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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

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021

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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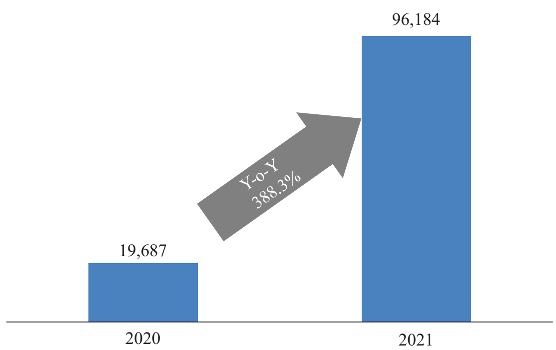
This announcement, for which the directors (the "Directors") of Kaisun Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange (the "GEM Listing 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 document misleading.

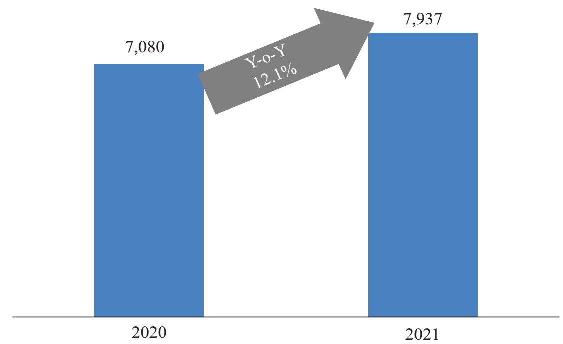
* *for identification purpose only*

2021 THIRD QUARTERLY RESULT HIGHLIGHTS (HK$'000)

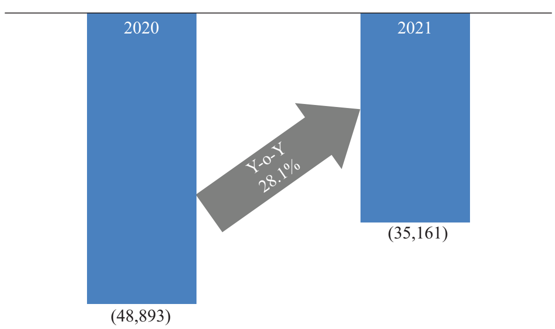
Revenue



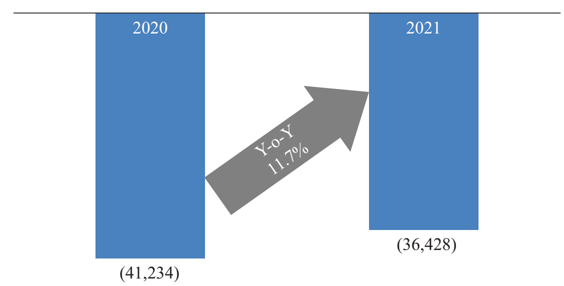
Gross profit



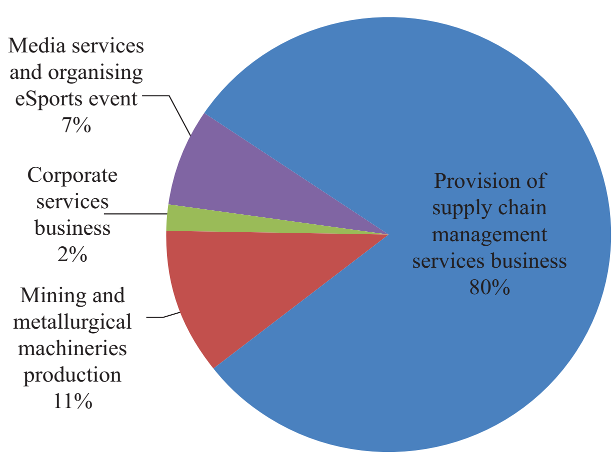
Loss from continuing operations



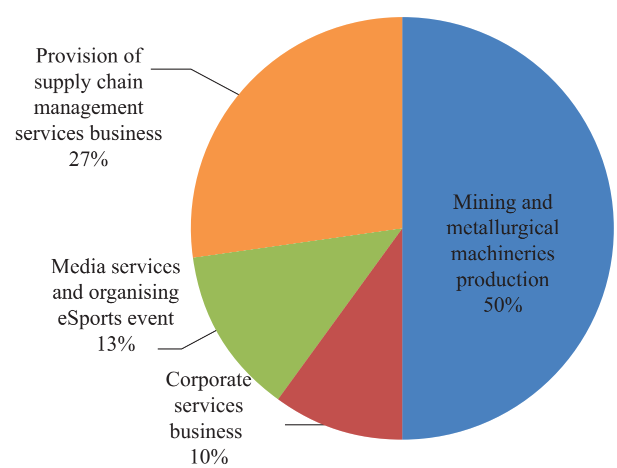
Loss for the period



2021 Segment Revenue



2020 Segment Revenue



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 and nine months ended 30 September 2021 together with the unaudited comparative figures period in 2020 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the nine months ended 30 September 2021

		Unaudited Three months ended 30 September		**Unaudited Nine months ended 30 September**	
	Note	**2021** ***HK$'000***	2020 *HK$'000* (restated)	**2021** ***HK$'000***	2020 *HK$'000* (restated)
Revenue	5	**49,578**	7,460	**96,184**	19,687
Cost of goods sold		**(47,025)**	(5,267)	**(88,247)**	(12,607)
Gross profit		**2,553**	2,193	**7,937**	7,080
Gain on disposal of financial assets at fair value through profit or loss (FVTPL)		**1,789**	136	**3,508**	1,070
Fair value (loss)/gain on financial assets at FVTPL		**(3,089)**	381	**(5,447)**	(15,494)
Reversal of impairment loss/ (impairment loss) on trade and other receivables		**351**	(551)	**983**	(1,535)
Other income and gains		**30**	1,055	**202**	2,135
Administrative and other operating expenses		**(15,898)**	(15,019)	**(42,344)**	(42,149)
Loss from continuing operations		**(14,264)**	(11,805)	**(35,161)**	(48,893)
Finance costs		**(1,282)**	(1,173)	**(3,855)**	(3,673)
Loss before tax from continuing operations		**(15,546)**	(12,978)	**(39,016)**	(52,566)
Discontinued operations					
Loss from discontinued operations		**—**	(1)	**—**	(2)
Loss before tax		**(15,546)**	(12,979)	**(39,016)**	(52,568)
Income tax credit	7	**1,144**	2,949	**2,588**	11,334
Loss for the period		**(14,402)**	(10,030)	**(36,428)**	(41,234)

	Note	Unaudited Three months ended 30 September **2021** ***HK$'000***	 2020 *HK$'000* (restated)	Unaudited Nine months ended 30 September **2021** ***HK$'000***	 2020 *HK$'000* (restated)
Attributable to:					
Owners of the Company					
Loss for the period from continuing operations		**(13,035)**	(8,849)	**(33,025)**	(37,921)
Loss for the period from discontinuing operations		**—**	(1)	**—**	(2)
Loss for the period attributable to owners of the Company		**(13,035)**	(8,850)	**(33,025)**	(37,923)
Non-controlling interests					
Loss for the period from continuing operations		**(1,367)**	(1,180)	**(3,403)**	(3,311)
Loss for the period from discontinuing operations		**—**	—	**—**	—
Loss for the period attributable to non-controlling interests		**(1,367)**	(1,180)	**(3,403)**	(3,311)
Loss for the period		**(14,402)**	(10,030)	**(36,428)**	(41,234)
Loss per share (HK Cents)	9				
— Basic		**(2.26)**	(1.54)	**(5.73)**	(6.58)

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

For the nine months ended 30 September 2021

	Unaudited Three months ended 30 September		**Unaudited Nine months ended 30 September**	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)
Loss for the period	**(14,402)**	(10,030)	**(36,428)**	(41,234)
Other comprehensive income for the period, net of tax:				
Items that may be reclassified to profit or loss:				
Exchange differences on translating foreign operations	**(10,907)**	15,185	**(8,197)**	13,505
Total comprehensive income for the period	**(25,309)**	5,155	**(44,625)**	(27,729)
Attributable to:				
Owners of the Company				
(Loss)/profit for the period from continuing operations	**(22,649)**	5,829	**(40,290)**	(18,248)
Loss for the period from discontinued operations	**—**	—	**—**	—
(Loss)/profit for the period attributable to owners of the Company	**(22,649)**	5,829	**(40,290)**	(18,248)
Non-controlling interests				
Loss for the period from continuing operations	**(2,660)**	(674)	**(4,335)**	(9,481)
Loss for the period from discontinued operations	**—**	—	**—**	—
Loss for the period attributable to non-controlling interests	**(2,660)**	(674)	**(4,335)**	(9,481)
Total Comprehensive income attributable to:				
Owners of the Company	**(22,649)**	5,829	**(40,290)**	(18,248)
Non-controlling interests	**(2,660)**	(674)	**(4,335)**	(9,481)
	(25,309)	5,155	**(44,625)**	(27,729)

UNADUITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2021

	Share capital *HK$'000*	Share premium *HK$'000*	Shares held under share award scheme *HK$'000*	Foreign currency translation reserve *HK$'000*	Financial assets at FVTOCI reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2020 (restated)	57,657	1,361,095	(3,371)	(9,287)	2,400	(1,283,182)	125,312	33,865	159,177
Total comprehensive income for the period	—	—	—	19,675	—	(37,923)	(18,248)	(9,481)	(27,729)
Changes in equity for the period	—	—	—	19,675	—	(37,923)	(18,248)	(9,481)	(27,729)
At 30 September 2020 (restated)	57,657	1,361,095	(3,371)	10,388	2,400	(1,321,105)	107,064	24,384	131,448
At 1 January 2021	**57,657**	**1,361,095**	**(3,371)**	**720**	**2,400**	**(1,343,350)**	**75,151**	**22,949**	**98,100**
Total comprehensive income for the period	**—**	**—**	**—**	**(7,265)**	**—**	**(33,025)**	**(40,290)**	**(4,335)**	**(44,625)**
Changes in equity for the period	**—**	**—**	**—**	**(7,265)**	**—**	**(33,025)**	**(40,290)**	**(4,335)**	**(44,625)**
At 30 September 2021	**57,657**	**1,361,095**	**(3,371)**	**(6,545)**	**2,400**	**(1,376,375)**	**34,861**	**18,614**	**53,475**

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, Hong Kong. The Company's shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. 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. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The condensed consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The condensed consolidated financial information should be read in conjunction with the 2020 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 2020.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

During the nine months ended 30 September 2021, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by IASB that are relevant to its operations and effective for its accounting periods beginning on 1 January 2021. 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 2021 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 current accounting period. 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 is in the process of assessing, 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 2021:

Description	Fair value measurements using: Level 1 Unaudited *HK$'000*	Level 3 Unaudited *HK$'000*	Total 30 September 2021 Unaudited *HK$'000*
Recurring fair value measurements:			
Financial assets			
Financial assets at FVTPL			
Listed securities	**20,545**	**—**	**20,545**
Financial assets at FVTOCI			
Unlisted equity securities	**—**	**19,100**	**19,100**
Total	**20,545**	**19,100**	**39,645**
Recurring fair value measurements:			
Financial liabilities			
Financial liabilities at FVTPL	**—**	**36,664**	**36,664**

Disclosures of level in fair value hierarchy at 31 December 2020:

Description	Fair value measurements using: Level 1 Audited *HK$'000*	Level 3 Audited *HK$'000*	Total 31 December 2020 Audited *HK$'000*
Recurring fair value measurements:			
Financial assets			
Financial assets at FVTPL			
Listed securities	36,293	—	36,293
Financial assets at FVTOCI			
Unlisted equity securities	—	19,100	19,100
Total	36,293	19,100	55,393
Recurring fair value measurements:			
Financial liabilities			
Financial liabilities at FVTPL	—	36,664	36,664

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

	Unaudited as at 30 September 2021 ***HK$'000***	Audited as at 31 December 2020 *HK$'000*
Financial assets at FVTOCI		
At the beginning of the reporting period	**19,100**	19,100
Purchases	**—**	—
At the end of the reporting period	**19,100**	19,100

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

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 September 2021:

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

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

Level 3 fair value measurements

					Fair value	
Description	**Valuation technique**	**Unobservable inputs**	**Range**	**Effect on fair value for increase of inputs**	**30 September 2021** ***HK$'000*** **(unaudited)** **Assets/ (Liabilities)**	31 December 2020 *HK$'000* (audited) Assets/ (Liabilities)
Private equity investments classified as financial assets at FVTOCI	Discounted cash flows	Weighted average cost of capital	14% (31 December 2020: 14%)	Decrease	**10,900**	10,900
		Long-term revenue growth rate	2% (31 December 2020: 2%)	Increase		
		Long-term pre-tax operating margin	11% (31 December 2020: 11%)	Increase		
		Discount for lack of marketability	20.6% (31 December 2020: 20.6%)	Decrease		
Redeemable preference shares of private entity classified as financial assets at FVTOCI	Discounted cash flows	Discount rate	4.30% (31 December 2020: 4.30%)	Decrease	**8,200**	8,200
Financial liabilities at FVTPL	Discounted cash flows	Risk- free rate	0.01%–0.08% (31 December 2020: 0.01%–0.08%)	Decrease	**(36,664)**	(36,664)
		Dividend yield	0% (31 December 2020: 0%)	Decrease		
		Volatility	40%–60% (31 December 2020: 40%–60%)	Decrease		

During the reporting period, there were no changes in the valuation techniques used.

5. REVENUE

Disaggregation of revenue

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

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from contracts with customers within the scope of IFRS 15				
Disaggregated by major products or service lines				
Sale of goods:				
— Provision of supply chain management services for mineral business	**45,591**	2,209	**77,222**	5,303
— Mining and metallurgical machineries production	**2,204**	3,707	**10,994**	9,775
Provision of services:				
— Corporate services business	**716**	580	**2,178**	2,000
— Media services and organising eSports event	**1,067**	964	**5,790**	2,609
	49,578	7,460	**96,184**	19,687

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 nine months ended 30 September (unaudited)	Provision of supply chain management services for mineral business		Mining and metallurgical machineries production		Corporate services business		Media services and organising eSports event		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue by primary geographical markets										
— Hong Kong	**—**	—	**—**	—	**136**	292	**4,460**	887	**4,596**	1,179
— PRC except Hong Kong	**77,222**	5,303	**10,994**	9,775	**6**	16	**—**	—	**88,222**	15,094
— Dubai	**—**	—	**—**	—	**—**	—	**747**	1,053	**747**	1,053
— Others	**—**	—	**—**	—	**2,036**	1,692	**583**	750	**2,619**	2,442
Segment revenue	**77,222**	5,303	**10,994**	9,775	**2,178**	2,000	**5,790**	2,690	**96,184**	19,768
Intersegment revenue										
— Hong Kong	**—**	—	**—**	—	**—**	—	**—**	(81)	**—**	(81)
Revenue from external customers	**77,222**	5,303	**10,994**	9,775	**2,178**	2,000	**5,790**	2,609	**96,184**	19,687
Timing of revenue recognition										
Products transferred at a point in time	**77,222**	5,303	**10,994**	9,775	**—**	—	**—**	—	**88,216**	15,078
Products and services transferred over time	**—**	—	**—**	—	**2,178**	2,000	**5,790**	2,609	**7,968**	4,609
Total	**77,222**	5,303	**10,994**	9,775	**2,178**	2,000	**5,790**	2,609	**96,184**	19,687

6. SEGMENT INFORMATION

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

During the year ended 31 December 2020, the management of the Group has revisited the segment reporting information and rearranged the segments reporting structure to align with the internal financial information reported to the chief operating decision maker for making strategic decisions about resources allocation. The Group's reportable segments were rearranged as follows:

— The Group's three reportable segments previously namely (i) production and exploitation of coal in Xinjiang; (ii) provision of supply chain management services for mineral business (including logistic services) and (iii) mining and metallurgical machineries production in Shandong were aggregated into a single reportable segment — "coal mining business segment";

— The Group's three reportable segments previously namely (i) organising eSports event; (ii) corporate services business; and (iii) media services were aggregated into a single reportable segment — "consulting and media service business segment"; and

— The Group's reportable segments of trading securities business and other operating segment which does not meet any of the quantitative thresholds for determining reportable segments were aggregated into a single reportable segment — "corporate and investment business segment".

The comparative amounts of the segment information for the nine months ended 30 September 2020 have been reclassified to reflect such change.

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 note 2 to the consolidated financial statements of the Company for the year ended 31 December 2020. Segment profits or losses do not include dividend income. Segment assets do not include amounts due from related parties. Segment non-current assets do not include financial instruments.

Information about operating segment profit or loss:

	Coal mining business segment *HK$'000*	**Consulting and media services business segment** *HK$'000*	**Corporate and investment business segment** *HK$'000*	**Total** *HK$'000*
For the nine months ended 30 September 2021 (unaudited)				
Revenue from external customers	**88,216**	**7,848**	**120**	**96,184**
Segment loss	**(21,925)**	**(2,022)**	**(12,481)**	**(36,428)**
Interest revenue	**6**	**—**	**—**	**6**
Interest expenses	**83**	**5**	**3,767**	**3,855**
Depreciation and amortisation	**10,753**	**26**	**359**	**11,138**
Income tax credit	**1,689**	**—**	**899**	**2,588**
Other material items of income and expense:				
Staff costs	**6,320**	**2,862**	**7,015**	**16,197**
Other material non-cash items:				
Impairment loss on/(reversal of impairment loss on) trade and other receivables	**(988)**	**3**	**2**	**(983)**

	Coal mining business segment *HK$'000* (Re-presented)	Consulting and media services business segment *HK$'000* (Re-presented)	Corporate and investment business segment *HK$'000* (Re-presented)	Total *HK$'000* (Re-presented)
For the nine months ended 30 September 2020 (unaudited)				
Revenue from external customers	15,078	4,331	278	19,687
Segment (loss)/profit	(81,419)	1,582	38,603	(41,234)
Interest revenue	616	—	200	816
Interest expenses	—	—	3,673	3,673
Depreciation and amortisation	12,968	—	50	13,018
Income tax credit	8,778	—	2,556	11,334
Other material items of income and expense:				
Staff costs	5,381	3,693	9,024	18,098
Other material non-cash items:				
Impairment loss on (reversal of impairment loss on) trade and other receivables	1,445	(7)	97	1,535

	Unaudited Nine months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
Reconciliations of segment profit or loss		
Total loss of reportable segments	**(36,428)**	(41,234)
Other profit or loss	**—**	—
Consolidated loss for the period	**(36,428)**	(41,234)

7. INCOME TAX CREDIT

	Unaudited Three months ended 30 September		**Unaudited Nine months ended 30 September**	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current tax				
— Hong Kong & PRC				
Income tax expenses/(credit)	**14**	(3,012)	**319**	(8,778)
Deferred tax (credit)/expenses	**(1,158)**	63	**(2,907)**	(2,556)
	(1,144)	(2,949)	**(2,588)**	(11,334)

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%.

PRC enterprise income tax has been provided at a rate of 25% (2020: 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 2021 (Nine months ended 30 September 2020: Nil).

9. LOSS PER SHARE

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

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		(restated)
Loss for the purpose of calculating basic loss per share	**(13,035)**	(8,850)	**(33,025)**	(37,923)
Number of shares ('000)				
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**576,566**	576,566	**576,566**	576,566

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary sharing during the period ended 30 September 2021 and 2020.

10. SHARE CAPITAL

	Unaudited as at 30 September 2021	Unaudited as at 31 December 2020
	HK$'000	*HK$'000*
Authorised:		
5,000,000,000 ordinary shares of HK$0.10 each	**500,000**	500,000
Issued and fully paid:		
576,566,055 Ordinary share of HK$0.10 each	**57,657**	57,657

11. FINANCIAL ASSETS AT FVTPL

	Unaudited as at 30 September 2021	Unaudited as at 31 December 2020
	HK$'000	*HK$'000*
Equity securities, at fair value		
— Listed in Hong Kong	**20,545**	36,293
Analysed as:		
Current assets	**20,545**	36,293

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

	Unaudited as at 30 September 2021	Unaudited as at 31 December 2020
	HK$'000	*HK$'000*
Held for trading	**20,545**	36,293

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

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

12. FINANCIAL ASSETS AT FVTOCI

	Unaudited as at 30 September 2021	Audited as at 31 December 2020
	HK$'000	*HK$'000*
Unlisted equity securities		
— In British Virgin Islands	**10,900**	10,900
	10,900	10,900
9% redeemable preference shares	**8,200**	8,200
	19,100	19,100

The carrying amounts of the Group's financial assets at FVTOCI were denominated in HK$.

MANAGEMENT DISCUSSION AND ANALYSIS

Following the continuous evolvement of the coronavirus in the first half of 2021, the prospect for the global economy in the second half of the year remains grim. Going into the third quarter of the year, Hong Kong economy was on the path to recovery under the positive factor of China's overall economic growth in the first half of 2021. However, pandemic-induced border closure keeps taking a toll on local economy, which not only negatively affect the businesses in Hong Kong, but also put local enterprises in risk of losing their mainland and overseas clients due to travel restrictions.

Relying on the years of business experience and far-sighted strategy of the management of the Group, we have decided to gradually shift our focus to mainland China and curtail costlier overseas operations as early as 2019, when the Covid-19 just began to spread worldwide. The reality proved that putting overseas business to a halt timely has protected our businesses from the heavy blow of the COVID-19 pandemic. Nonetheless, our experience in mainland China wasn't an easy journey in the last one and a half years. In fact, we have been working to overcome all the obstacles with China's Covid control policy and quarantine policies straining our operations as well as the rising costs and health risks posed to our staff. Without full border opening life will continue to be difficult for cross-border businesses.

The Group's Xinjiang Xinliang coal mine has been granted approval for the coal fire extinguishment in the third quarter and kickstarted the project step by step based on the local conditions following the completion of the bidding on 2nd September, and now we are under careful evaluation of the situation of world energy supply and demand.

Although the global economic recovery still faces uncertainty related to the dynamics of the COVID-19 pandemic, the management of the Group believes that we have strengthened our risk-resisting ability via the aforementioned strategies. In the fourth quarter, we will continue to stive to bring benefits to our shareholders by minimizing the impact of the coronavirus.

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 and owns 50 sets of safety certificates for mining products. Its major products are overhead manned cableway device 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 2021

An energy shortage across a number of provinces has seen homes and businesses hit by power cuts, which drew the attention of the Central Government and the State Council. The National Energy Administration announces a series of measures to support coal production, including encouraging approved and basically completed coal mines to enter into operation at a faster pace as well as issuing an order to boost annual mining output capacity by 100 million tonnes. According to incomplete statistics, approximately 120 million tonnes of coal has been produced since August. The Administration has taken further steps to ensure steady supply of electricity and coal this winter and next spring, including urging major coal producing areas to increase production and supply, and giving assistance to coal mines that have ceased operations due to cited problems a rectification process to resume production.

The Group believes that the Central Government will continue to boost coal output in the near future, and with a number of suspended coal mines resuming production, the domestic demand for mining machineries and equipment is expected to increase, which will drive Tengzhou Kaiyuan's business growth.

Tengzhou Kaiyuan Highlights for the 3rd quarter

- The dedicated task force, which was set up in the 2nd quarter by Tengzhou Kaiyuan to actively follow up on the collection of receivables, is working on adjusting accounts receivable collection period, achieving lower days sales in inventory and improving the efficiency in the use of working capital.

- Tengzhou Kaiyuan has streamlined its organizational structure and established a new management team to optimize its internal management structure, improve operational efficiency and ensure consistent development.

- Tengzhou Kaiyuan has updated its product catalogue replacing its outdated products, while maximizing functions and improving machinery performance as part of our commitment to the R&D of new and high-performance mining machineries.

- Although people seem to have learnt to live with COVID-19 and adapt to the new normal, the Mainland maintains its zero-tolerance approach to COVID-19, which inevitably impacts manufacturing operations. As a result, Tengzhou Kaiyuan recorded sales revenue of approximately HK$10.99 million in the 3rd quarter.


Updated and new mining machineries 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 favorable 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^2, with an annual loading capacity of 3 million tons.

Analysis on China's coal rail transportation in 2021

The recent power restrictions in many parts of the Mainland have highlighted the problem of insufficient coal supply. To ease the problem, China National Railway Group said that it will strengthen coal transportation and make efforts to ensure power plants to have at least 7 days of coal stocks. At present, the coal inventories remained sufficient for 14.4 days of use at power plants with direct rail access. In addition, provincial governments have also been seeking opportunities from overseas for coal, with Zhejiang's first purchase of Kazakhstani coal delivered.

The Group believes that the central government will find ways to increase coal supply following the power restriction crisis, not only by ramping up domestic coal production but also increasing coal imports, which could drive the development of the coal industry chain in China and bring a positive impact to Shandong Kalai's coal supply chain business.

Shandong Kailai for the 3rd quarter

- Shandong Kailai brought in a new partner and began discussions on the model of partnership in order to improve the construction of its platform and increase trading volume as part of its efforts to expand business scale.

- The successful operation of Shandong Kailai's fully-enclosed and environmentally friendly storage centre and the addition of partner in the 2nd quarter opened up opportunities for the Group to expand its coal supply chain management scale. As a result, Shandong Kailai cumulatively generated approximately HK$77.22 million in operating revenue in the 3rd quarter of 2021.


Shandong Kailai's fully-enclosed and environmentally friendly storage centre

Bird's eye view 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 has been granted a prospecting license of 1.2 million tons on 11 August 2020. The application for coal fire extinguishment work was delayed due to a flooding incident on April 10 2021 at Fengyuan coal mine in Quergou, Hutubi county, Changji Autonomous Prefecture, Xinjiang, and was finally approved in the 3rd quarter of 2021. To prepare for the commencement of coal fire extinguishment work in the 4th quarter, a cooperation agreement has preliminarily been reached with the subcontractor for the project.

Analysis of Xinjiang's coal industry in 2021

Xinjiang Uygur Autonomous Region transmitted a record high 93.5 billion kilowatt-hours (kWh) of locally generated electricity to other parts of China in the first three quarters of 2021, up 22.4 percent year on year, which helped ease the tight power supply situation in some provinces, according to the Xinjiang Electricity Trading Center. Due to factors such as tight coal supply and rapid growth in electricity demand, from January to August, Xinjiang shipped out 23.9 million tonnes of coal, an increase of 49.92% year-on-year, which helps ensure steady supply of coal to major coal-using power plants in the northwest and southwest regions of China.

Coal price continues to rise driven by factors such as rapid growth in electricity demand and tight coal supply, which brings the Group additional revenue in the short term. The Group believes that China's coal mining hub has been gradually shifting towards Xinjiang, with gradual improvement in the region's already well-developed mining infrastructure. Under the nation's macro-policy support and the rise in demands for coal and electricity within the region, Xingliang Mine will generate a steady stream of revenue and profit for the Group.

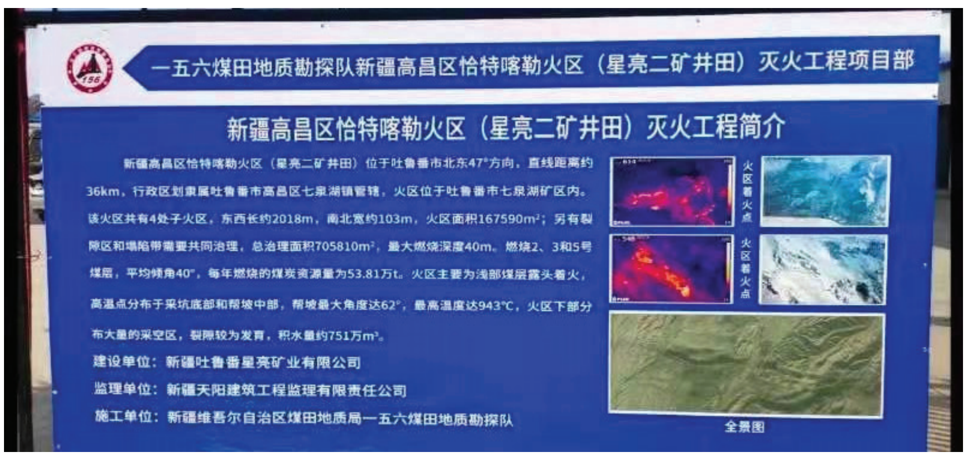
Xingliang Mine for the 3rd quarter

- Most of the preliminary infrastructure work was completed at Xingliang Mine, with the road to the coal yard levelled and the new staff quarters almost complete, providing better conditions for the construction team to stand by at the mining site. After final review, the Turpan Gaochang District Government has approved the coal fire extinguishment project on 1 September 2021 and completed the tendering process for the coal fire extinguishment works on 2 September 2021.

- The tender for Xingliang Mine's coal fire extinguishment project was awarded to Exploration Team 156 of the Xinjiang Coalfield and Geological Bureau. The works will be carried out in the form of stripping and levelling and are expected to generate substantial revenue for the Group as a result of the coal derived from the coal fire extinguishment project after the commencement of works.

- Xingliang Mine has been preparing the applications for the mining license of 1.2 million tons, and expects to obtain approval by mid-2022.

Newly-built staff quarters



Construction team and coal fire extinguishment project briefing

Construction team on standby at the mining site

Construction equipment on standby at the mining site

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 35,000m² 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 2021

In recent weeks, the resurgence of COVID-19 infections in Mongolia has caused major disruptions to its coal supply, as its biggest importer of coal, China, has suspended the import of Mongolia coal at its major ports. From January to September 2021, Mongolia's total coal exports dropped 783.23 million tonnes year-on-year to 11.99 million tonnes, a decrease of 39.51%; of which 11.38 million tonnes of coal were exported to China, a decrease of 40.2%, which accounts for 94.9% of Mongolia's total coal exports, latest data released by the National Statistical Office of Mongolia shows.

Despite a new strain of COVID-19 and the decline in coal exports from Mongolia, the Group believes that there will be ample opportunities in the medium to long term within the Mongolian coal industry. In addition, China's reliance on coal imports was highlighted by the recent power crisis and exacerbated by the China-Australia trade tensions. The Group expects that the Central Government will strengthen trade ties and increase coal imports from Mongolia to meet the soaring domestic demand for coal and electricity, which would benefit the business development of Choir Logistics Centre in the long run.

Choir Project for the 3rd quarter

- As Mongolia's COVID-19 situation remains severe, the additional COVID-19 restrictions by the local government have prevented the Group's management team from being able to handle the issues on-site. The Group has held discussions with the vendor with a view to resolving the dispute regarding the fulfillment clause for the acquisition of Choir Logistics Centre within this year. As such, the Group plans to bring in Sainsaikhan Consulting Services LLC as the constructor, operator and strategic subcontractor of the Choir project. The strategic subcontracting partnership is intended to utilize Sainsaikhan's local contacts and management experience to create mutual benefits and address the Group's shortage of manpower in Mongolia by allowing Sainsaikhan to employ local staff and technicians to manage day-to-day operations, which helps reduce operating expenses and capital expenditure.

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 3rd quarter

- Cheung Lee aims to develop its vegetable segment, with plans to further improve its agricultural base and boost sales. The goal is to establish "Natural Vegetable" as a notable brand that sells high-quality vegetables.

- Cheung Lee continues to develop its tea trade business, explore potential markets and expand its business scale.

FOURTH QUARTER 2021 DEVELOPMENT GOALS

In order to meet our targets, the Group will step up efforts to make sure our production return in full force as soon as possible and accelerate business growth. The Group's business goals in the 4th quarter are as follows:

Shandong — Mining and Metallurgical Machinery Production

- Tengzhou Kaiyuan aims to improve its performance management systems and strengthen regulation by streamlining organizational structure and improving the company's internal control.

Shandong — Supply Chain Management Services

- Shandong Kailai plans to increase annual storage and distribution of coal, expand its operational scale and maintain consistent growth and development.

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. Xingliang Mine will initiate talks with potential customers with the aim to satisfy the local industrial coal demand with the majority of coal produced by Xingliang Mine.

- Xingliang Mine has been preparing the applications for the mining license of 1.2 million tons, and expects the applications to enter the final stages and obtain approval within the next 6 months.

Mongolia — Supply Chain Management Business

- The Group will continue with the strategic subcontracting partnership plan and hold discussions with our partner Sainsaikhan in order to complete the remaining construction project and kickstart the trading of coal between China and Mongolia as soon as possible.

Agricultural Investment and Development

- Cheung Lee is committed to its tea trade segment, with plans to strengthen its market position while exploring potential markets and creating competitive advantages.

Event Management & Consulting Services

The Event Management unit contracted with government related organizations in the third quarter, bringing in new revenue stream for the unit. After a year and a half of border closure, the local event industry is gradually adapting to a new form of event delivery — Hybrid events using zoom meetings to connect audience from all over the world. The industry is slowing rebounding by the end of the third quarter driven by festivals such as the National Day. Following the business transformation adopted in the first half of the year, the business focus of the unit continued to shift to political public relations. By the end of the third quarter, the unit has exceeded its annual revenue targets and is looking forward to turning around and achieving more in the fourth quarter.

Esports Business

EvoLoop has signed the cooperation agreement with its strategic partner in the third quarter as planned, reached consensus on establishing the new joint venture and regarding the GIRLGAMER Esports Festival IP leasing issue. The first year of IP rental fee is expected to be received by the end of the year. Besides, the 2022 GIRLGAMER world tour is also under planning.

Kaisun Trust & Trustee

Having steady clients, Kaisun Trust remained stable and its total size of assets under administration increased steadily in the third quarter. Marketing wise, the team maintains good relationships with fund managers and is under discussion with existing clients for deeper cooperation. In the fourth quarter, the team will strive to further expand its client base and the team believes it will continue to witness steady growth in the total size of assets under administration.

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. For the past nine months, the pandemic has been brought under control as the global vaccination rate has risen. The global economic recovery is continuing and restrictions are relaxed for some advanced countries. The Pandemic in Hong Kong has continued to decline, but the issue of inbound travel restrictions to Mainland China have not been resolved. However, as the fourth quarter is a traditional holiday and the peak season for stock trading, and the negative factors have been reflected in the third quarter, it is believed that the local economy and stocks market will revive by the end of the year. The Investment committee believes that although the new economy stocks have been descended and restricted in Mainland China, our investment strategy should seize the opportunity to buy the dips and continue to diversity our investment to the stocks that pay dividend.

As at 30 September 2021, the fair value of listed investment was HK$20,544,860. The cost of listed investment was HK$46,282,834.

During the nine months end 30 September 2021, part of our existing securities portfolio recorded an unrealized loss. The unrealized fair value loss was HK$5,447,440. Dividend received from listed securities was HK$37,549.

Financial Review

Revenue of the Group for nine months ended 30 September 2021 amounted to approximately HK$96.2 million, represented a increase of approximately 388.3% when compared with the same period in 2020 (nine months ended 30 September 2020: HK$19.7 million). The increase in revenue was mainly attributable to resumption of the operations for provision of supply chain management services for mineral business during the nine months ended 30 September 2021.

The Group gross profit for nine months ended 30 September 2021 increase by approximately 12.1% to approximately HK$7.9 million when compared with the same period in 2020 (nine months ended 30 September 2020: HK$7.1 million). The increase in gross profit was due to increase in revenue caused by the reason mentioned in previous paragraph.

For nine months ended 30 September 2021, the total administrative and other operating expenses was approximately HK$42.3 million, increase of approximately 0.5% compared with the same period in 2020 (nine months ended 30 September 2020: HK$42.1 million).

For nine months ended 30 September 2021, the loss from continuing operations was approximately HK$35.2 million (nine months ended 30 September 2020 loss from continuing operations: HK$48.9 million). The loss from operation was narrowed due to a drop of fair value loss on financial asset at FVTPL from approximately HK$15.5 million to HK$5.4 million and a gain on disposal of financial assets at FVTPL of approximately HK$3.5 million. The Group has a smaller investment portfolio when compared with the corresponding period in 2020 by selling part of listed securities which was carried out in 2020 leading to a drop in fair value loss in financial asset through profit or loss.

The Group recorded loss for nine months ended 30 September 2021 of approximately HK$36.4 million, representing a decrease of approximately 11.7% when compared with the same period in 2020 (loss for nine months ended 30 September 2020: HK$41.2 million).

The total comprehensive loss attributable to owners of the Company for nine months ended 30 September 2021 amounted to approximately HK$40.3 million (The total comprehensive loss attributable to owners of the Company for nine months ended 30 September 2020: HK$18.2 million).

As at 30 September 2021, the Group held financial assets at fair value through profit or loss of approximately HK$20.5 million, wholly comprised of securities listed in Hong Kong. In the midst of poor performance of Hong Kong stock market as at 30 September 2021, although there is a gain on disposal of financial assets at fair value through profit or loss amounted to approximately HK$3.5 million (as at 30 September 2020 gain on disposal of financial assets at FVTPL: HK$1.1 million), whilst the fair value loss on financial assets at FVTPL was approximately HK$5.4 million for nine months ended 30 September 2021 (fair value loss on financial assets at FVTPL for nine months ended 30 September 2020: HK$15.5 million). The details of financial assets at FVTPL are set out as follow:

Company Name	**Number of shares held as at 30 September 2021**	**% of share-holding as at 30 September 2021**	**Unrealized gain/ (loss) on fair value change for the year ended 30 September 2021**	**Fair value as at**		**% of the Group's net assets as at 30 September 2021**	**Investment cost**	**Reasons for fair value loss**
				30 September 2021	31 December 2020			
			HK$	***HK$***	*HK$*	*HK$*		
Hong Kong Listed Securities								
Baidu, Inc.(9888) *(Note 1)*	1,100	0.00004%	(19,460)	**163,240**	—	0.31%	182,700	Drop in share price
Bilibili Inc. (9626) *(Note 2)*	660	0.0002%	(56,990)	**334,620**	—	0.63%	391,610	Drop in share price
BOC Hong Kong (Holdings) Limited (2388) *(Note 3)*	35,000	0.0003%	(28,000)	**822,500**	352,500	1.54%	960,750	Drop in share price
EJE (Hong Kong) Holdings Limited (8101) *(Note 4)*	9,800,000	2.82%	(4,557,000)	**—**	4,557,000	0.00%	14,020,604	Suspension of trading
HSBC Holdings plc (0005) *(Note 5)*	20,000	0.0001%	4,000	**819,000**	815,000	1.53%	1,015,000	—
Tencent Holdings Limited (0700) *(Note 6)*	3,500	0.00004%	(379,850)	**1,614,900**	—	3.02%	1,994,750	Drop in share price
Tesson Holdings Limited (1201) *(Note 7)*	4,218,000	0.34%	379,620	**2,109,000**	10,470,160	3.94%	1,982,460	—
Viva China Holdings Limited (8032) *(Note 8)*	480,000	0.005%	(90,720)	**700,800**	—	1.31%	791,520	Drop in share price
Wealthking Investments Limited (1140) *(Note 9)*	17,476,000	0.50%	(699,040)	**13,980,800**	14,679,840	26.14%	24,943,440	Drop in share price
Target Insurance (Holdings) Limited (6161) *(Note 10)*	—	—	—	**—**	5,418,150	—	—	—
Total			(5,447,440)	**20,544,860**	36,292,650	38.42%	46,282,834	

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. BOC Hong Kong (Holdings) Limited (HKEx: 2388) — The principal activities of BOC Hong Kong (Holdings) Limited is the provision of banking and related financial services.

4. EJE (Hong Kong) 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.

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. Tencent Holdings Limited (HKEx: 0700) — Tencent Holdings Limited is principally engaged in the provision of VAS, FinTech and Business Services and Online Advertising services.

7. Tesson Holdings Limited (HKEx: 1201) — Tesson Holdings Limited is principally engaged in Lithium Ion Motive Battery Business and Property and Cultural Business during the year.

8. Viva China Holdings Limited (HKEx: 8032) — The principal activity of Viva China Holdings Limited is (i) sports competition and event production and management, sports talent management, and provision of sports-related marketing and consultancy service; and (ii) operation of sports park or sports centre, provision of community development consultancy and sub-contracting services, property development for sale and investment and research and development, manufacturing, marketing and sales of construction materials.

9. 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.

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

As at 30 September 2021, the Group held financial assets at fair value through other comprehensive income ("FVTOCI") and investment in associates of approximately HK$19.1 million and HK$nil respectively, wholly comprised of unlisted equity securities in Hong Kong and United Kingdom and redeemable preference shares. The details of financial assets at FVTOCI and investment in associates at investment cost are set out as follow:

Company Name	Number of shares held as at 30 September 2021	% of shareholding as at 30 September 2021	% of the Group's net assets as at 30 September 2021	Investment cost as at 30 September 2021 *HK$*	Investment cost as at 31 December 2020 *HK$*
Financial assets at FVTOCI					
Cheung Lee Farming Corporation *(Note 1)*	870	8.7%	16.27%	**8,700,000**	8,700,000
Connect-Me Technologies Limited *(Note 2)*	990	9.9%	0.002%	**990**	990
Xin Ying Holdings Limited *(Note 3)*	8,000,000	N/A	14.96%	**8,000,000**	8,000,000
			31.23%	**16,700,990**	16,700,990
Investment in associates					
SCH Limited *(Note 4)*	45,560	45.56%	—	**8**	8
Sturgeon Capital Limited *(Note 4)*	24,999	2.49%	—	**7,800,000**	7,800,000
			—	**7,800,008**	7,800,008

Notes:

1. Cheung Lee Farming Corporation incorporated under the laws of the British Virgin Islands with limited liability. The principal activities of the company together with its subsidiaries are engaged in the business of production and distribution of pollution-free vegetables.

2. Connect-Me Technologies Limited under the laws of the Hong Kong SAR with limited liability. They engaged in sale of electronic consumer products, key products including tablet PCs, smartphones, smartwatches, smart crutches, VR, electric self-balancing scooters, etc.

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.

4. Sturgeon Capital Limited ("Sturgeon Capital") is a London-based investment manager specializing in Belt and Road. As stated in the Company's announcement dated 11 November 2019, we acquired 45.56% equity interest in SCH Limited, the company which holds approximately 90.04% of equity interest in Sturgeon Capital ("Acquisition").

For more information on this Acquisition, please refer to Note 23 to the Consolidated Financial Statements in P.142-143 of Annual Report 2019 dated 23 November 2020.

For details subsequent development, current status and action plan on this investment, please refer to the section headed Audit Modification set out in this announcement.

Liquidity and Financial Resources

As at 30 September 2021, the Group has a bank and cash balance of approximately HK$46.3 million (as at 31 December 2020: HK$24.3 million).

On 24 August 2018, the Company issued an 8% unlisted straight bonds due 2020 in an aggregate principal amount of HK$50,000,000. Of this principal amount, HK$30,000,000 of net proceeds was allocated for our acquisition of Mongolia Choir Railway Platform and used in manner as set out in the Company's announcement dated 20 December 2018, and the remaining net proceed will be used for trading business.

In 2020, a supplementary agreement was entered by the Company and holders of the Bonds in which the repayment date of the Bonds was extended to 23 August 2021 and the interest rate had been increased from 8% per annum to 10% per annum.

Gearing Ratio

The Group's gearing ratio, which represents the ratio of the Group's bonds payables over the Group's total assets, was 0.14 as at 30 September 2021 (as at 31 December 2020: 0.14).

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 30 September 2021, the Group had no other significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

MATERIAL DIFFERENCES BETWEEN THE THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020 AND COMPARATIVE FIGURES IN THIS ANNOUNCEMENT

Since financial information contained in the third quarterly results announcement for the nine months ended 30 September 2020 was neither audited nor agreed with the auditor as at the date of its publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to material differences between the third quarterly results for the nine months ended 30 September 2020 set out in the third quarterly results announcement for the nine months ended 30 September 2020 and the comparative figures disclosed in this announcement. The principal details and reasons are set out below:

		Unaudited Three months ended 30 September			Unaudited Nine months ended 30 September		
	Note	**2020** ***HK$'000*** **(restated)**	2020 *HK$'000* (As published)	*HK$'000* Difference	**2020** ***HK$'000*** **(restated)**	2020 *HK$'000* (As published)	*HK$'000* Difference
Revenue		**7,460**	7,460	—	**19,687**	19,687	—
Cost of goods sold		**(5,267)**	(5,267)	—	**(12,607)**	(12,607)	—
Gross profit		**2,193**	2,193	—	**7,080**	7,080	—
Gain on disposal of financial assets at fair value through profit or loss (FVTPL)		**136**	136	—	**1,070**	1,070	—
Fair value gain/(loss) on financial assets at FVTPL		**381**	381	—	**(15,494)**	(15,494)	—
Impairment loss on trade and other receivables	(i)	**(551)**	(4,529)	3,978	**(1,535)**	(12,500)	10,965
Other income and gains		**1,055**	1,055	—	**2,135**	2,135	—
Administrative and other operating expenses		**(15,019)**	(15,019)	—	**(42,149)**	(42,149)	—
Loss from continuing operations		**(11,805)**	(15,783)	3,978	**(48,893)**	(59,858)	10,965
Share of loss of associates	(ii)	**—**	—	—	**—**	(324)	324
Finance costs		**(1,173)**	(1,173)	—	**(3,673)**	(3,673)	—
Loss before tax from continuing operations		**(12,978)**	(16,956)	3,978	**(52,566)**	(63,855)	11,289
Discontinued operation							
Loss from discontinued operations		**(1)**	(1)	—	**(2)**	(2)	—
Loss before tax		**(12,979)**	(16,957)	3,978	**(52,568)**	(63,857)	11,289
Income tax credit		**2,949**	2,949	—	**11,334**	11,334	—
Loss for the period		**(10,030)**	(14,008)	3,978	**(41,234)**	(52,523)	11,289

		Unaudited Three months ended 30 September			Unaudited Nine months ended 30 September		
	Note	**2020 *HK$'000* (restated)**	2020 *HK$'000* (As published)	*HK$'000* Difference	**2020 *HK$'000* (restated)**	2020 *HK$'000* (As published)	*HK$'000* Difference
Attributable to:							
Owners of the Company							
Loss for the period from continuing operations		**(8,849)**	(12,827)	3,978	**(37,921)**	(49,210)	11,289
Loss for the period from discontinuing operations		**(1)**	(1)	—	**(2)**	(2)	—
Loss for the period attributable to owners of the Company		**(8,850)**	(12,828)	3,978	**(37,923)**	(49,212)	11,289
Non-controlling interests							
Loss for the period from continuing operations		**(1,180)**	(1,180)	—	**(3,311)**	(3,311)	—
Loss for the period from discontinuing operations		**—**	—	—	**—**	—	—
Loss for the period attributable to non-controlling interests		**(1,180)**	(1,180)	—	**(3,311)**	(3,311)	—
Loss for the period		**(10,030)**	(14,008)	3,978	**(41,234)**	(52,523)	11,289
Loss per share (HK Cents)							
— Basic		**(1.54)**	(2.22)		**(6.58)**	(8.54)	
Loss for the period		**(10,030)**	(14,008)	3,978	**(41,234)**	(52,523)	11,289
Other comprehensive income for the period, net of tax:							
Items that may be reclassified to profit or loss:							
Exchange differences on translating foreign operations		**15,185**	18,876	(3,691)	**13,505**	13,218	287
Total comprehensive income for the period		**5,155**	4,868	287	**(27,729)**	(39,305)	11,576

		Unaudited Three months ended 30 September			Unaudited Nine months ended 30 September		
	Note	**2020** ***HK$'000*** **(restated)**	2020 *HK$'000* (As published)	*HK$'000* Difference	**2020** ***HK$'000*** **(restated)**	2020 *HK$'000* (As published)	*HK$'000* Difference
Attributable to:							
Owners of the Company							
Loss for the period from continuing operations		**5,829**	5,642	187	**(18,248)**	(36,400)	18,152
Loss for the period from discontinued operations		**—**	—	—	**—**	—	—
Loss for the period attributable to owners of the Company		**5,829**	5,642	187	**(18,248)**	(36,400)	18,152
Non-controlling interests							
Loss for the period from continuing operations		**(674)**	(774)	100	**(9,481)**	(2,905)	(6,576)
Loss for the period from discontinued operations		**—**	—	—	**—**	—	—
Loss for the period attributable to non-controlling interests		**(674)**	(774)	100	**(9,481)**	(2,905)	(6,576)
Total Comprehensive income attributable to:							
Owners of the Company		**5,829**	5,642	187	**(18,248)**	(36,400)	18,152
Non-controlling interests		**(674)**	(774)	100	**(9,481)**	(2,905)	(6,576)
		5,155	4,868	287	**(27,729)**	(39,305)	11,576

Notes:

(i) The difference resulted from the finalisation of expected credited loss assessment in 2019 of certain debtors and recognised in 2019.

(ii) The difference resulted from the Company decided to record the carrying amount of the investment in associates at cost in 2019.

AUDIT MODIFICATIONS

Reference is made to (i) the annual report of Kaisun Holdings Limited (the "Company", together with its subsidiaries, (the "Group")) for the year ended 31 December 2020 (the "2020 Annual Report") dated 22 March 2021 and (ii) the interim results announcement for the six months ended 30 June 2021 (the "2021 Interim Results Announcement") of the Company dated 9 August 2021. Unless otherwise defined, capitalized terms used in this announcement shall have the meanings as defined therein.

The Board would like to provide the following supplemental information and updates with regard to the qualified opinion expressed by the Company's auditors for the Group's financial statements for the year ended 31 December 2020 in relation to the possible financial impacts of the following matters (the "Audit Modifications").

I. Long term deposits

Background

According to paragraph (c) of the basis for qualified opinion set out in the independent auditor's report on the Group's financial statements for the year ended 31 December 2020, the Audit Modification was arose from the delayed completion of the acquisition of the Double Up Group as a result of unsettled commercial disputes between the Group and the vendor. The primary cause of the disputes is that there are unsettled disputes between the vendor and the construction team of the property held by Double Up Group, and the Group is not willing to complete the transaction until the disputes between the vendor and the said construction team are settled.

Current Status and Action Plan

As at the date of this results announcement, the disputes between the vendor and the said construction team are still not settled, however, the prolonged delayed completion greatly hindered normal operation of the property held by Double Up Group. After continuous communication between the Group and the vendor, in order to facilitate normal operation of the Property, both parties concluded that it is for the best interests of both parties to proceed to completion first despite the unsettled disputes between the vendor and the construction team, after completion, the vendor, the Group and the construction team will convene meetings to settle the disputes on mutually acceptable conditions.

As stated in the announcement of the Company dated 20 December 2018, the following conditions shall be satisfied upon completion:

(a) the Vendor delivered to the Purchaser:

   1) a certified true copy of the audited consolidated account of the Target Group for the two financial years ended 31 December 2017 and consolidated management account of the Target Group for the nine months ended 30 September 2018;

   2) an original legal opinion in the form and substance satisfactory to the Purchaser in the Purchaser's absolute discretion issued by the lawyers qualified to practice law in the Mongolia and at the costs of the Vendor;

   3) the original signed valuation report on the Target Group issued by an independent valuer, in the form and substance satisfactory to the Purchaser; and

   4) original of the certificate of incorporation, the business registration certificates, the statutory books and records duly written up to date, unissued share certificates, the constitutional documents, authorised chop and common seals of Target Company and Mongolia Subsidiaries;

(b) the Vendor held a board meeting and a shareholders meeting of the Target Company, and delivered to the Purchaser the original of the minutes of such meetings;

(c) the Purchaser delivered to the Vendor cashier order of first instalment of HK$20,000,000.

As at the date of this results announcement, condition (c) has been satisfied, and the project team of the Group and the vendor is currently resolving the abovementioned remaining conditions to completion. The Group does not aware of any impediments in fulfilling the remaining conditions.

Upon completion of the acquisition, it is expected that the Audit Modification in relation to the long-term deposits will be removed.

Timeline

The completion of the acquisition is expected to be taken place by 31 December 2021.

II. Investment in associates

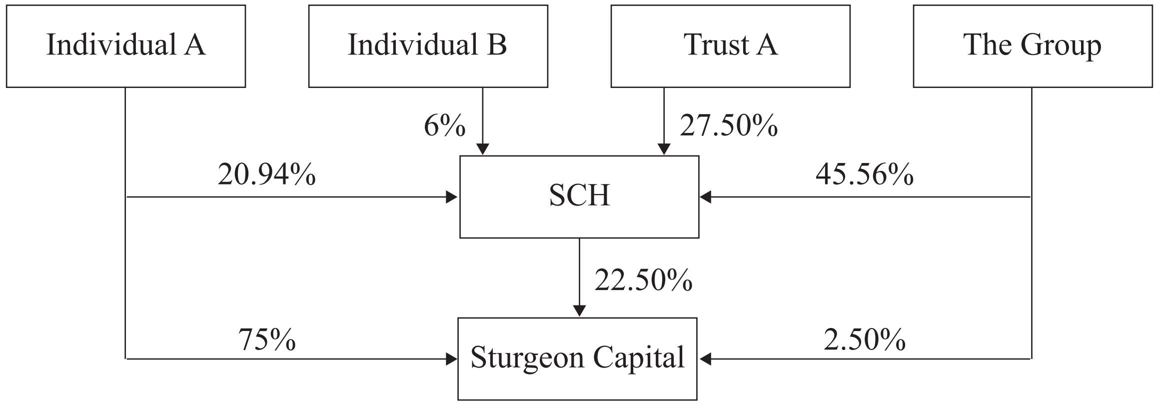
Background

According to paragraph (b) of the basis for qualified opinion set out in the independent auditor's report on the Group's financial statements for the year ended 31 December 2020, the Audit Modification arose from the failure to access books and records of SCH and Sturgeon Capital since the Acquisition Date.

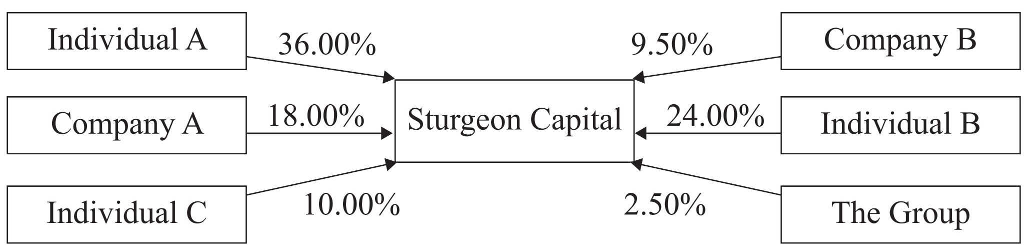
Due to outbreak of COVID-19 pandemic since early 2020, the operations of SCH and Sturgeon Capital was affected and was suffering from loss from operations and capital shortfall. According to the financial information provided by management of Sturgeon Capital, as at 30 September 2020, the current liabilities of Sturgeon Capital was GBP738,346 with cash at bank of only GBP749. Despite the directors of Sturgeon Capital already lent approximately GBP497,800 to Sturgeon Capital, Sturgeon Capital still needed additional funding for its daily operations. The management of Sturgeon Capital therefore invited the Group to make further investment by way of debt or equity financing, however, due to the continuous loss making position and the impact of COVID-19, the Group considered making further investment to Sturgeon Capital was not beneficial to the Group and thus declined the invitation. In view of the financial difficulties of Sturgeon Capital, the management of Sturgeon Capital sought other investors to invest in Sturgeon Capital and Sturgeon Capital issued and allotted 750,000 ordinary new shares for GBP300,000 on 25 January 2021.

Due to the continuous loss making status of Sturgeon Capital, the difficulty of the Group to travel to London to handle the audit and management issues and the Group's pessimistic view on the future development of Sturgeon Capital, the Group was of the view that merely continues to be shareholder of SCH and Sturgeon Capital would create further finance and operation burden to the Group. On 1 April 2021, after due discussion, shareholders of SCH, including the Group, agreed and decided that deregistering and liquidating assets of SCH would be beneficial to all parties involved. Accordingly, on 14 April 2021, based on the Group's shareholdings in SCH's net asset value amount, the Company received approximately GBP29,000 from SCH after liquidation of its assets. After the liquidation of assets of SCH, the Group's remaining shareholdings in Sturgeon Capital is 2.50%. Set out below are the Group's shareholdings in Sturgeon Capital before and after the liquidation of assets of SCH:

Before liquidation of assets of SCH:



After liquidation of assets of SCH:



Note: Company A is wholly owned by Individual A

Current Status and Action Plan

After the liquidation of assets of SCH, the Group's shareholding in Sturgeon Capital was reduced to 2.50%. As disclosed above, due to the continuous loss making status of Sturgeon Capital, the difficulty of the Group to travel to London to handle the audit and management issues and the Group's pessimistic view on the future development of Sturgeon Capital, the Group was of the view that merely continues to be shareholder of SCH and Sturgeon Capital would create further finance and operation burden to the Group. To avoid further finance and operation burden, after due negotiation, the Company decided to dispose its remaining shareholding back to Sturgeon Capital at a nominal consideration of USD1. On 14 October 2021, the disposal agreement has been signed between the Group and Sturgeon Capital, and completion shall take place upon filing of effected share transfer documents to the relevant authorities. Upon completion of the disposal, the Group will no longer be interested in Sturgeon Capital and thus the Audit Modification in this regard is expected to be removed from 2022 onwards despite the unavailability of financial information of SCH and Sturgeon Capital.

Timeline

The completion of disposal is expected to be completed by 31 December 2021.

III. Discontinued operations in the production and exploitation of coal business in Tajikistan

Background

According to paragraph (d) of the basis for qualified opinion set out in the independent auditor's report on the Group's financial statements for the year ended 31 December 2020, the Audit Modification arose from the unavailability of certain supporting documents and the auditors of the Company were unable to obtain sufficient appropriate audit evidence that the abandonment of the coal business in Tajikistan had been completed.

Current Status and Action Plan

Due to the travel restrictions as a result of the COVID-19 pandemic, the Group's staff is unable to travel to Tajikistan in person to obtain the supporting documents in question. Alternatively, the Group decided to engage a lawyer based in Tajikistan to issue a legal opinion to confirm that the abandonment of the coal business had been completed and that the Group's coal business in Tajikistan has been discontinued.

As at the date of this results announcement, the Group has identified certain lawyers based in Tajikistan and is discussing with them the scope of the legal opinion, which shall include, among other things, a statement confirming the assets and liabilities of the coal business as at the date of completion of abandonment, which shall be served as audit evidence alternative to the books and records of the coal business. Once the scope of the legal opinion is confirmed, the lawyer shall commence the service immediately.

Upon the issuance of the legal opinion to confirm the abandonment has been completed, it is expected the Audit Modification in this regard shall be removed.

Timeline

It is expected the lawyer will be engagement by 30 November 2021 and the legal opinion will be available by 31 December 2021.

IV. Opening balances and corresponding figures

Due to the abovementioned Audit Modifications, the opening balances as at 31 December 2020 and corresponding figures for the year ended 31 December 2020 which are carried forward and to be set out in the Group's financial statements for the year ending 31 December 2021 will be qualified.

Nevertheless, upon successful execution of the action plans related to the Audit Modifications, it is expected that the abovementioned Audit Modifications will be removed for the ending balances set out in the Group's financial statements for the year ending 31 December 2021 and therefore it is expected that there will be no audit qualifications on the opening balances and corresponding figures in the Group's financial statements for the future periods.

The auditors of the Company has reviewed and has no comments on the action plan and timeline in relation to the Audit Modifications set out in this results announcement. The Company will make further announcements to update shareholders and potential investors on the progress of removing the Audit Modifications when necessary.

OTHER INFORMATION

1. Share-based Compensation Scheme

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

Share Award Scheme 2016

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

During the nine months ended 30 September 2021, the trustee of the Share Award Scheme 2016, pursuant to the terms of the rules and trust deed of the Share Award Scheme 2016, had not purchased any shares on the Stock Exchange. The total no. of shares in the Share Award Scheme as at 30 September 2021 was 13,610,000.

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

2. **Directors' Interest in Competing Business**

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

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

During the nine months ended 30 September 2021, neither the Company nor any of its subsidiaries had purchased or sold any of its listed securities.

APPOINTMENT OF AN INDEPENDENT NON-EXECUTIVE DIRECTOR

On 31 October 2021, Mr. Wu Zheng has been appointed as an independent non-executive director of the Company. For further details, please refer to the announcement of the Company dated 31 October 2021.

CORPORATE GOVERNANCE

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

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

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

- Audit Committee
- Remuneration Committee
- Nomination and Corporate Governance Committee

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

1. **Audit Committee**

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

The AC comprises 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 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 2021 have been reviewed by the AC, who is of the opinion that such statements comply with applicable accounting standard and legal requirements, and that adequate disclosures have been made.

2. Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the nine months ended 30 September 2021. The Company has also made specific enquiry to all Directors and the Company was not aware of any noncompliance with the required standard of dealings under the GEM Listing Rules and its code of conduct regarding securities transactions by Directors.

3. Code on Corporate Governance Practice

The Board is committed to maintain good standard of corporate governance practices and procedures. 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 nine months ended 30 September 2021 under review.

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 nine months ended 30 September 2021, 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 2021

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 and 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 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.