KAISUN ENERGY GROUP LIMITED
凱順能源集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8203)

A Belt & Road Participant

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached that other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility that 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 Energy Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that at fair and reasonable.

* *for identification purpose only*

The board of directors (the "Board" or the "Directors") of Kaisun Energy Group Limited (the "Company") is pleased to announce the unaudited results of the Company and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2017, together with the unaudited comparative figures for the corresponding period in 2016 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2017

		Unaudited Three months ended 31 March	
		2017	2016
	Note	***HK$'000***	*HK$'000* (Restated)
Revenue	6	**74,611**	6,365
Cost of goods sold		**(47,743)**	(2,503)
Gross profit		**26,868**	3,862
Other income and gains		**326**	925
Administrative and other operating expenses		**(10,486)**	(10,296)
Profit/(loss) before tax		**16,708**	(5,509)
Income tax expenses	7	**(4,599)**	(426)
Profit/(loss) for the period		**12,109**	(5,935)
Attributable to:			
Owners of the Company		**12,303**	(5,468)
Non-controlling interests		**(194)**	(467)
		12,109	(5,935)
Earnings/(loss) per share *(Cents)*	9		
Basic		**2.31**	(1.46)

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2017

	Unaudited Three months ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Profit/(loss) for the period	**12,109**	(5,935)
Other comprehensive income for the period, net of tax		
Items that may be reclassified to profit or loss:		
Exchange differences on translation foreign operations	**620**	792
Total comprehensive income for the period	**12,729**	(5,143)
Attributable to:		
Owners of the Company	**12,563**	(5,777)
Non-controlling interests	**166**	634
	12,729	(5,143)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2017

	Unaudited							
	Attributable to owners of the Company							
	Share capital	**Shares held under share award scheme**	**Share premium**	**Foreign currency translation reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2016	37,684	—	1,293,081	(18,417)	(1,008,095)	304,253	(8,251)	296,002
Total comprehensive income for the period	—	—	—	(309)	(5,468)	(5,777)	634	(5,143)
Purchase of shares held under the share award scheme	—	(957)	—	—	—	(957)	—	(957)
Changes in equity for the period	—	(957)	—	(309)	(5,468)	(6,734)	634	(6,100)
At 31 March 2016	37,684	(957)	1,293,081	(18,726)	(1,013,563)	297,519	(7,617)	289,902
At 1 January 2017	**37,684**	**(1,190)**	**1,293,081**	**(20,858)**	**(1,021,511)**	**287,206**	**(7,511)**	**279,695**
Total comprehensive income for the period	**—**	**—**	**—**	**260**	**12,303**	**12,563**	**166**	**12,729**
Issue of shares under rights issue *(Note 10)*	**18,842**	**—**	**71,600**	**—**	**—**	**90,442**	**—**	**90,442**
Transaction costs attributable to issue of shares	**—**	**—**	**(5,017)**	**—**	**—**	**(5,017)**	**—**	**(5,017)**
Changes in equity for the period	**18,842**	**—**	**66,583**	**260**	**12,303**	**97,988**	**166**	**98,154**
At 31 March 2017	**56,526**	**(1,190)**	**1,359,664**	**(20,598)**	**(1,009,208)**	**385,194**	**(7,345)**	**377,849**

NOTES

1. GENERAL INFORMATION

Kaisun Energy Group Limited ("the Company") was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Unit A, 23/F., Two Chinachem Plaza, 68 Connaught Road Central, Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is the Company's functional and presentation currency.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group's condensed consolidated financial statements have been prepared in accordance with all applicable International Financial Report Standards ("IFRSs") issued by the International Accounting Standards Board. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The condensed consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules") 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 2016 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 2016.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

During the three months ended 31 March 2017, 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 2017. 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 three months ended 31 March 2017 and the same period in last year.

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2017. 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 31 March 2017:

Description	Fair Value Measurements Using Level 1 **2017** ***HK$'000***	 2016 *HK$'000*
Recurring fair value measurements:		
Financial assets		
Financial assets at fair value through profit or loss Listed securities	**124,047**	18,588

(b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 March 2017:

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

5. SEGMENT INFORMATION

The Group has four reportable segments which are provision of mining and metallurgical machineries production in Shandong, provision of supply chain management services for mineral business, production and exploitation of coal in Tajikistan and trading of securities for the period.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in the Group's consolidated financial statements for the year ended 31 December 2016. 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.

	Mining and metallurgical machineries production in Shandong *HK$'000*	Provision of supply chain management services for mineral business *HK$'000*	Production and exploitation of coal in Tajikistan *HK$'000*	Trading of securities *HK$'000*	Total *HK$'000*
For three months ended 31 March 2017 (unaudited)					
Revenue from external customers	**2,499**	**47,730**	**—**	**—**	**50,229**
Segment (loss)/profit	**(576)**	**(3,900)**	**(1,652)**	**19,772**	**13,644**
As at 31 March 2017 (unaudited)					
Segment assets	**21,001**	**180,652**	**52**	**129,109**	**330,814**
Segment liabilities	**(2,904)**	**(22,106)**	**(5,220)**	**(11,257)**	**(41,487)**

	Mining and metallurgical machineries production in Shandong	Provision of supply chain management services for mineral business	Production and exploitation of coal in Tajikistan	Trading of securities	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$000*	*HK$'000*
For three months ended 31 March 2016 (unaudited)					
Revenue from external customers	1,126	1,404	—	—	2,530
Segment (loss)/profit	(1,454)	(5,882)	(2,020)	3,794	(5,562)
As at 31 December 2016					
Segment assets	18,554	152,019	418	102,723	273,714
Segment liabilities	(3,580)	(7,186)	(368)	(5,194)	(16,328)

	Unaudited Three months ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Reconciliations of segment profit or loss		
Total profit or loss of reportable segments	**13,644**	(5,562)
Other profit or loss	**(1,535)**	(373)
Consolidated profit/(loss) for the period	**12,109**	(5,935)

6. **REVENUE**

	Unaudited Three months ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Sales of goods		
— Provision of supply chain management services for mineral business	**47,730**	1,404
— Mining and metallurgical machineries products	**2,499**	1,126
— Trading of securities		
• Net realized profit/(loss) on disposals of financial assets at fair value through profit or loss	**364**	(175)
• Fair value gains on financial assets at fair value through profit or loss *(Note 11)*	**24,018**	4,010
	74,611	6,365

7. INCOME TAX EXPENSES

	Unaudited	
	Three months ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Income tax expenses		
Current tax	**—**	—
Deferred tax — Hong Kong	**4,599**	426
	4,599	426

No provision for Hong Kong Profits tax is required as the Group has no assessable profit arising in or derived from these jurisdictions for the relevant periods.

PRC Enterprise Income tax has been provided at a rate of 25% (2016: 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 three months ended 31 March 2017 (three months ended 31 March 2016: HK$ Nil).

9. EARNINGS PER SHARE

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

	Unaudited	
	Three months ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Profit/(loss) for the purpose of calculating basic earnings/(loss) per share	**12,303**	(5,468)
Number of shares		
Weighted average number of ordinary shares in issue less share held for share award scheme for the purpose of calculating basic earnings/(loss) per share	**531,846,474**	375,550,148

No diluted earnings/(loss) per share are presented as the Company did not have any dilutive potential ordinary sharing during the period ended 31 March 2017 and 2016.

10. SHARE CAPITAL

	Unaudited as at 31 March 2017	Audited as at 31 December 2016
	HK$'000	*HK$'000*
Authorised:		
5,000,000,000 ordinary shares of HK$0.10 each *(Note a(ii))*	**500,000**	500,000
Issued and fully paid:		
376,840,570 (31 December 2016: 3,768,405,700) Ordinary shares of HK$0.10 each *(Note a(ii))*	**37,684**	37,684
Issue of shares under Rights Issue *(Note a(i))*	**18,842**	—
	56,526	37,684

Notes:

(a) i On 16 January 2017, the Company allotted and issued 1,884,202,850 ordinary shares of HK$0.01 each in the capital of the Company by implementing the Rights Issue on the basis of one Rights Share for every two Shares at the subscription price of HK$0.048 per Rights Share. The Company raised approximately HK$ 85,574,000 (net of expenses).

ii On 16 February 2017, the Share Consolidation became effective for every ten (10) existing issued and unissued Shares of HK$0.01 each in the share capital of the Company being consolidated into one (1) Consolidated Share of HK$0.10 each.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 March 2017, the Group held financial assets at fair value through profit or loss of approximately HK$124.0 million, wholly comprised of listed investment in securities listed in Hong Kong. The details of financial assets at fair value through profit or loss are set out as follow:

Company Name	Number of sharers held as at 31 March 2017	% of share-holding as at 31 March 2017	Unrealized gain/(loss) on fair value change for the period ended 31 March 2017	Fair value as at 31 March 2017	Fair value as at 31 March 2016	% of the Group's net assets as at 31 March 2017	Investment cost	Reasons for fair value loss
OP Financial Investments Limited (1140) *(Note 1)*	36,756,000	1.94	24,258,960	**105,857,280**	—	28.0	53,976,200	—
LEAP Holdings Group Limited (1499) *(Note 2)*	6,340,000	0.24	63,400	**3,360,200**	3,043,800	0.9	1,773,407	—
Jai Meng Holdings Limited (8101) *(Note 3)*	110,000,000	3.80	(220,000)	**13,640,000**	11,990,000	3.6	7,775,000	Drop in Share price
Sau San Tong Holdings Limited (8200) *(Note 4)*	14,000,000	0.26	(84,000)	**1,190,000**	3,450,000	0.3	2,800,000	Drop in Share price
Rui Kang Pharmaceutical Group Investments Limited (8037) *(Note 5)*	—	—	—	—	104,550	—	—	—
Total			24,018,360	**124,047,480**	18,588,350	32.8	66,324,607	

Note:

1. OP Financial Investments Limited (HKEx: 1140) — OP Financial Investments Limited ("OP Financial" or "OP Financial Investments Limited") is a Hong Kong listed Investment Company with the mandate allowing the Company to invest in various assets, financial instruments, and businesses globally. OP Financial produce medium to long term shareholder returns by developing customized investment solutions for and alongside institutional and corporate investors in the region. OP Financial's co-investors are mainly large financial institutions and organizations targeting either high growth opportunities within China or strategic investments outside the region. OP Financial also invests in funds of listed and unlisted equities to generate diversified returns. Over time, these funds will serve as the foundation of a marketable proprietary financial services platform for attracting new investment partners.

2. Leap Holdings Group Limited (HKEx: 1499) — Leap Holdings Group Limited is principally engaged in the provision of (i) foundation works and ancillary services; and (ii) construction wastes handling at the public fill reception facilities managed by the Government in Hong Kong. Leap Holdings Group Limited undertook primarily construction projects in the private sector in Hong Kong and was generally engaged as a subcontractor or sub-subcontractor.

3. Jia Meng Holdings Limited (HKEx: 8101) — The principal activity of Jia Meng Holdings Limited is investment holding. The principal activities of the Jia Meng Holdings Limited's subsidiaries are: (i) design, manufacture and sales of mattress and soft bed products in the People's Republic of China (the "PRC") and export mattress to overseas markets; (ii) securities investment in Hong Kong and (iii) property investment in Hong Kong.

4. Sau San Tong Holdings Limited (HKEx: 8200) — Sau San Tong Holdings Limited is principally engaged in the provision of beauty and slimming services from slimming centres, distribution sales of cosmetic and skin care products and sale of other health and beauty products. The slimming centres, which are operated under the "Sau San Tong" brand name, provide services such as whole and partial body slimming, weight management, body treatment services and facial treatment services to its customers.

5. Rui Kang Pharmaceutical Group Investments Limited (HKEx: 8037) — The principal activities of Rui Kang Pharmaceutical Group Investments Limited are (i) manufacture, research and development, sale and distribution of consumer cosmetics, health related and pharmaceutical products, health supplement wine, dental materials and equipment in the PRC and Hong Kong, (ii) provision of medical laboratory testing services and health check services in Hong Kong, and (iii) trading of securities in Hong Kong.

12. ACQUISITION OF SUBSIDIARIES

On 10 October 2016, Shandong Kailai Energy Logistic Company Limited (an indirect 70% owned subsidiary of Kaisun Energy Group Limited) ("Kailai") , entered into two share transfer agreements with Mr. Zhou Xingliang and Ms. Yan Weihua to acquire 90% and 10% shares of Xinjiang Turpan Xingliang Mining Limited ("Xingliang") each owned respectively for total cash consideration of RMB 10 million. The transaction was completed on 8 February 2017.

Xingliang is a Xinjiang mining company incorporated on 4 May 2011. It holds a mining license with coal output of 90,000 tonne per year. Kailai (the Company's 70% subsidiary) obtained ownership of Xingliang on 8 February 2017 with government approval on the transfer of the valid mining license from the sellers.

The carrying amount of the identifiable assets and liabilities of Xingliang acquired as at its date of acquisition is as follow:

	Carrying amount
	HK$'000
Net assets acquired:	
Fixed assets	3,020
Intangible assets	6,011
Cash at banks	2,268
Other payables and accruals	(19,110)
	(7,811)
Goodwill	19,114
	11,303
Satisfied by:	
Cash consideration paid	11,303
Net cash outflow arising on acquisition:	
Cash consideration paid	11,303
Cash and cash equivalents acquired	(2,268)
	9,035

The goodwill arising on the acquisition of Xingliang is attributable to the anticipated profitability of the distribution of the Group's products in coal market and the anticipated future operating synergies from the combination.

As Xingliang is still in the pre-mining preparation phase, there is no contribution to the Group's revenue during the period. The Company has engaged Access Partner Professional Services Limited to prepare valuation and technical assessment for the Xingliang Coal Mine located in Xinjiang Province, PRC. The result of the analysis and assessment are expected to be available for inclusion in the interim report.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Management of the Group is pleased to announce that the Group has turned in a profit for the first quarter of 2017 ("Period"). The Group has seen gradual improvements on our bottom-line for the past few years but this is the very first time the Group turned in a profit after we have made it our objective to focused our efforts on Belt and Road related business development. With a variety of Belt and Road related operations and investments in our portfolio, performance of the Group is no longer dictated by the commodities market trend. Also, we were able to make these new investments; continue on our existing operations and expand on our existing operations while keeping costs relatively stable. Therefore, we are able to generate revenue at a more efficient level using our existing resources.

Unlike previous years where our first quarter results are usually underwhelming given the cyclical nature of the commodities market and constraints such as severe weather affecting our coal business operation, this year we can contribute our financial turnaround to our supply chain management business, our existing machineries production business as well as our securities investment activities. These businesses, in addition to our coal exploitation business in Tajikistan, have been a staple in our Belt and Road portfolio. With a combination of optimized costs, a slight rebound in the commodities prices, our existing operations getting on track and a positive return on our securities investment, the Group was able to generate a profit during the Period.

Nonetheless, management of the Group will not let this success affect our decision making as we still believe the world economy is unstable at the moment. A conservative approach would be best moving forward and we do not want to repeat our same mistakes a few years back by over committing our resources in this unstable environment. The Group will follow our future development direction established in annual report 2016 and will frequently review and make adjustments as we progress in 2017.

Belt and Road Business Highlights

PRC division — Shandong mining and metallurgical machineries production

"To promote Silk Road Economic Belt and 21st Century Maritime Silk Road visions and actions" 《推動共建絲綢之路經濟帶和21世紀海上絲綢之路的願景和行動》published jointly by the three commissions of the State Council stated that the central and western region of Shandong devoted great effort to participate in the Silk Road Economic Belt. The existing infrastructure of cities of central and western region, the rich resources, industrial upgrading, building of infrastructure in the western region, are used as entry points to enhance cooperation in processing and manufacturing of goods, developing resources, to build speciality industry zone and infrastructure facilities. Based on the above, a new platform for western region of Shandong to participate in the Silk Road Economic Belt will be built.

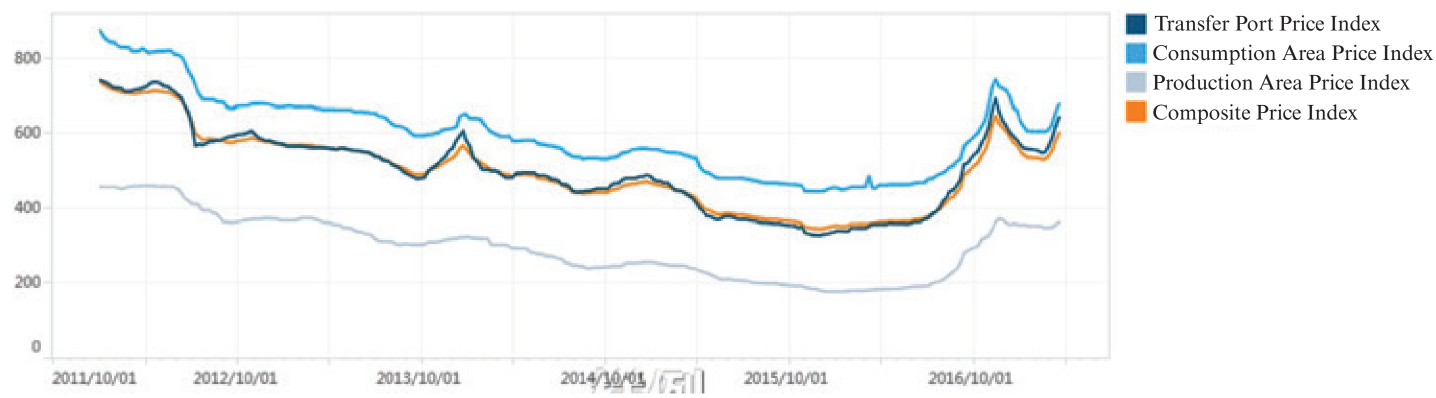
Tengzhou Kaiyuan Industrial co. Ltd ("Tengzhou Kaiyuan") is a joint venture that specializes in mining and metallurgical machineries production, and has been with the Group since 2014. After internal restructuring, 80% shares of Tengzhou Kaiyuan are owned by two indirect subsidiaries of the Company, 14% shares are owned by Shandong Baiyi, while the remaining 6% shares of Tengzhou Kaiyuan are owned by local government owned enterprise.

Mr. Joseph Chan, chairman of KEG, met with Mr. Lee Fung, the mayor of Zaozhuang City of Shandong during his visit, to discuss the development potential of Zaozhuang City in the Belt and Road initiative.

Tengzhou Kaiyuan highlights during the Period:

- Revenue of HKD 2.5 million (2016 HK 1.1 million).
- Plan to expand production line this year in order to meet the new orders.
- Have added sales contract of approximately RMB 5 million during the period.
- Positive news is that coal prices in china has been relatively stable during the Period, after a spike in prices during the second half of last year.

CR China Thermal Coal Price Index



(Source: http://www.sxcoal.com/price/index/155/en)

PRC division — Shandong supply chain management business

Shandong Kailai Energy Industrial Co., Limited ("Shandong Kailai") is a joint venture of the Group's subsidiary (70% shareholder) and Shandong Baiyi Coal and Electricity Company Limited (30% shareholder) that specializes in minerals supply chain management business. Leveraging on the Group's previous business relationship, another venture of Shandong Kailai is the acquisition and development of a coal mine in Turpan, Xinjiang, of which the mining license is owned by Xinjiang Turpan Xingliang Mining Limited ("Xingliang"), and Xinliang is 100% subsidiary of Shandong Kailai.

Shandong Kailai highlights during the Period:

- As mentioned in annual report 2016, Shandong Kailai officially received an agreement issued by Jinan Railway Bureau permitting right to use a section of the railway line. This gives Shandong Kailai the right to use a special section of the railways where we will provide loading and storage services to enterprises that wish to use our logistics center.

- This logistic center is currently under construction (3 million tons of minerals handling capacity per year when fully completed). Phase 1 construction work is expected to be completed by the end of May 2017, and handling capacity is 1 million tons of goods per year. When Phase 2 construction work is completed, 3 million tons of goods can be handled.

- We plan to enter into a logistic agreement with a coal logistic company where we will provide logistic service to them after Phase 1 construction work of the logistic center is completed.

- The coal mine owned by Xingliang is still in the pre-mining preparation phase. The Company has engaged Access Partner Professional Services Limited to prepare valuation and technical assessment, the results are expected to be available for inclusion in the interim report.

Central Asia division — Tajikistan coal exploitation

Highlights during the Period:

- Similar to previous years, mining is not possible during the winters due to harsh weather conditions.

- Will continue to leave production and preparation to a minimum as management of the Group is not comfortable with the situation in which Tajikistan Somoni ("TJS") continues to depreciate against the USD.

- TJS has actually further depreciated against the USD for the past couple of months (as of 1 May 2017 TJS/US$ = 0.11765, compared to March 2017 TJS/US$ = 0.12478), please see chart below:

Central Asia division — Leasing Business

In 2016, the Group started our leasing business with our partner in Tajikistan but we would eventually like to conduct leasing business in the whole Central Asia as well as the CIS countries. This view has not changed and during the Period we continued to work with our Tajikistan local partner to continue build up on our business. Some contracts were entered and we shall see the impact during the 2nd quarter of 2017.

Supply Chain Management Business

Supply chain management business is now a staple in the Group's Belt and Road investment portfolio. Although the frequency of conducting business depends on the current commodities market, but management of the Group is always looking closely at the market and try to link up potential partners. Now that the Group has a more steady client basis in the supply chain management industry, we are able to command better terms than before which also means the potential business pool have increased along with it. Also, having strong business partners such as Daiichi Kigenso Kogyo Co., Ltd., ("DKKK"), the world's top-ranking zirconium compound producer, gives the Group much greater credibility in the supply chain management industry.

Highlights during the Period:

- Supply chain management contract with China Energy delivering coal from Russia to China.

- DKKK, the Company and the manufacturer had entered into Memorandum of Understanding ("MOU") in relation to the supply and procurement of zircon sand, zircon flour, natural rutile and ilmenite on 19 April 2017 and formal off taking agreements is expected to be entered by all parties in June 2017.

Signing of MOU by KEG, DKKK and the Vietnam manufacturer.

Vietnam site visit by KEG team and business partner

Listed Securities Investment

Originally began around 2011/2012 as part of the Group's treasury management activities, our listed securities investment has grown to become one of the principal activities of the Group. During the Period, listed securities investment is one of the main reasons why our financial results has experienced such a huge turnaround.

Highlights during the Period:

- HKD24.4 million of revenue generated.

- Did not invest in any new listed securities during the Period and therefore all of the gain is generated from listed securities purchased from 2016.

- Did not invest in any new listed securities during the Period because the investment committee is uncertain in regards to the global economy development.

- Weekly listed securities reports are produced to the investment committee so the investment committee is kept informed in regards to securities with investment potential and for general investment decision making purposes.

For more details, please refer to note 6 on P.7 and note 11 on P.10 of this results announcement.

New Economy Business

Established late 2016 with the aim to develop and establish Belt and Road related businesses that are sustainable but also has growth potential. The Group has created a dedicated unit to handle the new economy business investment given that all projects should be Belt and Road related; should not be capital intensive as traditional businesses such as energy, logistics and infrastructures and we should partner up with industry veterans in order to leverage on their expertise, knowledge, reputation and capital.

Highlights during the Period:

- Explored different options in 1) event organizing 2) e-commerce and 3) financial investment industries.

- For event organizing we have been looking at public relations company and eSports as a starting point.

- We have signed an agreement to form a joint venture with Grow Up eSports of Macao to kickstart our eSports business (for an in-depth explanation of eSports and its market size please refer to annual report 2016).

The Chairman of GrowUp eSports — Federico Rosario

- Currently in talks with an financial investment veteran that specializes in Belt and Road related investment management in order to find cooperation opportunities.

- Our own e-commerce platform, has generated a small amount of revenue, and we are now in the process of extending this platform to integrate with the Group's other Belt and Road operations and investment to generate synergy (such as our Shandong machineries production operations).

Other Belt and Road related activities

As an expert and forerunner in the Belt and Road initiative, the Group on its own initiative took up the role to promote to the public about the Belt and Road initiative and what values it can bring to Hong Kong. In April 2017, the Group sponsored a Belt and Road friendly tournament and using our connections, helped bring together different consulates and associations in Hong Kong to participate in the tournament. Overall, the tournament was a huge success and it raised the Group's status as the Belt and Road expert and helped us establish a foundation for potential future "super connector" deals.

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「帶路」籃球賽開幕 多國領事出席

2017-04-10

■香港「帶路」籃球友誼賽開幕。

香港文匯報訊（記者　子京）由絲綢之路經濟發展研究中心、博亞體育、人民香港有限公司共同主辦，凱順能源有限公司、香港能源礦產聯合會、馬來西亞駐港澳商會贊助的「一帶一路」籃球友誼聯賽，4月7日晚在灣仔拉開序幕。

來自柬埔寨、馬來西亞、尼泊爾、巴基斯坦、菲律賓、俄羅斯等各國駐港澳領事及代表，出席比賽開幕儀式。

Future Business Development

General future business development direction will follow what was disclosed in annual report 2016. To reiterate:

PRC division — Shandong mining and metallurgical machineries production

- Plan to add extra production line to meet increasing orders.
- Based on the good relationship established with our existing client, continue to broaden our business cooperation with large state owned coal enterprise.

PRC division — Shandong supply chain management business

- After construction of the logistic center is completed, a modernised and equipped logistic's centre that can serve the South Shandong region, as well as the large coal enterprises located in the peripheral region will be available.

- Become an important logistic hub linking transport of the north and south route of the South Shandong region.

- According to the 13-5 development plan of China, coal development will shift to Inner Mongolia, Shaanxi and Xinjiang for the foreseeable future, we will use Xingliang as a starting point, and hope to consolidate the resources in peripheral regions, so that Xinjiang business will be become an important part of the Group's business.

  (http://www.cnenergy.org/mt/201701/t20170117_411544.html)

Central Asia division — Tajikistan coal exploitation

- Will carry out minimal preparation work but do not foresee any scaled exploitation of coal in the near future.

Central Asia division — Leasing Business

- Will continue to conduct leasing business with our Tajikistan partner in order to get a better feel of what it is like to run a leasing business in Central Asia and hopefully we can expand this business to the rest of the Central Asia and the CIS.

Supply Chain Management Business

- Will continue to study all of our available options with different partners. We will not only look for businesses with the greatest margin but will also have our Belt and Road development and risk profile in mind. Since management of the Group is still uncertain regarding the world economy and supply chain management has a high requirement on the Group's cash, management will continue using a conservative approach for the rest of 2017.

Listed Securities Investment

- Will continue in 2017 with dedicated personnel producing weekly stock reports to keep our investment committee informed with potential securities investment opportunities. Listed securities investments will continue to be one of the principal activities and normal course of business of the Group.

New Economy Business

- The new economy business unit will continue to develop newly established operations as well as talk to industry veterans in search for more cooperation opportunities.

The Group is still working closely with our strategic partners such as China Energy Engineering Group Northwest Power Construction Engineering co. Ltd (belongs to China Energy Engineering Group Corporation Limited — a fortune 500 company) and China National Technical Import & Export Corporation (belongs to China General Technology (Group) Holding Ltd. — a fortune 500 company) in looking for business opportunities in the Belt and Road.

Financial Review

Revenue of the Group for the period amounted to approximately HK$74.6 million, represented an increase of approximately 10.7 times to that of the same period in first quarter of 2017 (2016: HK$6.4 million). The significant increase was due to the Group reviving the supply chain management business portion again. Revenue arose from the provision of supply chain management services for mineral business, Shandong mining and metallurgical machineries production and trading of securities amounted to HK$47.7 million, HK$2.5 million and HK$24.4 million respectively.

The Group's gross profit for the period increased approximately 5.9 times to approximately HK$26.9 million when compared with the same period in 2016 (2016: HK$3.9 million). Gross profit arising from the provision of supply chain management services for mineral business was approximately HK$670,000, from Shandong mining and metallurgical machineries production is approximately HK$1.8 million and from trading of securities is approximately HK$24.4 million.

For the period, the total administrative and other operating expenses from the Group's operations was approximately HK$10.5 million, an increase of approximately 1.9% as compared with the same period in 2016 (2016: HK$10.3 million).

For the period, the profit from operations was approximately HK$16.7 million (2016: HK$(5.5) million).

The Group recorded profit for the period of approximately HK$12.1 million (2016: HK$(5.9) million).

The total comprehensive income attributable to owners of the Company for the period amounted to approximately HK$12.6 million (2016: HK$(5.8) million).

At as 31 March 2017, the Group has cash balance of approximately HK$1.5 million hold in a securities broker. The fair value of listed securities amounted to HK$124.0 million.

Liquidity and Financial Resource

As at 31 March 2017, the Group has a bank and cash balance of approximately HK$99.3 million (as at 31 December 2016: HK$36.3 million).

Gearing Ratio

The Group's gearing ratio, which represents the ratio of the Group's long term debts over the Group's total asset, was Nil as at 31 March 2017 (as at 31 December 2016: Nil).

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 Tajik Somoni ("TJS"). As at 31 March 2017, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

PLACEMENT OF NEW SHARES, RIGHTS ISSUE AND USE OF PROCEEDS

(i) The Company did two fund raisings in year 2015. On 7 May 2015, the Company allotted and issued 523,400,000 ordinary shares of HK$0.01 each in the capital of the Company by way of placing at a placing price of HK$0.089 per share. The Company raised approximately HK$44,250,000 (net of expenses). On 17 June 2015, the Company allotted and issued 628,000,000 ordinary shares of HK$0.01 each in the capital of the Company by way of placing at a placing price of HK$0.14 per share. The Company raised approximately HK$83,520,000 (net of expenses). The net proceeds of the two placings were HK$127,770,000. The net proceeds have been and will be applied as per the manner set out in the announcements of the Company dated 27 April 2015 and 2 June 2015, that is general working capital of the Group in particular the business development in the Central Asia part of the Silk Road.

For the 23 months up to 31 March 2017, approximately HK$114.1 million had been used as intended, including approximately: (i) HK$32.8 million on capital expenditure of the Shandong project; (ii) HK$15.8 million on providing working capital for Central Asia's operation; and (iii) HK$65.5 million for general working capital.

The Company intends to use the remaining proceeds, which was approximately HK$13.7 million of general working capital, as intended.

(ii) On 16 January 2017, the Company allotted and issued 1,884,202,850 Rights Shares under Rights Issue on the basis of one Rights Share for every two Shares at the subscription price of HK$0.048 per Rights Share. The Company raised approximately HK$85,574,000 (net of expenses). The net proceeds will be applied as per the manner set out in the announcement of the Company dated 1 December 2016.

Up to the date of this announcement, the proceeds raised under Rights Issue had not been used.

OTHER INFORMATION

1. Directors' and Chief Executives' Interests and Short Positions in the shares, underlying shares and debentures of the Company or any associated corporations

The interest and short positions of the directors and chief executives in the Shares, after rights issue and share consolidation, were as follow:

Name of Directors	Capacity	Number of Shares as at 16 January 2017 (after allotment of rights shares)	Number of Shares as at 31 March 2017 (after share consolidation of 10 shares into 1 share effective on 16 February 2017)	Approximate percentage of the total issued shares
Chan Nap Kee, Joseph	Beneficial owner	1,591,322,985	159,442,298 *(Note 1)*	28.22%
Yang Yongcheng	Beneficial owner	6,150,000	615,000 *(Note 2)*	0.11%
Liew Swee Yean	Beneficial owner	2,040,000	204,000 *(Note 3)*	0.04%
Siu Siu Ling, Robert	Beneficial owner	2,040,000	204,000 *(Note 3)*	0.04%
Wong Yun Kuen	Beneficial owner	5,250,000	525,000 *(Note 3)*	0.09%
Anderson Brian Ralph	Beneficial owner	1,500,000	150,000 *(Note 3)*	0.03%

Save as disclosed above, as at 31 March 2017, none of the directors or chief executive 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 159,132,298. Of these, 2,004,000 shares were shares awarded to Mr. Chan as Director on 30 December 2015 under the Share Award Scheme adopted since 10 May 2013. In addition, 310,000 shares were purchased by Mr. Chan Nap Kee, Joseph on the market from 29 to 31 March 2017. Hence total number of shares owned by Mr. Chan was 159,442,298 as at 31 March 2017.

2. Of these, 400,000 shares were shares awarded to Mr. Yang Yongcheng as Director on 30 December 2015 under the Share Award Scheme adopted since 10 May 2013.

3. Of these, 150,000 shares were shares awarded to each of Mr.Liew Swee Yean, Mr. Siu Siu Ling, Robert and Mr. Anderson Brian Ralph as Director on 30 December 2015 under the Share Award Scheme adopted since 10 May 2013.

2. Interests and short positions of substantial shareholders in shares and underlying shares

As at 31 March 2017, so far as is known to the Directors and chief executive of the Company, the persons (not being a Director or chief executive of the Company) who had an interest or short position in the shares and underlying 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:

Name of shareholders	Capacity	Number of Shares	Approximate percentage of the total issued shares as at 31 March 2017
Mr. Chan Nap Kee, Joseph	Beneficial Owner	159,442,298	28.22%
Ms. Yeung Po Yee, Bonita	Interest of spouse *(Note 1)*	159,442,298	28.22%

Note:

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.

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 2017, had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 & 3 of Part XV of the SFO.

3. Shared-based Compensation Scheme

The Company operates two share award schemes (the "Share Award Schemes") 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.

I Share Award Scheme

The Company adopted the Share Award Scheme on 10 May 2013 (the "Adoption Date"). The purpose of the Share Award Scheme is to recognise the contributions by certain Employees and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The Committee shall not make any further award of Awarded Shares which will result in the aggregate nominal value of the Shares awarded under the Share Award Scheme exceeding ten per cent of the issued share capital of the Company at the time of such Award.

Please refer to the announcement of the Company dated 10 May 2013 for details of the Share Award Scheme.

During the year 2016, based on the Company's instructions, the trustee of the Share Award Scheme purchased a total of 20,110,000 shares of the Company from the open market on the Stock Exchange. After share consolidation of every ten (10) Shares of the Company into one (1) Consolidated Share which became effective on 16 February 2017, the total number of shares in the Share Award Scheme became 2,011,000.

As the trustee had not purchased any shares of the Company during the 3 months ended 31 March 2017, hence, the total number of shares held under the Share Award Scheme as at 31 March 2017 is 2,011,000.

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

II(a) Share Award Scheme 2016

The Company adopted the Share Award Scheme 2016 on 14 June 2016 ("New Share Award Scheme"). The purposes and objectives of the New Share Award Scheme are to recognise the contributions by certain Employees and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. Subject to any early termination as may be determined by the Board by a resolution of the Board, the New Share Award Scheme shall be valid and effective for a term of 5 years commencing from the date of the New Share Award 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 the New Share Award Scheme exceeding 10% of the total number of issued Shares from time to time.

Please refer to the Company's announcement dated 14 June 2016 and circular dated 15 June 2016 for details of the New Share Award Scheme.

II(b) Proposed Issue of New Shares under Specific Mandate

Following the adoption of the New Share Award Scheme, and after share consolidation of every ten (10) Shares of the Company into one (1) Consolidated Share which became effective on 16 February 2017, the Board has resolved to allot and issue up to 11,305,200 New Shares, within one year after the date of approval of the Extraordinary General Meeting ("EGM") of the Shareholders' resolution for approving the Specific Mandate, to the Trustee at the nominal value of HK$0.10 per Share under the Specific Mandate to be sought from the Shareholders in the EGM for the purpose of satisfying future grants of Awards under the New Share Award Scheme ("Specific Mandate"). The New Shares will be allotted and issued when and to the extent that Awards to any Selected Employees have been granted and the Board resolves to satisfy such Awards by the allotment of such New Shares.

The Company convened the EGM on 30 June 2016, and Shareholders' approval for the Specific Mandate were obtained by way of poll.

Please refer to the Company's announcement dated 14 June 2016 and circular dated 15 June 2016 for details on the proposed issue of new shares under specific mandate, and the Company's announcement dated 30 June 2016 on poll results of the EGM for approving the Specific Mandate.

4. Directors' Interest in Competing Business

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

5. Audit Committee Report

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

The AC comprises four independent non-executive directors, namely Mr. Liew Swee Yean, Mr. Siu Siu Ling Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph, and Mr. Liew Swee Yean is the chairman of the AC.

The primary duties of the AC are to review and supervise the financial reporting process, risk management and internal control system of the Group and provide an important link between the Board and the Company's auditors on those matters within the scope of the Group's audit. It also reviews the effectiveness of the external and internal audit and conducts risk evaluation.

Written terms of reference which describes its authorities and duties is available on the Company's website www.kaisunenergy.com under "Investor Relations" section with heading of "Corporate Governance".

The Group's financial statements for the three months ended 31 March 2017 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.

6. Remuneration Committee Report

The Company established the Remuneration Committee with written terms of reference that sets out the authorities and duties of the committee. The current Remuneration Committee comprised one executive director and two independent non-executive directors, namely Mr. Chan Nap Kee Joseph, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph. Dr. Wong Yun Kuen is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee is to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management.

Written terms of reference which describes its authorities and duties is available on the Company's website www.kaisunenergy.com under "Investor Relations" section with heading of "Corporate Governance".

7. Nomination and Corporate Governance Committee Report

The Company established a Nomination and Corporate Governance Committee ("NC") with written terms of reference which deals clearly with its authorities and duties. The NC comprises three members, namely Mr. Siu Siu Ling (chairman of NC), Mr. Liew Swee Yean and Mr. Chan Nap Kee, Joseph.

The primary duties of the NC is to make recommendations to the Board on appointment or reappointment of Directors, and to develop and review Group's policies and practices on corporate governance and to make recommendations to the Board.

Written terms of reference were adopted in compliance with the GEM Listing Rules, and is available on the Company's website www.kaisunenergy.com under "Investor Relations" section with heading of "Corporate Governance".

8. Purchase, Sale or Redemption of Listed Securities

During the period ended 31 March 2017, neither the Company nor any of its subsidiaries has purchased or sold any of its listed securities, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 2,011,000 Shares of the Company at a total consideration of about HK$1,190,000.

9. Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by directors ("Directors") of the Company 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 period ended 31 March 2017. 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 directors.

10. Code on Corporate Governance Practice

The Board is committed to maintain good standard of corporate governance practices and procedures. Except for the deviations described below, the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG code") contained in Appendix 15 to the GEM Listing Rules throughout the period ended 31 March 2017 under review.

The Code Provision A.2.1 stipulates that the role of chairman and chief executive officer should be separated and should not be performed by the same individual. From 2 November 2010 to 26 October 2016, Mr. Chan Nap Kee, Joseph, chairman, took up the role of acting chief executive officer and he was redesignated to Chief Executive Officer with effect from 26 October 2016. As Mr. Chan is both Chairman and Chief Executive Officer, Code Provision A.2.1 has been deviated.

The Code Provision A.5.6 stipulates that the nomination committee (or the board) should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report. The Nomination and Corporate Governance Committee of the Company (the "Nomination Committee") would review the board composition from time to time and it considered that the board diversity is in place and therefore written policy is not required. Due to the amendment of the Listing Rules effective 1 September 2013, a board diversity policy (the "Board Diversity Policy") has been adopted in December 2013. The Board Diversity would be considered from a number of aspects, including but not limited to skills, experience, knowledge, expertise, culture, independence, age and gender.

11. 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 first quarter ended 31 March 2017, covering the 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 ENERGY GROUP LIMITED
CHAN Nap Kee, Joseph
Chairman

Hong Kong, 9 May 2017

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 are Mr. CHAN Nap Kee Joseph and Mr. YANG Yongcheng and four independent non-executive directors of the Company are Mr. LIEW Swee Yean, Mr. SIU Siu Ling Robert, Dr. WONG Yun Kuen and Mr. ANDERSON Brian Ralph.

This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for 7 days from the day of its posting, and on the Company's website at http://www.kaisunenergy.com.