# KAISUN HOLDINGS LIMITED
# 凱順控股有限公司*

*(Incorporated in the Cayman Islands with limited liability)*
(Stock code: 8203)

## SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the annual report of Kaisun Holdings Limited (the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2019 (the "2019 Annual Report"). Unless otherwise defined, terms used herein shall bear the same meanings as defined in the 2019 Annual Report. In addition to the information provided in the 2019 Annual Report, the Board would like to bring to the attention on Audit Qualifications and Material Uncertainty with regards to:

**(i) Long term deposits**

On 20 December 2018, a wholly-owned subsidiary of the Company entered a sales and purchase agreement (the "Agreement") with an independent third party to acquire the 100% equity capital of Double Up Group Limited ("Double Up Group") and its subsidiaries at the consideration of HK$30 million. In December 2018, deposit of HK$20 million was paid to the vendor pursuant to the Agreement. The deposit were non-interest bearing, unsecured and will form part of the purchase consideration upon the completion of the acquisition. Details of the acquisition were set out in the Company's announcements date 20 December 2018 and 7 January 2019.

In view of certain conditions for completion of the acquisition as set out in the Agreement has not been completed, the directors of the Company considered the acquisition has not been completed as at 31 December 2019.

The directors and managers of the Company as well as the auditors did not have different views on the non completion of the acquisition of Double Up Group. Kaisun has yet to make the full payment of consideration of the transaction. The qualified opinion by auditors was merely on not obtaining sufficient audit evidence before the publication of audited annual results for year ended 2019 on 23 November 2020 to address the Company was unable to exercise control of Double Up Group. As soon as uncertainty restrictions on travelling to Mongolia are cleared, the managers would go to Mongolia to complete this transaction.

**(ii) Investment in Associates**

On 11 November 2019, the Group acquired 45.56% equity interest in SCH Limited ("SCH") which holds approximately 90.04% of equity interest in Sturgeon Capital Limited ("Sturgeon Capital"). SCH and Sturgeon Capital are collectively refer to as "SCH Group".

Reason on audit qualification was the Chief Accountant of SCH Group passed away due to COVID-19 and the remaining local staff was unable to access required information due to the local lockdown and the death of Chief Accountant. As no one was willing to going to work in London during the pandemic, SCH could not hire suitable replacement delaying the audit.

For SCH Group, the local management had engaged a professional accountancy firm in November 2020 and take up the accountancy work. We could only try our best to urge the accounting firm to keep the work back on schedule as soon as possible. Work resumed in London on restricted basis, but they are doing their best to fulfil their statutory audit for financial year ended March 2020 and for our reporting purpose too.

**(iii) Discontinued operations in Tajikistan**

The Group entered Tajikistan of Central Asia back in 2011 with coal business. From 2015, the Group's coal production in Tajikistan began to slow down. One deciding reason was their depreciating currency - the Tajikistani Somoni ("TJS"). As the Group's coal sale was denominated in the depreciating TJS while our production costs were mostly denominated in other currencies such as Renminbi ("RMB") and United States dollars ("USD"), hence the Group decided to take an impairment on our mining right, leaving production and preparation to a minimal in order to protect the Group from suffering losses from volatile exchange rates.

After analysing the overall country risk, exchange rate risk, commodity prices, our own personnel and capital resources against the potential returns from the Central Asia business, the Group decided to shut down the Central Asia business unit in 2019, as the Group believed it was no longer economical to spend extra resources to make the recovery.

The business operations of production and exploitation of coal in Tajikistan are considered a separate major line of business which was previously classified as the production and exploitation of coal business segment of the Group, it is accounted for as discontinued operations for the year ended 31 December 2019.

As COVID-19 spread seriously in Tajikistan, our local staff had left Tajikistan since early 2020 due to safety reason, and hence we could not provide sufficient information to our Auditor. We will start the process to strike off the companies in Tajikistan as soon as possible.

**(iv) Action plan to resolve cashflow**

For the year ended 31 December 2019, the Group's net loss of around HK$328 million comprised mainly of non-cash flow items, including fair value loss on financial assets at FVTPL of approximately HK$24.5 million, impairment loss on trade and other receivables of approximately HK$114 million, other receivables written off of approximately HK$101 million and impairment loss on intangible assets of approximately HK$23.2 million. The Group's Net cash used in operating activities was HK$746,166. As at the date of this announcement, we have maintained for more than 11 months since the year ended date, the cash flow status of our group is still manageable.

Amid the continuation of the pandemic, we expect 2020 & 2021 to remain dim. The management had been cutting office costs since first quarter of 2020, including negotiating with landlord for reducing the office rental. As seen from our third quarterly report, the administrative expenses had been reduced by approximately HK$12.8M. At the same time, the directors including independent non-executive directors also deferred the payment of their salaries and fees since May 2020, and a number of managers volunteered not taking salary showing unity.

We are working hard to increase our source of income, as disclosed in P.14 of our Annual Report, "Xingliang mine team currently prepares for application for coal fire extinguishment work". The management expected the fire extinguishment work will commence in first quarter of 2021, which is expected to deliver significant cash inflow.

The management will also consider selling some of the Group's assets if price is reasonable.

**Removal of Audit Qualification**

After discussion with RSM, the management of the Company is of the view that the Qualified Opinion in relation to (ii) Investment in associates and (iii) Discontinued operations in the production and exploitation of coal business in Tajikistan will be removed when the COVID-19 pandemic is over and the operation resumes normal. For (i) Long term deposits, the management of the Company will travel to Mongolia once the travel restriction is lifted to complete the deal as early as possible.

By Order of the Board
**Kaisun Holdings Limited**
**Chan Nap Kee, Joseph**
*Chairman*

Hong Kong, 11 December, 2020

*As of the date of this announcement, the executive Directors are Mr. Chan Nap Kee Joseph and Mr. Yang Yongcheng. The independent non-executive Directors are Mr. Liew Swee Yean, Dr. Wong Yun Kuen, Mr. Siu Siu Ling Robert and Mr. Anderson Brian Ralph.*

**for identification purpose only*