



## 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)

### THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

#### 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 than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This 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 are 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 and nine months ended 30 September 2016, together with the unaudited comparative figures for the corresponding periods in 2015 as follows:

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 30 September 2016

	Note	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2016 HK\$'000	2015 HK\$'000 (Restated)	2016 HK\$'000	2015 HK\$'000 (Restated)
<b>Revenue</b>	6	<b>10,299</b>	6,062	<b>31,098</b>	7,787
Cost of goods sold		<b>(4,158)</b>	(372)	<b>(22,082)</b>	(1,823)
<b>Gross profit</b>		<b>6,141</b>	5,690	<b>9,016</b>	5,964
Other income		<b>2,244</b>	1,469	<b>6,515</b>	4,780
Mining distribution costs		<b>(616)</b>	(564)	<b>(616)</b>	(8,634)
Administrative and other operating expenses		<b>(8,499)</b>	(8,351)	<b>(26,461)</b>	(33,527)
<b>Loss from operations</b>		<b>(730)</b>	(1,756)	<b>(11,546)</b>	(31,417)
Impairment loss on intangible assets		—	—	—	(9,479)
<b>Loss before tax</b>		<b>(730)</b>	(1,756)	<b>(11,546)</b>	(40,896)
Income tax (expense)/credit	7	<b>391</b>	(62)	<b>(176)</b>	1,464
<b>Loss for the period</b>		<b>(339)</b>	(1,818)	<b>(11,722)</b>	(39,432)
<b>Attributable to:</b>					
Owners of the Company		<b>(502)</b>	(1,741)	<b>(11,372)</b>	(38,243)
Non-controlling interests		<b>163</b>	(77)	<b>(350)</b>	(1,189)
		<b>(339)</b>	(1,818)	<b>(11,722)</b>	(39,432)
<b>Loss per share (HK Cents)</b>					
Basic	9	<b>(0.01)</b>	(0.05)	<b>(0.30)</b>	(1.22)

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

*For the nine months ended 30 September 2016*

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Restated)
<b>Loss for the period</b>	<b>(339)</b>	<b>(1,818)</b>	<b>(11,722)</b>	<b>(39,432)</b>
<b>Other comprehensive income for the period, net of tax:</b>				
<i>Items that may be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	<u>(166)</u>	<u>(1,486)</u>	<u>(441)</u>	<u>(3,429)</u>
<b>Total comprehensive income for the period</b>	<b><u>(505)</u></b>	<b><u>(3,304)</u></b>	<b><u>(12,163)</u></b>	<b><u>(42,861)</u></b>
<b>Attributable to:</b>				
Owners of the Company	<u>(676)</u>	<u>(3,564)</u>	<u>(12,914)</u>	<u>(43,943)</u>
Non-controlling interests	<u>171</u>	<u>260</u>	<u>751</u>	<u>1,082</u>
	<b><u>(505)</u></b>	<b><u>(3,304)</u></b>	<b><u>(12,163)</u></b>	<b><u>(42,861)</u></b>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2016

	Unaudited							
	Attributable to owners of the Company							
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Shares held for share award scheme <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2015	26,170	1,176,818	(615)	(6,166)	(917,021)	279,186	(18,008)	26,178
Total comprehensive income for the period	—	—	—	(5,700)	(38,243)	(43,943)	1,082	(42,861)
Purchase of shares held under the share award scheme	—	—	(3,327)	—	—	(3,327)	—	(3,327)
Issue of shares by way of placing	11,514	122,988	—	—	—	134,502	—	134,502
Transaction costs attributable to issue of shares	—	(6,725)	—	—	—	(6,725)	—	(6,725)
Changes in equity for the period	11,514	116,263	(3,327)	(5,700)	(38,243)	80,507	1,082	81,589
At 30 September 2015	<u>37,684</u>	<u>1,293,081</u>	<u>(3,942)</u>	<u>(11,866)</u>	<u>(955,264)</u>	<u>359,693</u>	<u>(16,926)</u>	<u>342,767</u>
At 1 January 2016	<u>37,684</u>	<u>1,293,081</u>	—	<u>(18,417)</u>	<u>(1,008,095)</u>	<u>304,253</u>	<u>(8,251)</u>	<u>296,002</u>
Total comprehensive income for the period	—	—	—	(1,542)	(11,372)	(12,914)	751	(12,163)
Purchase of shares held under the share award scheme	—	—	(1,125)	—	—	(1,125)	—	(1,125)
Changes in equity for the period	—	—	(1,125)	(1,542)	(11,372)	(14,039)	751	(13,288)
At 30 September 2016	<u>37,684</u>	<u>1,293,081</u>	<u>(1,125)</u>	<u>(19,959)</u>	<u>(1,019,467)</u>	<u>290,214</u>	<u>(7,500)</u>	<u>282,714</u>

## NOTES

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Unit A, 13/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 principal activities of the Group are (i) mining and metallurgical machineries production in Shandong; (ii) provision of supply chain management for mineral business; (iii) production and exploitation of coal in Tajikistan and (iv) securities investment.

The condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the Company's functional and presentation currency.

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group's condensed consolidated financial information have been prepared in accordance with International Accounting Standards ("IAS"). The condensed consolidated financial statements also comply with the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules").

The condensed consolidated financial information should be read in conjunction with the 2015 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 statements for the year ended 31 December 2015.

### 3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

During the nine months ended 30 September 2016, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB") that are relevant to its operations and effective for its accounting periods beginning on 1 January 2016. IFRSs comprise of International Financial Reporting Standards; 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 2016 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 2016. The directors anticipate that the new and revised IFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group has assessed, where applicable, the potential effect of all new and revised IFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

### 4. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 30 September 2016:

Description	Fair value measurements as at 30 September using	
	2016 Level 1 HK\$'000	2015 Level 1 HK\$'000 (Restated)
<b>Recurring fair value measurements:</b>		
Financial assets at fair value through profit or loss		
Listed securities ( <i>note 11</i> )	<u>73,368</u>	<u>10,183</u>

(b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 September 2016:

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

5. SEGMENT INFORMATION

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

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

The accounting policies of the operating segments are the same as those described in the Group's financial statements for the year ended 31 December 2015. Segment assets do not include amounts due from related parties and derivative instruments. Segment liabilities do not include convertible bonds and derivative instruments. Segment non-current assets do not include financial instruments and deferred tax assets.

	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	Securities investment HK\$'000	Total HK\$'000
<b>For nine months ended 30 September 2016 (unaudited)</b>					
Revenue from external customers	7,939	16,815	997	—	25,751
Segment (loss)/profit	(552)	(9,462)	(3,374)	5,084	(8,304)
<b>As at 30 September 2016 (unaudited)</b>					
Segment assets	17,152	165,137	878	78,320	261,487
Segment liabilities	<u>(3,764)</u>	<u>(3,142)</u>	<u>(4,826)</u>	<u>(2,016)</u>	<u>(13,748)</u>

	Mining and metallurgical machineries production in Shandong <i>HK\$'000</i>	Provision of supply chain management services for mineral business <i>HK\$'000</i>	Production and exploitation of coal in Tajikistan <i>HK\$'000</i>	Securities investment <i>HK\$000</i>	Total <i>HK\$'000</i>
<b>For nine months ended 30 September 2015 (unaudited)</b>					
Revenue from external customers	2,479	—	1,542	—	4,021
Segment (loss)/profit	(1,908)	(9,670)	(28,584)	4,641	(35,521)
<b>As at 31 December 2015</b>					
Segment assets	12,462	127,367	1	22,418	162,248
Segment liabilities	(1,600)	(4,481)	(4,752)	(1,875)	(12,708)

**Unaudited**  
**Nine months ended**  
**30 September**  
**2016**                      **2015**  
***HK\$'000***                      ***HK\$'000***  
(Restated)

**Reconciliations of segment profit or loss**

Total profit or loss of reportable segments	<b>(8,304)</b>	(35,521)
Other profit or loss	<b>(3,418)</b>	(3,911)
Consolidated loss for the period	<b>(11,722)</b>	(39,432)

**6. REVENUE**

	<b>Unaudited</b>		<b>Unaudited</b>	
	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		(Restated)		(Restated)
Sales of goods				
— Production and exploitation of coal	<b>997</b>	1,542	<b>997</b>	1,542
— Provision of supply chain management services for mineral business	<b>885</b>	—	<b>16,815</b>	—
— Mining and metallurgical machineries production	<b>4,997</b>	854	<b>7,939</b>	2,479
— Securities investment				
• Net realized gain on disposals of financial assets at fair value through profit or loss	<b>2,033</b>	1,982	<b>2,146</b>	2,082
• Fair value gains on financial assets at fair value through profit of loss ( <i>Note 11</i> )	<b>468</b>	1,684	<b>2,282</b>	1,684
• Dividend received from financial assets ( <i>Note 11</i> )	<b>919</b>	—	<b>919</b>	—
	<b>10,299</b>	6,062	<b>31,098</b>	7,787

## 7. INCOME TAX EXPENSE/(CREDIT)

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax — Overseas	—	20	35	20
Deferred tax — Hong Kong	(391)	42	141	(1,484)
	<u>(391)</u>	<u>62</u>	<u>176</u>	<u>(1,464)</u>

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the period ended 30 September 2016. No provision for Hong Kong Profits Tax is required since the Group has no assessable profit arising in or derived from these jurisdictions for the relevant periods.

PRC Enterprise Income tax has been provided at a rate of 25% (2015: 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

The Directors do not recommend the payment of dividend for the nine months ended 30 September 2016 (Nine months ended 30 September 2015: HK\$Nil).

## 9. LOSS PER SHARE

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

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the purpose of calculating basic loss per share	<u>(502)</u>	<u>(1,741)</u>	<u>(11,372)</u>	<u>(38,243)</u>
<b>Number of shares ('000)</b>				
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>3,767,152</u>	<u>3,741,598</u>	<u>3,751,312</u>	<u>3,127,710</u>

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary sharing during the period ended 30 September 2016 and 2015.



## 10. SHARE CAPITAL

	Unaudited as at 30 September 2016 HK\$'000	Audited as at 31 December 2015 HK\$'000
<b>Authorised:</b>		
50,000,000,000 ordinary shares of HK\$0.01 each	<u>500,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>		
3,768,405,700 (31 December 2015: 3,768,405,700)	<u>37,684</u>	<u>37,684</u>

### Notes:

- (a) i 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).
- ii 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).

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

As at 30 September 2016, the Group held financial assets at fair value through profit or loss of approximately HK\$73.4 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 shares held as at 30 September 2016	% of share-holding as at 30 September 2016	Unrealized gain/(loss) on fair value change for the period ended 30 September 2016	Dividends received for the period ended 30 September 2016	Fair value as at		% of the Group's net assets as at 30 September 2016	Investment cost	Reasons for fair value loss
					30 September 2016	2015 (Restated)			
OP Financial Investments Limited (1140) (Note 1)	36,756,000	2.00	1,525,360	918,900	<b>55,501,560</b>	—	19.6	53,976,200	—
LEAP Holdings Group Limited (1499) (Note 2)	7,050,000	0.27	1,453,250	—	<b>4,723,500</b>	6,080,200	1.7	3,270,250	—
Jai Meng Holdings Limited (8101) (Note 3)	103,800,000	4.27	1,154,000	—	<b>8,304,000</b>	—	2.9	7,150,000	—
Sau San Tong Holdings Limited (8200) (Note 4)	25,000,000	1.37	(1,875,000)	—	<b>2,325,000</b>	3,950,000	0.8	4,200,000	Drop in share price
Sino Haijing Holdings Limited (1106) (Note 5)	10,000,000	0.23	(30,000)	—	<b>1,290,000</b>	—	0.5	1,320,000	Drop in share price
Shun Wo Group Holdings Limited (1591) (Note 6)	9,000,000	0.23	54,000	—	<b>1,224,000</b>	—	0.4	1,170,000	—
Rui Kang Pharmaceutical Group Investments Limited (8037) (Note 7)	—	—	—	—	—	153,000	—	—	—
<b>Total</b>			<u>2,281,610</u>	<u>918,900</u>	<u>73,368,060</u>	<u>10,183,200</u>	<u>25.9</u>	<u>71,086,450</u>	

*Notes:*

1. OP Financial Investments Limited (HKEx: 1140) — OP Financial Investments Limited (“OP Financial” or “the Group”) is a Hong Kong listed Investment Company with the mandate allowing the Company to invest in various assets, financial instruments, and businesses globally. The Group produce medium to long term shareholder returns by developing customized investment solutions for and alongside institutional and corporate investors in the region. The Group’s co-investors are mainly large financial institutions and organizations targeting either high growth opportunities within China or strategic investments outside the region. The Group also invests in funds of listed and unlisted equities to generate diversified returns. Over time, these funds will serve as the foundation of a marketable proprietary financial services platform for attracting new investment partners.
2. Leap Holdings Group Limited (HKEx: 1499) — The group 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. The group 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 the Company is investment holding. The principal activities of the Company’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) — The Group is principally engaged in the provision of beauty and slimming services from slimming centres, distribution sales of cosmetic and skin care products and sale of other health and beauty products. The slimming centres, which are operated under the “Sau San Tong” brand name, provide services such as whole and partial body slimming, weight management, body treatment services and facial treatment services to its customers.
5. Sino Haijing Holdings Limited (HKEx: 1106) — The Group mainly focuses on the production and sale of expanded polystyrene (“EPS”) and paper honeycomb packaging products for household electrical appliances in the PRC.
6. Shun Wo Group Holdings Limited (HKEx: 1591) — The group is a contractor of foundation works in Hong Kong.
7. Rui Kang Pharmaceutical Group Investments Limited (HKEx: 8037) — The principal activities of Group 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

September 2016 marks the third anniversary of the Chinese “Belt and Road” initiative (“B&R”). This also represents Kaisun Energy’s third year to take on the role of Hong Kong’s forerunner and expert status in the B&R. Kaisun has exemplified the “going-out strategy” prior to the formulation of the B&R by entering Tajikistan of Central Asia back in 2011. We have encountered many obstacles in our time spent in Xinjiang, Tajikistan, Kyrgyzstan, Georgia, Vietnam, Mongolia, etc. Through these challenges we were able to establish strong working relationship with local government officials, state-owned enterprises (“SOEs”), and international organizations enabling Kaisun to achieve Hong Kong’s vision of being a “super-connector”.

In 2015, China’s investment towards B&R countries total USD1.89 billion which is a year over year increase of 38.6% (note 1). For the first 8 months of 2016, there have been 3,912 contracting projects worth USD7 billion with B&R countries which is an 28.3% increase over the same period. (note 2). The renminbi inclusion in the SDR basket on October of 2016 signifies another milestone in the RMB internationalization since 2009. Kaisun believes these developments will be beneficial to the emerging countries that Kaisun has interests in as regional economic integration deepens, financial risks reduce and transaction costs lower.

With that said, Kaisun is in a prime position to take advantage of the rapidly developing B&R. Our focus will continue to be connecting investments between countries and companies, private or public, in the energy, minerals, logistics, infrastructure, agriculture, financial or any other sectors that fit our size and scope. In August 2016, a memorandum of understanding was signed between Kaisun, Daiichi Kigenso Kagaku Kogyo Co. Ltd. (a Japanese company which is one of the largest company for manufacturing of Zirconium products in the world) and Solid Success International Limited (a company that controls a Vietnamese factory that produces zircon sand and zircon flour) in relation to supply and procurement of zircon and zircon flour. This marks Kaisun’s B&R “super connector” status and we are confident that this is only the beginning and Kaisun is capable of accomplishing more in the future.

In order to achieve our vision, it is in Kaisun’s interest to attract more powerful investors. Currently, many B&R projects are still at government to government levels and their project investments size are in the billions. Kaisun’s role as a “super connector” cultivating many public private partnerships (“PPP”) means that it is pertinent Kaisun to participate in the investment, even as a minority. Kaisun is currently cash adequate but potential future investments could still be substantial. These can potentially be significant to Kaisun given our current financial position and small market capitalization. Therefore, Kaisun might have the need to raise fund and in the process finding powerful partners and investors that share our vision and can assist us in future fund raising.

Management of the Group also feels that fund raised could be used towards acquiring and/or establishing operations with steady source of income to support the Group’s operating expenses and fund future growth. Currently, the Group’s revenue generating businesses, which includes coal exploitation, minerals production related equipments as well as commodities supply chain management are all influenced by a highly cyclical minerals market. Even though income generated from our B&R business has great potential, it will unlikely to be stable nor conventional.

During this period of transition, Kaisun has been making listed securities investments as a normal course of business for the past couple of years. So far we have been experiencing good overall results attributable to our knowledgeable top management and dedicated staff monitoring our investment portfolio. Due to its relative significance to our overall performance, listed securities investment is

now one of the principal activities of the Group. As such, we will disclose our listed securities investments as a standalone reportable segment. Please refer to note 6 on P. 7 and note 11 on P.9 of this results announcement for more details.

### ***Belt & Road Business***

Kaisun will continue to work closely with our strategic partners and direct the necessary resources to establish potential new B&R business ventures. Our Vietnam zircon sand “super connector” MOU is a preview of what is forthcoming and we wish that our investors will participate in this grand strategy of B&R through the Kaisun platform.

The Group’s B&R business spans multiple regions and industries. Currently, the Group is conducting business in Tajikistan of Central Asia, Shandong and Xinjiang of PRC. We have also provided supply chain management services in Vietnam, Taiwan and Hainan and have signed framework agreement to explore opportunities in Georgia, Vietnam and Afghanistan. Current focus of development of the Group are in energy, minerals and logistics and we aim to further explore infrastructure, financial and agriculture sector with our business partners.

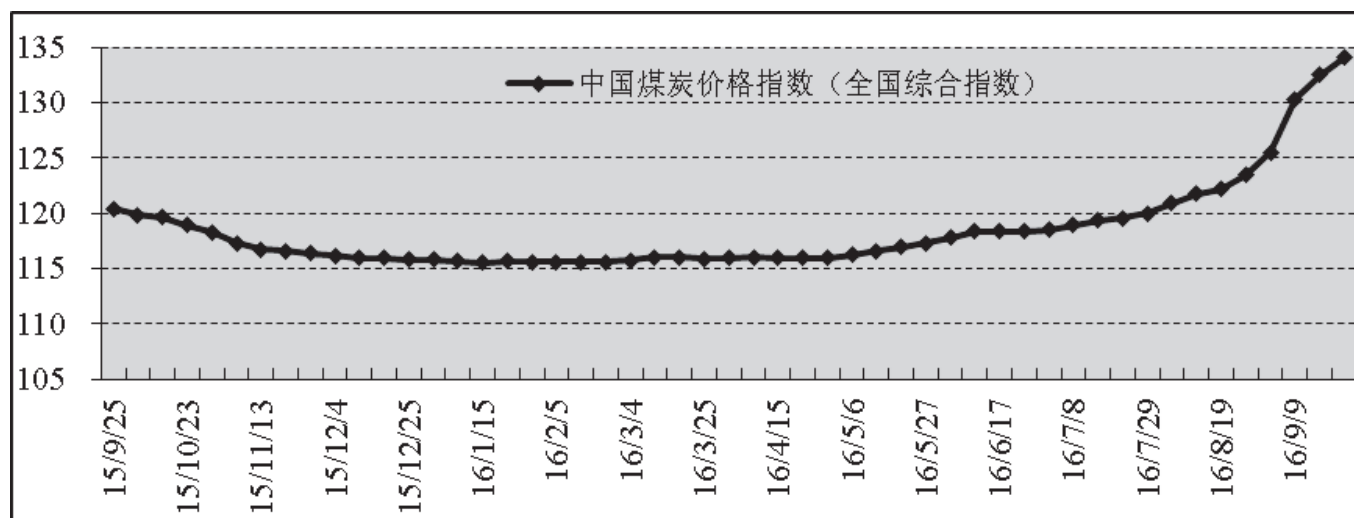
### ***Tajikistan Coal Exploitation***

For the past couple of years, management of the Group decided to take a conservative approach towards our Tajikistan coal assets. Our main concern was the relatively sizeable depreciation of the Tajikistan Somoni (“TJS”) against the USD. In 2014, the exchange rate between TJS and USD was approximately 5 TJS for 1 USD. Since January 2016, the exchange rate has been locked at approximately 7.8 TJS for 1 USD. At a glance, this appears to be a positive news for the Group as it seems the TJS is no longer fluctuating substantially. Unfortunately most of our coal produced in Tajikistan were sold locally (revenue dominated in TJS) while many of our costs are denominated in USD, making it uneconomical for the Group to engage in production. The fact that management of the Group has made the decision to lower overhead and fix cost in Tajikistan a few years back has allowed continual allocation of these resources on deck for other businesses such as commodities trading.

### ***Shandong Division***

For the nine months period up to 30 September 2016 (“Period”), our Shandong mining and metallurgical machineries production has contributed approximately HK\$7.94 million turnover to the Group (2015: approximately HK\$2.48 million turnover). Our Shandong Division performance is highly correlated to the performance of the minerals as well as the coal market. Recently, China’s coal market is showing signs of recovery, public confidence towards the coal market as well as a more balanced supply and demand have led to an increase in the overall coal price in China.

China Coal Price Index (national composite index) (note 3):



In the short run, coal prices will most likely remain strong due to low supplies and transportation bottlenecks. Even with a 500,000 tons increase of production per day response mechanism by the National Development and Reform Commission the problem of under supply persists. To date, the inventory levels of thermal coal is very low in the northern ports of China, coke inventories for mid to large steel manufacturers can only last 7 days on average. (note 4)

From the graph above, we can see that overall coal prices have been picking up since July of 2016 and we are currently in the middle of streamlining our Shandong division in order to take advantage of this potential coal market revival. Our plan is to integrate our machineries production as well as supply chain management within the Shandong region in order to create better synergy and better results for the Group.

#### *Supply Chain Management Business*

The Group entered the supply chain management business back in 2012, and as a rookie surrounded by experienced players in this capital-intensive industry, we have spent a great deal of resources and time to become an industry veteran today. As an industry veteran and “super connector”, we can command better terms than before and we are now able to conduct supply chain management business with more confidence and smaller capital. As the coal market picks up management of the Group expects there could be a few potential deals that are worth consideration. However, supply chain management business puts a great deal of stress on our company’s cashflow, therefore, management of the Group is more cautious and selective regarding potential new contracts.

#### *Listed Securities Investment*

Originally, the Group’s listed securities investment was part of our treasury management activities. Starting in or around 2012, the management of the Group began careful selection of listed securities investment in order to generate a reasonable amount of return. Since 2013, the commodities market experienced a decline, the Group experienced sharp downturn in our supply chain business including trading of commodities. During this period, due to the upturn in the stock market, the Group became more involved in securities trading. Overall, the listed securities investment generated a good return to the Group. As such, this portion of our treasury management activities became increasingly significant to the Group. As the Group intends to continue these particular treasury management activities, management of the Group decided that it would be appropriate to bring this additional disclosure to our shareholders.

For the Period, our listed securities investment contributed approximately HKD2,146,000 of net realized gain to the Group, HK\$919,000 dividend received from financial assets and HK\$2,282,000 fair value gains on financial assets at fair value through profit or loss. (2015 whole year: approximately HKD9.1 million net realized gain to the Group). For a more detailed summary, please check note 6 on P. 7 and note 11 on P.9 of this results announcement.

## **Outlook and Prospects**

Management of the Group would like to emphasize once again to our investors that B&R business and development will remain our focus. Management of the Group will continue to look into investment opportunities in Central Asia and emerging markets such as Iran, Vietnam, Georgia, Afghanistan, etc. We hope to bring value to our shareholders by allowing them to invest in these developing nations under the B&R through our platform. In the meantime, we will look for strong investors and partners that share our values and investment strategies to cooperate with the Group on potential projects and help us on future fund raising activities.

### *Notes:*

1. [http://news.xinhuanet.com/fortune/2016-09/22/c\\_129293793.htm](http://news.xinhuanet.com/fortune/2016-09/22/c_129293793.htm)
2. [http://www.fdi.gov.cn/1800000121\\_33\\_6829\\_0\\_7.html](http://www.fdi.gov.cn/1800000121_33_6829_0_7.html)
3. <http://www.coalchina.org.cn/detail/16/09/27/00000007/content.html>
4. <http://www.cctd.com.cn/show-176-150705-1.html>

## **Financial Review**

Revenue of the Group for the period amounted to approximately HK\$31.1 million (for the period ended 30 September 2015: HK\$7.8 million). Revenue arose from provision of supply chain management services for mineral business, production and exploitation of coal in Tajikistan, Shandong mining and metallurgical machineries production and securities investment amounted to HK\$16.8 million, HK\$1.0 million, HK\$7.9 million and HK\$5.4 million respectively.

Gross profit from the Group's operations for the period was approximately HK\$9.0 million (for the period ended 30 September 2015: HK\$6.0 million). Gross profit arising from the provision of supply chain management services for mineral business is approximately HK\$194,000 from production and exploitation of coal in Tajikistan is approximately HK\$1 million, from Shandong mining and metallurgical machineries production is approximately HK\$2.5 million and from securities investment is approximately HK\$5.3 million respectively.

For the period, the total administrative and other operating expenses from the Group's operations is approximately HK\$26.5 million (for the period ended 30 September 2015: HK\$33.5 million).

The Group recorded loss for the period of approximately HK\$(11.7) million (for the period ended 30 September 2015: HK\$(39.4) million).

The total comprehensive income attributable to owners of the Company for the period amounted to approximately HK\$(12.9) million (for the period ended 30 September 2015: HK\$(43.9) million).

At as 30 September 2016, the Group has total cash balance of HK\$6.5 million hold in the securities companies. The fair value of listed securities amounted to HK\$73.4 million.



## **Liquidity and Financial Resource**

As at 30 September 2016, the Group has a bank and cash balances of approximately HK\$38.5 million (as at 31 December 2015: HK\$103.6 million).

## **Gearing Ratio**

The Group's gearing ratio, which represents the ratio of the Group's long term liabilities over the Group's total assets, was Nil as at 30 September 2016 (as at 31 December 2015: Nil).

## **Foreign Exchange Exposure**

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars, Renminbi ("RMB"), Sterling Pound, United States dollars and Tajikistan Somoni. As at 30 September 2016, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

## **Placement of New Shares and Use of Proceeds**

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 628,400,000 ordinary shares of HK\$0.01 each in the capital of the Company by way of placing at a placing price of HK\$0.14 per share. The Company raised approximately HK\$83,520,000 (net of expenses). The total 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 17 months up to 30 September 2016, approximately HK\$89.3 million had been used as intended, including approximately: (i) HK\$25.1 million on capital expenditure of the Shandong project, (ii) HK\$26.4 million on providing working capital for Central Asia's operation and (iii) HK\$37.8 million for general working capital.

The Company intends to use the remaining proceeds, which was approximately HK\$38.5 million of general working capital, as intended.

## 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

As at 30 September 2016, the interests and short positions of the directors and the chief executives in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were 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 the securities transactions by the directors are as follows:

#### *Long position in Shares and underlying Shares*

Name of Directors	Capacity	Number of Shares	Number of Underlying Shares	Approximate percentage of the total issued Shares as at 30 September 2016
Chan Nap Kee, Joseph	Beneficial owner	136,321,760 (Note 1)	—	3.62%
Chow Pok Yu, Augustine	Beneficial owner	4,000,000 (Note 2)	—	0.11%
Yang Yongcheng	Beneficial owner	4,100,000 (Note 3)	—	0.11%
Liew Swee Yean	Beneficial owner	2,040,000 (Note 4)	—	0.05%
Siu Siu Ling, Robert	Beneficial owner	2,040,000 (Note 4)	—	0.05%
Wong Yun Kuen	Beneficial owner	3,500,000 (Note 4)	—	0.09%
Anderson Brian Ralph	Beneficial owner	1,500,000 (Note 5)	—	0.04%

Save as disclosed above, as at 30 September 2016, 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. Of these, 20,040,000 shares were awarded to Mr. Chan Nap Kee, Joseph as Director on 30 December 2015 under the Share Award Scheme adopted since 10 May 2013 (“Share Award Scheme”).
2. These were the shares awarded to Dr. Chow Pok Yu Augustine as Director on 30 December 2015 under the Share Award Scheme.
3. Of these 4,000,000 shares were awarded to Mr. Yang Yongcheng as Director on 30 December 2015 under the Share Award Scheme.
4. Of these, 1,500,000 shares were awarded to each of Mr. Liew Swee Yean, Mr. Siu Siu Ling Robert and Dr. Wong Yun Kuen as Director on 30 December 2015 under the Share Award Scheme.
5. These were the shares awarded to Mr. Anderson Brian Ralph as Director on 30 December 2015 under the Share Award Scheme.

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

- (a) As at the 30 September 2016, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interest disclosed above in respect of the directors, the following shareholders had notified the Company of relevant interests and short positions in the Shares and underlying Shares:

*Long positions in Shares and underlying Shares*

Name of Shareholders	Capacity and nature of interest	Number of shares	Number underlying Shares	Total Interest	Approximate percentage of the total issued Shares as of at 30 September 2016
<i>Substantial shareholders</i>					
Zhang Zhi Ping	Interest of a controlled corporation	218,490,000	—	218,490,000 <i>(Note 1)</i>	5.80%
Zhang Gaobo	Interest of a controlled corporation	218,490,000	—	218,490,000 <i>(Note 1)</i>	5.80%
Oriental Patron Financial Group Limited (“OPFGL”)	Interest of a controlled corporation	218,490,000	—	218,490,000 <i>(Note 1)</i>	5.80%

*Notes:*

1. OPFGL holds 218,490,000 Shares. OPFGL is 51% owned by Zhang Zhi Ping and is 49% owned by Zhang Gaobo.

Of these 218,490,000 Shares, 86,380,000 Shares are held by Pacific Top Holding Limited (“PTHL”). PTHL is wholly owned by Oriental Patron Financial Services Group Limited (“OPFSGL”), OPFSGL is 95% held by OPFGL. Zhang Zhi Ping, Zhang Gaobo, OPFGL and OPFSGL are deemed to be interested in the interests held by PTHL under the SFO.

Save as disclosed above, the Directors were not aware of any other person (other than the directors and the chief executives of the Company) who, as at 30 September 2016, 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. I Share Award Scheme**

The Company adopted the Share Award Scheme on 10 May 2013 (the “Adoption Date”). The purpose of the 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. Unless terminated earlier by the Board, the Share Award Scheme operates for three years commencing on the Adoption Date. 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 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 nine months ended 30 September 2016, based on the Company’s instructions, the trustee of the Share Award Scheme had purchased a total of 18,610,000 shares of the Company on the Stock Exchange at a total consideration of about HK\$1,125,000.

During the period ended 30 September 2016, no shares were awarded to any employee or director of the Company under the Share Award Scheme.

#### **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 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 Scheme 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 the 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.

#### **(b) Proposed Issue of New Shares under Specific Mandate**

Following the adoption of the New Share Award Scheme, the Board has resolved to allot and issue up to 113,052,000 New Shares, within one year after the date of approval of the Shareholders’ resolution for approving the Specific Mandate in the EGM, to the Trustee at the nominal value of HK\$0.01 per Share under the Specific Mandate to be sought from the Shareholders in the EGM for the purpose of for satisfying future grants of Awards under the 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 Extraordinary General Meeting (“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**

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

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

The primary duties of the AC are to review and supervise the financial reporting process and internal control and risk management systems of the Group, maintain an appropriate relationship with the Company’s auditors and provide advice and comments to the Board.

The unaudited quarterly results for the nine months ended 30 September 2016 have been reviewed by the AC.

#### **6. Remuneration Committee**

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

The current RC comprised one executive director and two independent non-executive directors, namely Mr. Chan Nap Kee Joseph, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph. Dr. Wong Yun Kuen is the chairman of the RC.

#### **7. Nomination and Corporate Governance Committee**

The Company established a Nomination and Corporate Governance Committee (“NC”) with written terms of reference that set out the authorities and duties of the committee. The NC comprises three members, namely Mr. Siu Siu Ling Robert (chairman of the NC), Mr. Liew Swee Yean and Mr. Chan Nap Kee Joseph.

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

During the nine months ended 30 September 2016, 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 18,610,000 shares of the Company at a total consideration of about HK\$1,125,000.

## **9. 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 2016. 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.

## **10. Internal Audit Review**

Kaisun has gone through a process of reorganization to prepare for our future cooperation with our strategic partners; we are currently also going through the process of reviewing and improving on our internal audit (which includes critical items such as internal control and risk assessment framework and procedures update). With the aim of providing an update to our current internal control system so as to improving our operational effectiveness and efficiency and better risk management as well as to complement our reorganisation, the Board took the initiative to engage Moore Stephens Consulting Limited (“Moore Stephens”) to review the Company’s internal audit system regarding the Group’s investment management and procurement management process. Based on the suggestion of Moore Stephens, management of the Group is leading this update exercise and is working progressively on it. We will find a balance for allocating resources between internal improvement and ongoing operations and investments. Management of the Group hopes that at the end of this engagement we will be better equipped to carry out our B&R strategy with greater accuracy, efficiency and improved risk control, thereby preparing us for a higher level expansion of business in B&R.

The Company will report on the progress of implementation based on the above review of internal audit system in the Company’s Annual Report for the year ended 31 December 2016.

## **11. Retirement of Executive Director**

The board announces that Dr. Chow Pok Yu, Augustine (“Dr. Chow”) will retire from his position as an Executive Director of the Company with effect from 31 December 2016, and the Board will retain him as an adviser to the Company for one year.

Dr. Chow has confirmed that he has no disagreements with the Board, and there are no other matters relating to his resignation that needs to be brought to the attention of the shareholders of the Company.

The Board would like to express its sincere gratitude to Dr. Chow for his valuable contributions as Executive Director of the Board during his tenure of office and wish Dr. Chow well after his retirement.

## 12. Redesignation of Mr. Joseph Chan Nap Kee to Chief Executive Officer

Following the planned retirement of Dr. Chow Pok Yu as Executive Director, for more effective management of the Company, the Board has redesignated Mr. Chan Nap Kee Joseph (“Mr. Chan”) to Chief Executive Officer with effect from 26 October, 2016.

## 13. Code on Corporate Governance Practice

The Board is committed to maintain good standard of corporate governance practices and procedures. Recently, the Company has engaged Moore Stephens Consulting Limited, an independent external reviewer, to perform review on the internal control system. 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 nine months under review.

The Code Provision A2.1 stipulates that the role of chairman and chief executive officer should be separated and should not be performed by the same individual. Since 2 November 2010, Mr. Chan Nap Kee Joseph, chairman, took up the role of acting chief executive officer and the Board has redesignated him to Chief Executive Officer with effect from 26 October 2016, which deviates from Code Provision A2.1.

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.

By order of the Board  
**KAISUN ENERGY GROUP LIMITED**  
**CHAN Nap Kee, Joseph**  
*Chairman*

Hong Kong, 26 October 2016

*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 three executive directors of the Company are Mr. CHAN Nap Kee Joseph, Dr. CHOW Pok Yu Augustine 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>.*