises.

Looking into the second quarter, the priority of the management is to address our manpower issues prudently. The World Health Organization officially announced that COVID-19 no longer represents a global health emergency at the time of writing this report. Although the road to recovery from the pandemic is long and arduous, we are certainly in a much better position now than we have been at any time during the pandemic. We look to witness some encouraging development of our projects in the near future.

## **MINING, MANUFACTURING OF MACHINERY & SUPPLY**

### **i. Shandong – Mining and Metallurgical Machinery Production**

Tengzhou Kaiyuan Industrial Co., Ltd. (“Tengzhou Kaiyuan”), a joint venture of a subsidiary company of the Group, specializes in mining and metallurgical machinery production. It owns 50 sets of safety certificates for mining products and obtains European Standard Certificate in 2023. Its major products are overhead manned cableway devices and its accessories, as well as technical consultancy services including equipment installation, technical support and after-sales services.

#### ***Analysis on China’s mining machinery manufacturing industry in 2023***

In the first quarter of 2023, domestic consumption, investment, and production all have improved; economic recovery is improving steadily. The National Energy Administration announced that last year coal supply guarantee policy will be extended until March 2023 to fully release advanced production capacity. Under the policy, raw coal production grew rapidly in early 2023. In the first quarter, 1.15 billion tons of raw coal were produced, a year-on-year increase of 5.5%; 100 million tons of coal were imported, a year-on-year increase of 96.1%.

The Group believes that the steady growth of the Mainland economy and the rising demand for coal and electricity from enterprises and merchants are expected to drive the growth of the domestic demand for coal machinery and equipment, and hence increase the business volume of Tengzhou Kaiyuan.

(Data from: <https://finance.sina.cn/china/gncj/2023-04-18/detail-imyquezs8817599.d.html>)

### ***Tengzhou Kaiyuan Highlights for the 1st quarter***

- Tengzhou Kaiyuan continued to strengthen company's internal management system, including personnel compensation, work process, job responsibilities and department management, in order to improve operational efficiency and achieve better development in the future.
- By updating mining machinery and equipment, Tengzhou Kaiyuan successfully enhanced the mechanical performance of the products, obtained European Standard Certificate in this season, developed cross-border trade and shipped overseas orders to Vietnam for the first time.
- Through a more comprehensive and complete management system, Tengzhou Kaiyuan successfully improved work efficiency, productivity and profitability; broke even in the first quarter.



Newly obtained European Standard Certificate in 2023



Daily operations of Tengzhou Kaiyuan

## **ii. Shandong – Supply Chain Management Services**

Shandong Kailai Energy Industrial Co., Limited (“Shandong Kailai”) is a joint venture between a subsidiary of the Company and Shandong Bayi Coal Electrochemical Co., Ltd.

Shandong Kailai Energy Industrial Co., Limited (“Shandong Kailai”) specializes in coal supply chain management, warehouse and logistics management as well as loading and unloading service. It has the right to use a section of railway permitted by China’s Jinan Railway Bureau. Shandong Kailai’s logistics centre enjoys favourable geographical advantage as it is located at China’s railway hub with a number of state-owned enterprises nearby. At present, Shandong Kailai’s logistics centre, including its environmental protection facilities and storage centre, boasts a total area of 110,000m<sup>2</sup>, with an annual loading capacity of 3 million tons.

### ***Analysis on China’s coal rail transportation in 2023***

In order to restore production and effectively stimulate domestic demand, the railway department has given full play to centralize dispatching and unify command, excavated the channel capability of normal-speed trunk lines, opened up key nodes and continuously improving the efficiency of road network transportation to realize continuous high-level operation of railway freight. In the first quarter of 2023, national railway freight maintained a high level of operation. A total of 970 million tons of goods was delivered, a year-on-year increase of 2.3%. Coal transportation reached 537 million tons, a year-on-year increase of 3.4%.

The post-epidemic economic restart in Mainland has led to an increase in demand for travelling, as well as an increase in offline activities of merchants, leading to a recovery in consumption. The rise in demand for coal will help driving the growth of the coal industry chain, which is believed to have a positive impact on Shandong Kailai’s coal supply chain business.

(Data from: [http://news.china.com.cn/txt/2023-04/10/content\\_85221379.htm](http://news.china.com.cn/txt/2023-04/10/content_85221379.htm))

### ***Shandong Kailai for the 1st quarter***

- Shandong Kailai began to build an additional wall to strengthen the control of dust pollution, so as to reduce the impact of dust on the surrounding environment during daily operations. At the same time, the Group also started the construction of the fourth environmental protection greenhouse to fulfil corporate social responsibility and enhance corporate image.
- In the first quarter, Hong Kong management team arrived Shandong Kailai to discuss the plan of rebuilding the station rails, enabling the platform to be loaded and unloaded in containers, which facilitated the transportation of coal from Xinjiang Xingliang Mine to Shandong Kailai, realizing the integration of production-transportation-sales business.
- The green image of Shandong Kailai has successfully won the recognition of consumers, enhanced market efficiency and attractiveness. In the first quarter, it recorded a cumulative sales revenue of approximately HK\$71.66 million.



Shandong Kailai Addition Wall Project



Daily operations of Shandong Kailai

**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 Qiquanhu Town, Turpan City within the Tuha coal field area, which is one of the four major coal fields in Xinjiang province. Xingliang Mine primarily contains long-flame coal, which is mainly used by power plants and chemical industries. In 2018, Xingliang Mine signed an integrity agreement with Turpan Gaochang District Government for the consolidation of nearby small-scale mines, with Xingliang Mine as the main body of the consolidation project.

To facilitate the consolidation project, Xingliang Mine was granted a prospecting license of 1.2 million tons on 11 August 2020. In addition, Xingliang Mine’s application for the coal fire extinguishment work has been submitted in 2021, and a cooperation agreement has been reached with the subcontractor, Xingliang Mine was granted a mining license of 1.2 million tons during 2022.

### ***Analysis of Xinjiang's coal industry in 2023***

Since the beginning of this year, the demand of coal for production and heating in Xinjiang and enterprises outside Xinjiang has increased. In response to the trend, the Xinjiang railway department has vigorously launched circular trains and inter-bureau coal trains, increased the proportion of coal trains leaving Xinjiang and achieved remarkable results. According to data from the National Bureau of Statistics, the output of raw coal in Xinjiang in the first quarter of 2023 was 113 million tons, a year-on-year increase of 22.2%; Xinjiang's coal shipments reached 14.2595 million tons, a year-on-year increase of 21.1%.

Benefiting from the support of national macro policies, the demand for coal inside and outside Xinjiang continues to rise, which has become an important piece of the puzzle of the national energy system, and the Group believed that it will bring stable profits and cash flow to Xingliang Mine.

(Data from: <https://xueqiu.com/6014436876/248087419>)

### ***Xingliang Mine for the 1st quarter***

- Xingliang Mine carried out fire area exploration project to obtain relevant geological parameters and construction data, and planned to increase the scope of the fire extinguishing project.
- Since the fire extinguishing project was due in September 2022, Xingliang Mine continued to apply for an extension of the project. Hong Kong management team arrived at the site to negotiate with the local government to speed up the approval process and it is expected to be approved in the second quarter of 2023.





The construction team carried out the exploration project

**中华人民共和国**

**采矿许可证**

(副本)

证号: C6500002022081210154413

采矿权人: 新疆吐鲁番星光矿业有限公司

地址: 吐鲁番市高昌区七泉湖镇矿区

矿山名称: 新疆吐鲁番星光矿业有限公司七泉湖矿区露天矿

经济类型: 有限责任公司

开采矿种: 煤

开采方式: 地下开采

生产规模: 120 万吨/年

矿区面积: 8.864 平方公里

有效期限: 壹拾伍年

2022年08月12日

二〇二二年 月 日

中华人民共和国自然资源部印

矿区范围拐点坐标: (2000国家大地坐标系)

点号	X坐标	Y坐标	点号	X坐标	Y坐标
1.	4782216.96	30453791.48			
2.	4782352.96	30454717.48			
3.	4782387.97	30450187.49			
4.	4781962.95	30457437.50			
5.	4780422.95	30457281.50			
6.	4779947.95	30458203.50			
7.	4779463.95	30458049.50			
8.	4779743.95	30456731.50			
9.	4779688.95	30458711.50			
10.	4779649.95	30456969.49			
11.	4779798.95	30456066.50			
12.	4779807.95	30455263.49			
13.	4780309.95	30453257.48			

开采深度: 由1132米至-109米标高, 共有13个拐点圈定

Xingliang Mine's mining license of 1.2 million tons

#### **iv. Mongolia – Supply Chain Management Business**

The railway logistics platform in Choir, Mongolia, is located at a strategically important conduit between Russia and China, and has a unique geographical advantage on the trilateral trade between China, Mongolia and Russia. The railway logistics platform covers a total area of 35,000m<sup>2</sup> with an annual loading capacity of 1.8 million tons. It mainly provides loading and unloading services, customs declaration, warehousing and logistics services.

#### ***Analysis of Mongolia's mining industry amid COVID-19 pandemic in 2023***

Statistics from the National Statistics Office of Mongolia showed that Mongolia's coal output totalled 16.9028 million tons from January to March 2023, an increase of 232.3% over the same period last year; coal exports totalled 14.1428 million tons, a year-on-year increase of 460.5%. Measures to increase coal prices and new policies to export coal to Japan and South Korea have had a positive impact on Mongolian coal production.

The Group believes that in the long run, Mongolia will take advantage of its geographical advantages with China and export coal to China through its coal railway network built in recent years, which will benefit the business development of the Choir Logistics Centre.

(Data from: <https://coal.in-en.com/html/coal-2627982.shtml>)

#### ***Choir Project for the 1st quarter***

- The Group cooperated with Sainsaikhan Consulting Services LLC to be the construction, operation and strategic contractor of the Choir Project. In the first quarter, the Group and its partners worked together to promote the development of the Choir Project to achieve win-win results, recorded a revenue of approximately HK\$685,000 in cooperation share.

## AGRICULTURAL INVESTMENT AND DEVELOPMENT

Kaisun Group continues to provide professional guidance and service on internal control and audit to support the business development of Cheung Lee Agricultural Co., Limited (“Cheung Lee”) such as daily operation, financial control, legal advice and development in other aspects.

Over the past two decades Cheung Lee has evolved into an agricultural integrator that provides unique green agri-food industry chain solutions, consisting of modern farming, cultivation management as well as physical and online sales platforms connecting both Chinese and international green food wholesale and retail businesses.

### **Cheung Lee Highlights for the 1st quarter**

- Cheung Lee continued to focus on the development of tea sector, researched product demand, and developed product diversification. Hong Kong team also went to Fujian and Yunnan to negotiate with local suppliers and inspect local tea factories, planning to increase the trade volume of tea leaves.
- Strengthen the development of vegetable segment, expanded the scale and quantity of business production, and actively improved the quality of vegetables.



Yunnan Vegetable Planting Base

## **SECOND QUARTER 2023 DEVELOPMENT GOALS**

The Group will continue to build on existing business, maintain steady growth, solidify business network and accelerate business expansion. The Group's business goals in the 2nd quarter are as follows:

### **Shandong – Mining and Metallurgical Machinery Production**

- Tengzhou Kaiyuan plans to actively explore the market in the second quarter, expand product application fields, optimize product and customer structure, and continue to strengthen lean production management, reduce production costs, and stabilize the profitability of the group.

### **Shandong – Supply Chain Management Services**

- It is expected that the enhanced environmental protection constructions will be completed in the second quarter, which will reduce the load on the natural environment during operation, fulfil environmental protection responsibilities, and improve corporate image and corporate competitiveness.
- Start the preparatory work of rebuilding the railway track at the station, improve the supporting facilities of the freight platform to enable platform to be transported in containers, which would convenient Kailai to transport coal from Xinjiang Xingliang Mine to Shandong, and realize the integration of production-transportation-sales business.

### **Xinjiang – Coal Exploitation Business**

- Xingliang Mine is in close vicinity to an industrial area, with power plants and chemical plants as potential customers, including Xinjiang Huadian Turpan Power Plant, Xinjiang Guanghui Coal Cleaning Chemical Company Limited and Shenhong Industrial Park. As there is excess demand in the local area, Xingliang Mine will continue to initiate talks with potential customers with the aim to satisfy the local industrial coal demand with the majority of coal produced by Xingliang Mine.

- Continue to apply for postponement of the fire extinguishing project, and it is expected to be approved in the second quarter of 2023 and gradually resume the fire extinguishing project. In the second quarter, Xingliang Mine mainly plans to increase the area of the fire extinguishing project and expand the scope of business.

### **Mongolia – Supply Chain Management Business**

- Continue to maintain close contact with the partner team, closely understand the business situation, ensure the smoothness of the operation and stabilize income revenue.

### **Agricultural Investment and Development**

- Actively develop tea brands, enhance brand value and strengthen customer management to expand new customers and increase company revenue. Tea products will also be exhibited in Russia, Morocco and Hong Kong. In the second and third quarters, Cheung Lee will focus on the development of tea foreign trade.
- Promote natural, nutritious and high-quality planting, enhance the attractiveness of vegetables, improve the reputation of Cheung Lee and increase consumer confidence.

## **EVENT MANAGEMENT & CONSULTING SERVICES**

Hong Kong MICE industry began to pick up as expected after the full resumption of unrestricted cross-border travel between mainland China and Hong Kong. This March the city hosted its largest line-up of mega events in recent times. Our event management subsidiary People’s Communication and Consultancy Company Limited (“PCCC”) team also made a good start for the whole year in the first quarter by securing companies on Fortune Global 500 list as new event management clients, and its revenue increased by 30% comparing to same period of last year.

Since the government and our other partners are still on a tight budget for events compared to pre-pandemic levels, the teams has been operating with the least number of employees, which has brought a lot of pressure to the existing team members when have more projects at hand. Looking forward to the second quarter, we expect to see a steady growth in business volume. The team hopes to maximize each member's contribution to work while start hiring, for getting more business and increasing our market share.

## **ESPORTS BUSINESS**

The eSports subsidiary's signature IP — GIRLGAMER 2022 World Tour has officially ended in March 2023. The world finals were held in Bahrain in March. The event was supported by Bahrain's Royal Family, the local government and industry leaders, which laid a solid foundation for GIRLGAMER brand to continue its growth in Saudi Arabia and Middle East. The 2023 season of the world tour is expected to start in the second quarter of this year.

So far, GIRLGAMER's operation model has become relatively mature and it has gained reputation in many countries and regions. Looking forward to the second quarter, the team will focus on the preparation for the GIRLGAMER world tour 2023, while further expanding its social media influence.

## **KAISUN TRUST**

Kaisun Trust has witnessed a growth in its business volume in the first quarter after reopening of the Hong Kong — mainland China border, and the team felt the needs to expand its business. The team has been struggling to hire talent amid an emigration wave over the past 12 months. As the team is currently understaffed, which negatively affected its daily operations and business expansion. Therefore, the team is making every effort to find suitable candidates.

In the second quarter, the team will go to Taiwan to explore potential cooperation opportunities with existing customers for bringing more scale and synergy to current operation.

## SECURITIES TRADING BUSINESS

The Group's listed-securities trading business continued to be monitored by the investment committee with analytical and performance reports generated regularly and meetings regularly held to review and evaluate the risks of the portfolio. In the past three months, the economic order in most parts of the world has returned to normal and global stock market has also performed surprisingly better than expected. Although US lender Silicon Valley Bank's failure caused wild swings globally, the stock market still exhibited broad gains. As for Hong Kong, the government lined up mega events to foster tourism and consumption after the reopening to mainland China and the rest of the world. The local economy has fully recovered and recorded 2.7 percent growth. Hong Kong stock market has also benefited from it, while emerging from the Silicon Valley Bank incident, the overall performance improved. Strategy wise, we believe that seeing the end is in sight for global rate-hike cycle makes the market feel relieved and it will further fuel the stock market. A more aggressive stance in buying blue chips and stocks with stable dividend returns is supported by the investment committee to lower the risk of new economy stocks and meanwhile the investment committee is considering selling long-term stocks that already gave return.

As at 31 March 2023, the fair value of listed investment was HK\$13,806,403. The cost of listed investment was HK\$33,372,295.

During the three months end 31 March 2023, part of our existing securities portfolio recorded an unrealized loss. The unrealized fair value loss was HK\$605,413. Dividend received from listed securities by the Group comprised of 350 bonus shares of Meituan (HKEx: 3690).

## FINANCIAL REVIEW

Revenue of the Group for three months ended 31 March 2023 amounted to approximately HK\$107.3 million, represented an increase of approximately 23.6% when compared with the same period in 2022 (three months ended 31 March 2022: HK\$86.8 million). The increase in revenue was mainly attributable to increase of revenue for provision of supply chain management and logistic services for mineral business following the ease of COVID-19 pandemic during the first quarter in 2023 when compared with the first quarter in 2022.

The Group gross profit for three months ended 31 March 2023 decreased by approximately 27.5% to approximately HK\$5.0 million when compared with the same period in 2022 (three months ended 31 March 2022: HK\$6.9 million). Despite the increase of revenue, the gross profit of the Group decreased as over 90% of the Group's revenue were contributed from the Group's supply chain management services for mineral business, which traditionally generated only a thin profit margin.

For three months ended 31 March 2023, the total administrative and other operating expenses was approximately HK\$12.6 million, (three months ended 31 March 2022: HK\$15.7 million), the decrease in the administrative and other expenses was mainly attributable to the decrease of sales and market expenses and decrease in staff cost.

For three months ended 31 March 2023, the loss from operations was approximately HK\$1.7 million (three months ended 31 March 2022 loss: HK\$17.2 million). The loss from operation was decreased primarily due to the combined effect of (i) increase in investment and other income and decrease in other losses as listed in note 6 and 7 to the Group's condensed consolidated statement of profit or loss; and (ii) decrease in administrative and other operating expenses.

The Group recorded loss for three months ended 31 March 2023 of approximately HK\$2.7 million, represented an decrease of approximately 84.7% when compared with the same period in 2022 (loss for three months ended 31 March 2022: HK\$17.7 million).



The total comprehensive loss attributable to owners of the Company for three months ended 31 March 2023 amounted to approximately HK\$4.3 million (The total comprehensive loss attributable to owners of the Company for three months ended 31 March 2022: HK\$15.5 million).

As at 31 March 2023, the Group held financial assets at FVTPL of approximately HK\$13.8 million, wholly comprised of securities listed in Hong Kong. In the midst of poor performance of Hong Kong stock market as at 31 March 2023, no gain or loss on disposal of financial assets at FVTPL (as at 31 March 2022 gain: HK\$0.4 million), whilst the fair value loss on financial assets at FVTPL was approximately HK\$0.6 million for three months ended 31 March 2023 (fair value loss for three months ended 31 March 2022: HK\$3.5 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 2023	% of shareholding as at 31 March 2023	Unrealized gain/(loss) on fair value change for the year ended 31 March 2023	Fair value as at		% of the Group's total assets as at 31 March 2023	Investment cost	Reasons for fair value loss
				31 March 2023	31 December 2022			
				HK\$	HK\$			
<b>Hong Kong Listed Securities</b>								
Baidu, Inc. (9888) (Note 1)	1,100	0.00004%	40,700	163,570	122,870	0.03%	182,700	—
Bilibili Inc. (9626) (Note 2)	660	0.0002%	1,848	125,136	123,288	0.02%	391,610	—
ENN Energy Holdings Limited (2688) (Note 3)	10,000	0.0009%	(20,000)	1,076,000	1,096,000	0.20%	971,495	Drop in share price
Hong Kong Exchanges and Clearing Limited (0388) (Note 4)	5,000	0.0004%	55,000	1,741,000	1,686,000	0.33%	1,799,000	—
HSBC Holdings plc (0005) (Note 5)	30,000	0.0001%	139,500	1,596,000	1,456,500	0.30%	1,468,500	—
JD.com Inc. (9618) (Note 6)	166	0.00001%	(8,001)	28,552	36,553	0.01%	—	Drop in share price
MEITUAN (3690) (Note 7)	350	0.00001%	—	50,225	—	0.01%	—	—
Tencent Holdings Limited (0700) (Note 8)	3,500	0.00004%	181,300	1,350,300	1,169,000	0.25%	1,994,750	—
Tracker Fund of Hong Kong (2800) (Note 9)	80,000	0.0013%	52,800	1,646,400	1,593,600	0.31%	1,620,800	—
Wealthking Investments Limited (1140) (Note 10)	17,476,000	0.1661%	(1,048,560)	6,029,220	7,077,780	1.13%	24,943,440	Drop in share price
Total			(605,413)	13,806,403	14,361,591	2.59%	33,372,295	

*Notes:*

1. Baidu Inc (HKEx: 9888) — Baidu Inc is a leading AI company with a strong Internet foundation.
2. Bilibili Inc (HKEx: 9626) — Bilibili Inc is an iconic brand and a leading video community for young generations in China. The group is a full-spectrum video community that offers a wide array of content serving young generations' diverse interests.
3. ENN Energy Holdings Limited (HKEx: 2688) — The principal businesses of ENN Energy Holdings Limited are gas connection, sales of piped gas, construction and operation of vehicle gas refuelling stations, wholesale of gas, distribution of bottled liquefied petroleum gas ("LPG") and sales of gas appliances and materials.
4. Hong Kong Exchanges and Clearing Limited (HKEx: 0388) — Hong Kong Exchanges and Clearing Limited is Own and operate the only stock exchange and a futures exchange in Hong Kong and their related clearing houses, trading of base metals forward and options contracts operating in the UK.
5. HSBC Holdings plc (HKEx: 0005) — HSBC Holdings plc products and services are delivered to clients through four global businesses: Retail Banking and Wealth Management ("RBWM"), Commercial Banking ("CMB"), Global Banking and Markets ("GB&M") and Global Private Banking ("GPB").
6. JD.com Inc (HKEx: 9618) — JD.com Inc is a leading technology driven e-commerce company transforming to become a leading supply chain-based technology and service provider.
7. Meituan (HKEx: 3690) — Meituan provides platform which uses technology to connect consumers and merchants and offer diversified daily services, including food delivery, in-store, hotel and travel booking and other services.
8. Tencent Holdings Limited (HKEx: 0700) — Tencent Holdings Limited is principally engaged in the provision of VAS, FinTech and Business Services and Online Advertising services.
9. Tracker Fund of Hong Kong (HKEx: 2800) — Tracker Fund of Hong Kong is a unit trust which is governed by its Trust Deed dated 23rd October 1999, as amended, supplemented or restated from time to time. The Fund is authorized by the Securities and Futures Commission of Hong Kong under Section 104(1) of the Hong Kong Securities and Futures Ordinance.
10. Wealthking Investments Limited (HKEx: 1140) — The principal investment objective is to achieve earnings for Wealthking Investments Limited in the form of medium to long term capital appreciation through investing in a diversified portfolio of global investments in listed and unlisted enterprises.

As at 31 March 2023, the Group held financial assets at fair value through other comprehensive income (“FVTOCI”) with carrying amount of approximately HK\$10.4 million wholly comprised of unlisted equity securities in Hong Kong and British Virgin Islands and redeemable preference shares. The details of financial assets at FVTOCI are set out as follow:

Company Name	% of shareholding as at 31 March 2023	Investment cost		Carrying amount		% of carrying amount to the Group's total assets as at 31 March 2023
		as at 31 March 2023 HK\$	as at 31 December 2022 HK\$	as at 31 March 2023 HK\$	as at 31 December 2022 HK\$	
<b>Financial assets at FVTOCI</b>						
Cheung Lee Farming Corporation (Note 1)	8.7%	8,700,000	8,700,000	900,000	900,000	0.17%
Xin Ying Holdings Limited (Note 2)	N/A	8,000,000	8,000,000	9,500,000	9,500,000	1.78%
		<u>16,700,990</u>	<u>16,700,990</u>	<u>10,400,000</u>	<u>10,400,000</u>	

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.
- 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. As at 31 March 2023, the Group held 8,000,000 redeemable preference shares of Xin Ying.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 March 2023, the Group has bank and cash balances and deposits in a licensed corporation of approximately HK\$5.3 million (as at 31 December 2022: HK\$7.8 million) and HK\$26.2 million (as at 31 December 2022: HK\$26.2 million) respectively.

As disclosed in the Annual Report 2022 of the Company, the net current liabilities of the Group as at 31 December 2022 amounted to approximately HK\$196.1 million. The net current liabilities status of the Group revealed potential going concern issues of the Group, to address the going concern issue, the management of the Group will if necessary, liaise with creditors on the maturity dates and repayment schedule of debts so that the Group can continue as a going concern; and consider fund-raising activities in the future. The Company will issue further announcements as of when appropriate in this regard.

## **GEARING RATIO**

The Group's gearing ratio, which represents the ratio of the Group's bonds payables over the Group's total assets, was 0.09 as at 31 March 2023 (as at 31 December 2022: 0.09).

## **FOREIGN EXCHANGE EXPOSURE**

Majority of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars, Renminbi ("RMB"), United States dollars and Tajikistan Somoni. As at 31 March 2023, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

## **UPDATE OF THE GROUP TO ADDRESS THE DISCLAIMER OF OPINION AND OTHER MODIFICATIONS**

Reference is made to the section headed “ACTION PLAN OF THE GROUP TO ADDRESS THE AUDIT MODIFICATION AND REMOVAL OF AUDIT MODIFICATION” set out in the Corporate Governance Report included in the Annual Report 2022 of the Company, the management of the Company would like to provide the following updates with regard to the Disclaimer of Opinion (the “Disclaimer”) and Other Modification expressed by the Company’s auditors for the Group’s financial statements for the year ended 31 December 2022:

### **The Disclaimer**

The increase in revenue and service income for coal fire extinguishment works of the Group reflected the gradual resumption of the normal business activities of the Group following the easing of the COVID-19 Pandemic, the management believes that with improvement of business of the Group, the Group shall be able to generate positive cash flows from operations in the future, which would help to improve the Group’s liquidity and therefore could help to address the Disclaimer.

Reference is also made to section headed “Loans to Up Energy Development Group Limited and Advance of Restructuring Cost” set out in the Management Discussion and Analysis included in the Annual Report 2022 of the Company. The management of the Company would like to update the stakeholders and potential investors of the Company that the liquidation of Up Energy is still in progress. In addition to the deed of novation entered by the Group with its creditors resulting from reversal of impairment loss on trade and other receivables of approximately HK\$29,978,000 during 2022, the management of the Group is still optimistic on the recovery of the remaining outstanding balances of trade receivables, loans to Up Energy and the advanced restructuring cost (together “amounts due from Up Energy”). Upon recovery of amounts due from Up Energy with related interest receivables, following the completion of the liquidation procedures, it is expected that the liquidity of the Group will be improved. Further updates will be provided as and when appropriate.

The Group will continue to actively negotiate with its creditors with a purpose to further improve the liquidity of the Group. Although there are progresses on addressing the Disclaimer, as the management's assessment of the Group's ability to continue as a going concern for the purposes of preparing the Group's consolidated financial statements for the year ending 31 December 2023 has to take into consideration of the future conditions and circumstances and could only be made at the end of the relevant reporting period, the management is unable to ascertain at this moment whether and when the Disclaimer can be removed.

### **Other Modifications**

In respect of discontinued operations in the production and exploitation of coal business in Tajikistan, the Group obtained a draft legal opinion to confirm the abandonment has been completed so that the audit issue can be resolved. Up to the date of this report, the Company is still liaising with the lawyer to address the above issues for the draft legal opinion with an aim to remove the audit modification. Based on the information currently available, site visits may be needed to facilitate the write up of a comprehensive legal opinion that confirms the completion of the abandonment. As it is very difficult to arrange a safe trip to an unstable place like Tajikistan, it is expected that the other matter can only be resolved by the end of 2023.

The modification on opening balances and corresponding figures is expected to be removed when other matter are removed.

## PRIOR PERIOD ERRORS IN RELATION TO INTERIM REPORT 2018 OF THE COMPANY

The Interim Report 2018 of the Group contained certain errors in respect of adoption of IFRS 9 in relation to (i) classification and measurement of certain investments held by the Group disclosed as “Available-For-Sale Financial Assets”, and (ii) estimation of expected credit losses for impairment assessment in respect of trade and other receivables of the Group. The management of the Company is still in the process of assessing the impact of the abovementioned errors, and will provide further information in relation to the errors in the next financial statements of the Company if necessary.

## OTHER INFORMATION

### 1. Directors’ and Chief Executives’ Interests in the Shares of the Company

The interests of Directors and chief executives of the Company (the “Chief Executives”) in the shares of the Company (the “Shares”) were as follow:

<b>Name of Directors and Chief Executives</b>	<b>Capacity</b>	<b>Number of Shares as at 31 March 2023</b>	<b>Approximate percentage of the total issued Shares as at 31 March 2023</b>
Chan Nap Kee, Joseph	Beneficial owner	167,263,298 <i>(Note 1)</i>	29.01%
Yang Yongcheng	Beneficial owner	1,675,000 <i>(Note 2)</i>	0.29%
Wong Yun Kuen	Beneficial owner	525,000 <i>(Note 3)</i>	0.09%
Liew Swee Yean	Beneficial owner	204,000 <i>(Note 3)</i>	0.04%
Chen Chun Long	Beneficial owner	6,147,000 <i>(Note 4)</i>	1.07%
Ching Ho Tung, Philip	Beneficial owner	220,000 <i>(Note 4)</i>	0.04%

Save as disclosed above, as at 31 March 2023, none of the Directors or Chief Executives 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, 1,490,000 shares were purchased by Mr. Chan on the market from 29 June 2018 to 31 December 2018. Hence the total number of shares owned by Mr. Chan was 166,453,298 as at 31 December 2018.

During the year ended 31 December 2019, 810,000 shares were purchased by Mr. Chan on the market. Hence the total number of shares owned by Mr. Chan was 167,263,298 as at 31 March 2023.

2. Of these, 400,000 shares were shares awarded to Mr. Yang Yongcheng as Director on 30 December 2015 under the Share Award Scheme 2013. On 22 March 2018, 1,000,000 shares were shares awarded to Mr. Yang as Director under the Share Award Scheme 2016. In addition, 60,000 shares were purchased by Mr. Yang on the market from 12 November 2018 to 31 December 2018.



3. Of these, 150,000 shares were shares awarded to each of Mr. Liew Swee Yean and Dr. Wong Yun Kuen as Director on 30 December 2015 under the Share Award Scheme 2013.
4. These were shares held by Mr. Chen Chun Long and Mr. Ching Ho Tung as at 19 June 2019 when they were appointed as joint Chief Executive Officers of the Company.

## 2. Interests of Substantial Shareholders in Shares of the Company

As at 31 March 2023, so far as is known to the Directors of the Company, the persons who had an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

### ***Long positions in Shares and underlying Shares***

<b>Name of Shareholders</b>	<b>Capacity and nature of interest</b>	<b>Number of shares</b>	<b>Approximate percentage of the total issued shares as at 31 March 2023</b>
Mr. Chan Nap Kee, Joseph	Beneficial Owner	167,263,298	29.01%
Ms. Yeung Po Yee, Bonita	Interest of spouse ( <i>Note 1</i> )	167,263,298	29.01%
Mr. Zhang Xiongfeng	Beneficial Owner	81,950,000	14.21%
Ms. Wu Mingqin	Interest of spouse ( <i>Note 2</i> )	81,950,000	14.21%

*Notes:*

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

Save as disclosed above, the Directors were not aware of any other person (other than the directors and the chief executives of the Company) who, as at 31 March 2023, 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. 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.

No shares were purchased by the trustee of the Share Award Scheme 2016 for the period ended 31 March 2023. During the year ended 31 December 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 12,440,000 shares for total consideration of approximately HK\$2,976,000. 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 approximately HK\$395,000. Hence, the total no. of shares in the Share Award Scheme as at 31 March 2023 was 13,610,000, represented approximately 2.36% of the issued capital of the Group.

Details of grantees in the Share Award Scheme 2016 are set out below:

<b>Grantee</b>	<b>Date of Award</b>	<b>Number of Awarded Shares</b>	<b>Vesting Date</b>	<b>Closing price of shares on the grant date</b>
17 Selected Employees	2 June 2017	11,305,200	On or before 26 June 2017	HK\$0.42
Mr. Chan Nap Kee, Joseph (Executive Director)	22 March 2018	3,081,000	22 March 2018	HK\$0.325
Mr. Yang Yongcheng (Executive Director)	22 March 2018	1,000,000	22 March 2018	HK\$0.325

No share was awarded to any director or employee of the Company under the Share Award Scheme during the three months ended 31 March 2023.

As at the date of this report, the Share Award Scheme 2016 is expired. It is planned that a new Share Award Scheme using the shares currently held by the trustee of Share Award Scheme 2016 as the pool of shares to be awarded will be adopted. Further announcements will be made by the Company as and when appropriate.

#### **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. Purchase, Sale or Redemption of Listed Securities**

During the three months ended 31 March 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its listed securities.

## CORPORATE GOVERNANCE

Based on principles of transparency and independence, the Board 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 GEM Listing Rules. Details of written terms of reference are available on the Company’s website: [www.kaisun.hk](http://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 of the Company is chaired by an independent non-executive Director.

### 1. **Audit Committee**

The Company established the audit committee (the “Audit Committee”) with written terms of reference that sets out the authorities and duties of the committee.

The Audit Committee comprises three independent non-executive directors, namely Mr. Liew Swee Yean, Dr. Wong Yun Kuen and Mr. Wu Zheng, and Mr. Liew Swee Yean is the chairman of the Audit Committee.

The primary duties of the Audit Committee 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 2023 have been reviewed by the Audit Committee, 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 on Corporate Governance Practices**

The Board is committed to maintain good standard of corporate governance practices and procedures. The Company has complied with the code provisions set out in the CG Code throughout the three months ended 31 March 2023 under review.

## **3. Code of Conduct Regarding Securities Transactions by Directors**

The Company has adopted a code of conduct regarding securities transactions by the 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 2023. The Company has also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors.

#### **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 2023, 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, 15 May 2023

*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 Mr. CHAN Nap Kee Joseph, Mr. YANG Yongcheng and three independent non-executive Directors Mr. LIEW Swee Yean, Dr. WONG Yun Kuen and Mr. WU Zheng.*

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