KEG

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

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

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 2017, together with the unaudited comparative figures for the corresponding periods in 2016 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the nine months ended 30 September 2017

		Unaudited Three months ended 30 September		**Unaudited Nine months ended 30 September**	
		2017	2016	**2017**	2016
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
			(Restated)		(Restated)
Revenue	6	**18,533**	6,879	**75,066**	25,752
Cost of goods sold		**(15,824)**	(4,158)	**(68,799)**	(22,082)
Gross profit		**2,709**	2,721	**6,267**	3,670
(Loss)/gain on disposal of financial assets at fair value through profit or loss		**(410)**	2,033	**58**	2,146
Fair value (loss)/gain on financial assets at fair value through profit or loss		**(9,289)**	468	**335**	2,282
Other income		**1,984**	3,163	**2,895**	7,433
Mining distribution costs		**(516)**	(616)	**(516)**	(616)
Administrative and other operating expenses		**(13,410)**	(8,499)	**(39,509)**	(26,461)
Loss from operations		**(18,932)**	(730)	**(30,470)**	(11,546)
Excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary	13	**1,611**	—	**144,809**	—
Share of profits of an associate		**306**	—	**306**	—
Fair value gain on derivative financial instrument		**—**	—	**4,290**	—
Profit/(loss) before tax		**(17,015)**	(730)	**118,935**	(11,546)
Income tax credit/(expense)	7	**1,328**	391	**(41,481)**	(176)
Profit/(loss) for the period		**(15,687)**	(339)	**77,454**	(11,722)
Attributable to:					
Owners of the Company		**(15,270)**	(502)	**48,045**	(11,372)
Non-controlling interests		**(417)**	163	**29,409**	(350)
		(15,687)	(339)	**77,454**	(11,722)
Earnings/(loss) per share *(HK Cents)*	9				
Basic		**(2.72)**	(0.13)	**8.71**	(3.03)

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

For the nine months ended 30 September 2017

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)
Profit/(loss) for the period	**(15,687)**	(339)	**77,454**	(11,722)
Other comprehensive income for the period, net of tax:				
Items that may be reclassified to profit or loss:				
Exchange differences on translating foreign operations	**1,198**	(166)	**5,944**	(441)
Total comprehensive income for the period	**(14,489)**	(505)	**83,398**	(12,163)
Attributable to:				
Owners of the Company	**(14,056)**	(676)	**53,121**	(12,914)
Non-controlling interests	**(433)**	171	**30,277**	751
	(14,489)	(505)	**83,398**	(12,163)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2017

	Unaudited							
	Attributable to owners of the Company							
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Shares held for share currency award scheme** *HK$'000*	**Foreign translation reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'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	—	—	—	(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	37,684	1,293,081	(1,125)	(19,959)	(1,019,467)	290,214	(7,500)	282,714
At 1 January 2017	**37,684**	**1,293,081**	**(1,190)**	**(20,858)**	**(1,021,511)**	**287,206**	**(7,511)**	**279,695**
Total comprehensive income for the period	**—**	**—**	**—**	**5,076**	**48,045**	**53,121**	**30,277**	**83,398**
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)**
Capital injection in a subsidiary	**—**	**—**	**—**	**—**	**—**	**—**	**17,116**	**17,116**
Award of shares held under share award scheme *(Note 10)*	**1,131**	**3,392**	**—**	**—**	**—**	**4,523**	**—**	**4,523**
Purchase of shares held under the share award scheme	**—**	**—**	**(563)**	**—**	**—**	**(563)**	**—**	**(563)**
Changes in equity for the period	**19,973**	**69,975**	**(563)**	**5,076**	**48,045**	**142,506**	**47,393**	**189,899**
At 30 September 2017	**57,657**	**1,363,056**	**(1,753)**	**(15,782)**	**(973,466)**	**429,712**	**39,882**	**469,594**

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 B, 17/F., E Tat Factory Building, 4 Heung Yip Road, Wong Chuk Hang, 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 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 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").

The condensed consolidated financial statements 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 statements 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 nine months ended 30 September 2017, 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 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 nine months ended 30 September 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 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 2017:

	Unaudited as at 30 September 2017 *HK$'000*	Audited as at 31 December 2016 *HK$'000*
Description		
Recurring fair value measurements:		
Using Level 1		
Financial assets at fair value through profit or loss		
Listed securities *(Note 11)*	**100,728**	102,723
Using Level 3		
Derivative financial instruments	**4,290**	—
	105,018	102,723

(b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 September 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 five reportable segments which are mining and metallurgical machineries production in Shandong, provision of supply chain management for mineral business, production and exploitation of coal, securities investment and new economy business 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 2016. 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	Provision of supply chain management services for mineral business	Production and exploitation of coal	Securities investment	New economy business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For nine months ended 30 September 2017 (unaudited)						
Revenue from external customers	**9,276**	**61,228**	**787**	**—**	**3,775**	**75,066**
Segment profit/(loss)	**74**	**(2,211)**	**96,179**	**5,842**	**(3,043)**	**96,841**
As at 30 September 2017 (unaudited)						
Segment assets	**25,151**	**140,609**	**188,010**	**126,677**	**237**	**480,684**
Segment liabilities	**(4,548)**	**(4,904)**	**(62,214)**	**(7,098)**	**(114)**	**(78,878)**

	Mining and metallurgical machineries production in Shandong	Provision of supply chain management services for mineral business	Production and exploitation of coal	Securities investment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For nine months ended 30 September 2016 (unaudited)					
Revenue from external customers	7,940	16,815	997	—	25,752
Segment (loss)/profit	(552)	(9,462)	(3,374)	5,084	(8,304)
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 nine months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Reconciliations of segment profit or loss		
Total profit or loss of reportable segments	**96,841**	(8,304)
Other profit or loss	**(19,387)**	(3,418)
Consolidated profit/(loss) for the period	**77,454**	(11,722)

6. REVENUE

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)
Sales of goods				
— Mining and metallurgical machineries production	**3,270**	4,997	**9,276**	7,940
— Provision of supply chain management services for mineral business	**10,701**	885	**61,228**	16,815
— Production and exploitation of coal	**787**	997	**787**	997
— Events organization	**3,775**	—	**3,775**	—
	18,533	6,879	**75,066**	25,752

7. INCOME TAX(CREDIT)/EXPENSE

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current tax — Overseas	**—**	—	**—**	35
Deferred tax — Hong Kong	**(1,784)**	(391)	**440**	141
— PRC	**456**	—	**41,041**	—
	(1,328)	(391)	**41,481**	176

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% (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 nine months ended 30 September 2017 (Nine months ended 30 September 2016: HK$Nil).

9. EARNINGS/(LOSS) PER SHARE

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

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit/(Loss) for the purpose of calculating basic earnings/(loss) per share	**(15,270)**	(502)	**48,045**	(11,372)
Number of shares *('000)*				
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	**561,867**	376,715	**551,721**	375,131

No diluted earnings/(loss) per share are presented as the Company did not have any dilutive potential ordinary sharing during the period ended 30 September 2017 and 2016.

10. SHARE CAPITAL

	Unaudited as at 30 September 2017	Audited as at 31 December 2016
	HK$'000	*HK$'000*
Authorised:		
5,000,000,000 ordinary shares of HK$0.10 each *(Note (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 (ii))*	**37,684**	37,684
Issue of shares under Rights Issue *(Note (i) & Note (ii))*	**18,842**	—
Issue of shares under Specific Mandate *(Note (iii))*	**1,131**	—
	57,657	37,684

Notes:

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$85,425,000 (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.

iii. On 2 June 2017, the board of directors of the Company has resolved to grant an award of 11,305,200 ordinary shares of HK$0.10 each in the share capital of the Company (the "Award Shares") to the selected employees of the Group under the 2016 Share Award Scheme, which are satisfied by way of issue and allotment of new Shares to the trustee appointed by the Company for the purpose of the trust in connection with the 2016 Share Award Scheme pursuant to the Specific Mandate.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited as at 30 September 2017	Audited as at 31 December 2016
	HK$'000	*HK$'000*
Equity securities, at fair value		
— Listed in Hong Kong	**100,728**	102,723
Analysed as:		
Current assets	**100,728**	102,723

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

	Unaudited as at 30 September 2017	Audited as at 31 December 2016
	HK$'000	*HK$'000*
Held for trading	**100,728**	102,723

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

The fair values of listed securities are based on current bid prices.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited as at 30 September 2017	Audited as at 31 December 2016
	HK$'000	*HK$'000*
Unlisted equity securities, at cost		
— In the PRC	**—**	1,117
— In British Virgin Islands	**10,700**	1,200
— In United Kingdom	**7,800**	—
	18,500	2,317

Unlisted equity securities were classified as available-for-sale financial assets and were stated at cost as they do not have a quoted market price in active market and whose fair value cannot be reliably measured was at the end of each reporting period.

The unlisted equity securities in the PRC, British Virgin Islands and United Kingdom were denominated in RMB, HK$ and USD respectively.

13. ACQUISITION OF SUBSIDIARIES

On 10 October 2016, Shandong Kailai Energy Logistic Company Limited (an indirect 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 up to 900,000 tonne per year. Kailai (the Company's subsidiary currently owns 74.33% shares of Kailai) obtained ownership of Xingliang on 8 February 2017 with government approval on the transfer of the valid mining license from the sellers.

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

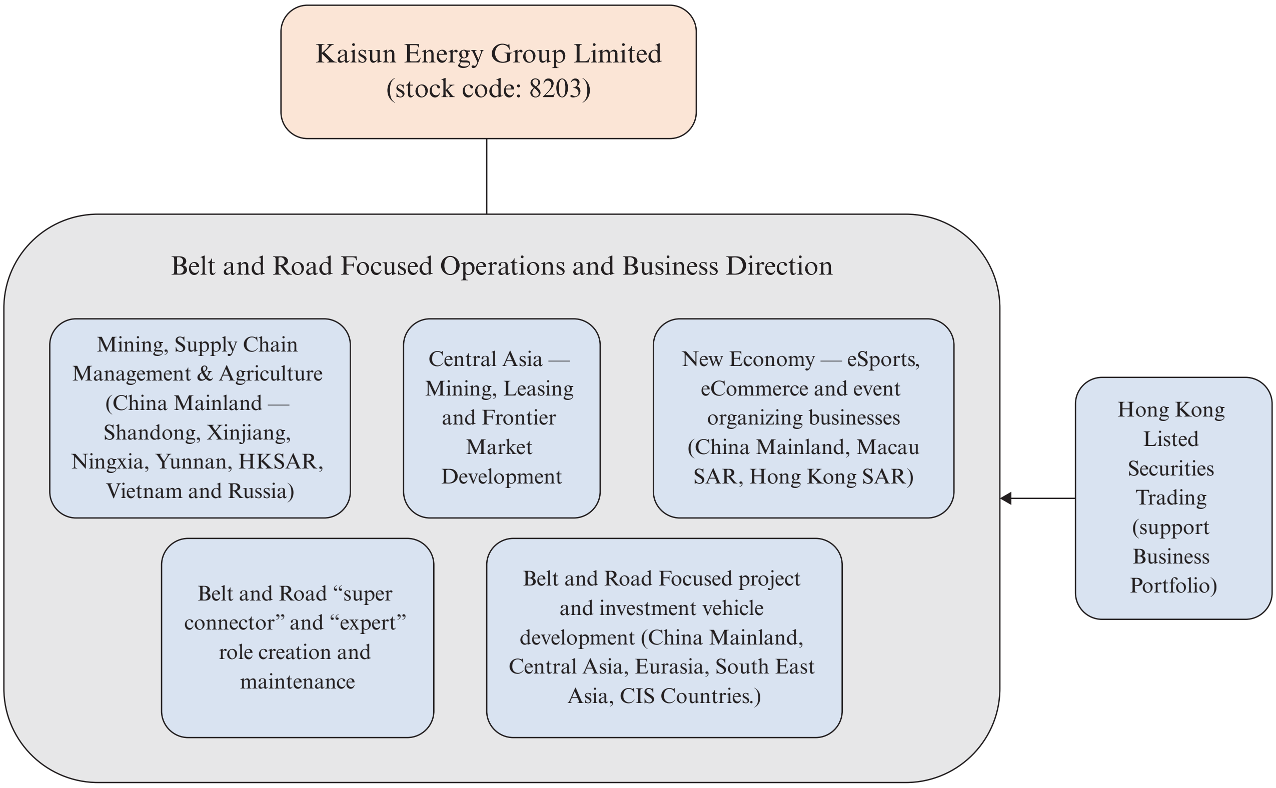
	Carrying amount	**Fair value adjustment**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Fixed assets	3,076	—	3,076
Intangible assets	6,122	168,421	174,543
Cash at banks	2,310	—	2,310
Other payables and accruals	(19,463)	—	(19,463)
			160,466
Excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary			(144,809)
Exchange difference			(4,145)
			11,512
Satisfied by:			
Cash consideration paid			11,512
Net cash outflow arising on acquisition:			
Cash consideration paid			11,512
Cash and cash equivalents acquired			(2,310)
			9,202

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.

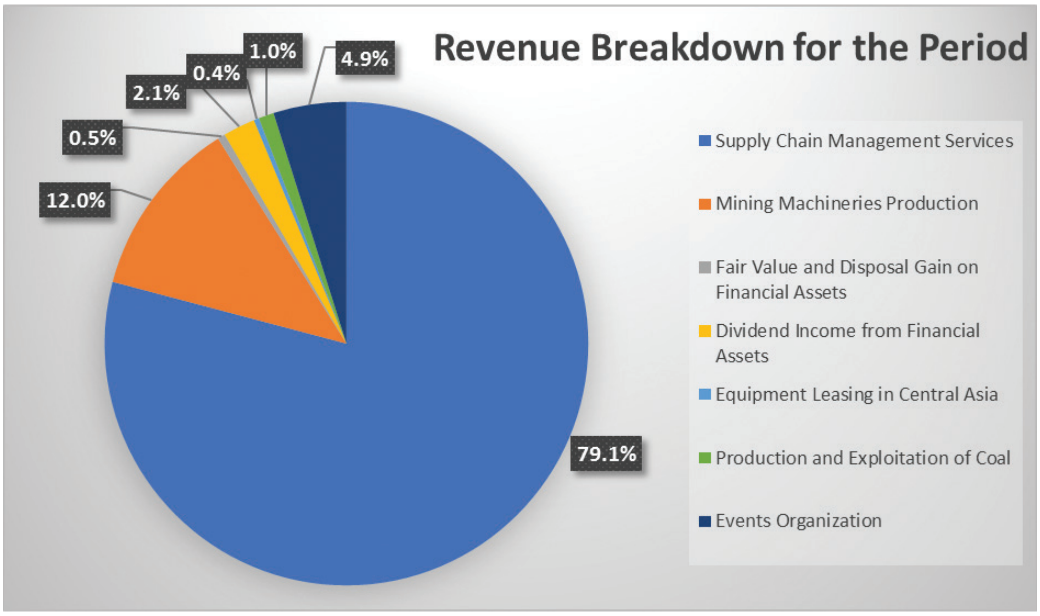
1. MANAGEMENT DISCUSSION AND ANALYSIS

During the 19th Communist Party of China National Congress, General Secretary of the Communist Party cum Chinese President Xi Jinping affirms that the opening up of China's economy will continue as opening up is the only way that will keep China growing. The implementation of the Belt and Road Initiative will remain the focus as opening up and it will encourage further Sino-foreign cooperation. Belt and Road Initiative is moving into development stage.

Kaisun Energy Group is an advocate and serious participant of the Belt and Road development since 2011, 2 years ahead of the Belt and Road initiative. Being a pioneer in the Belt and Road development, the Group has developed over the years a portfolio of assets and operations as illustrated in the diagram below.



Also, the composition of the Group's profit for the period of HKD77.4 million for the 9 months ended 30 September 2017 ("Period") is shown below.



The Group started as an energy focus operation but has since achieved a diverse portfolio of Belt & Road operations and investments. We have endured the growing pains but is now recognized by our peers as one of Hong Kong's leading Belt and Road focus companies. The Group hopes to continue to ride this Belt and Road momentum and reach heights we were not able to attain before. Our Group has accomplished a great deal of Belt and Road related achievements in the past 6 years including once being the largest coal producer in Tajikistan of Central Asia and cooperated with numerous government units as well as state-owned enterprise in the Belt and Road development. We encourage our new shareholders to review the previous reports, especially the past couple of years to fully grasp the Group's Belt and Road accomplishments. Nonetheless, with China's enduring strong support of the Belt and Road Initiative, the Group believes we can continue to benefit and leverage from our Belt and Road experience, connection as well as know-how to bring us to success.

A few highlights of this quarter:

Resources & Mining

- The Group's Xingliang Coal Mine in Xinjiang resources increased from 8 million tonnes to 20 million tonnes as approved by National Development and Reform Commission ("NDRC" 國家發改委) and National Energy Administration ("NEA" 國家能源局).

New Economy

- Our recently established eSports division has successfully held Girl Gamer eSports Festival 2017 in Macau SAR, with the "event reach" (exposure measured from views, clicks, forwarding, etc.) of about 10 million.

- We have successfully signed a strategic framework cooperation agreement with China Travel Cultural Media Hong Kong Limited, a subsidiary of China Travel International Investment Hong Kong Limited (Stock code: 0308), for cooperation of our eSports activities in their hotels, resorts and theme parks in Hong Kong and China. Also, both parties will explore cooperation in countries along the Belt & Road.

The above are just accomplishments this quarter in addition to the Group's established traditional energy, supply chain management and agricultural business. Also, the rest of the Group's Belt and Road related operations and portfolio are progressing as planned. The Group sees the 3rd Quarter of 2017 as a period of steady growth but with a few seeds planted for explosive development. This has always been the goal of the Group to bring sustainable growth to our Company and better returns to our shareholders.

Mining, Supply Chain Management & Agriculture

Mining — Machineries Production and Developments

Pursuant to the "Shandong Province's 13th five-year Plan for Ecological Environmental Protection", Shandong provincial government currently implements the policy to reduce the production capacities in order to enforce environmental protection, resulting in a total of 113 coal mines expected to be shut down before the end of 2017. This will stimulate the coal supply outside the province to satisfy the demand for industrial and residential use in Shandong. At the same time, the transport of coal is switching from using trucks to rail transport. The Group is fully ready and prepared for this fundamental change in the coal industry as:

1) The Group has the right to use a particular section of railway line permitted by Jinan Railway Bureau.

2) the second phase of construction of our existing logistics base is under preparation and will start in 2018.

Sources: http://news.ifeng.com/a/20170908/51924074_0.shtml

Shandong Mining and Metallurgical Machineries Production

"The 13th five-year plan for the development of coal industry" stated the development of energy reform driven by more efficient use of coal will be the objective and mission for Shandong province. The plan promoted an efficient green concept for coal mining industry, to increase the efficiency as well as adopting an energy diversification scheme. Under such development, the Group expects a bullish market for coal related machineries from 2017 to 2019 as the new demand for cleaner and more efficient coal will drive the coal machineries business. Consequently, there should be a significant increase of order for Tengzhou Kaiyuan during that period. Tengzhou Kaiyuan industrial Co. Ltd ("Tengzhou Kaiyuan"), the Group's Mining and Metallurgical Machineries Production unit in Shandong is performing satisfactorily in the 3rd quarter. As previously mentioned, the coal mining and metallurgical machinery market is entering a replacement and upgrading phase and a shortage of coal machineries supply is likely to occur. Tengzhou Kaiyuan has plans and resources in place to increase capacity to produce by increasing production capacity and related equipment to capture the potential expansion of market.

Tengzhou Kaiyuan highlight for the Period:

- Revenue of approximately HKD9.3 million, a 20% YoY growth (2016: HKD7.9 million)

- Increased production capacity and orders volumes, maintain the strong co-operation bond with State-owned enterprises ("SOE") and actively expanding our market reach

- Increased diversity of products offered

Shandong Supply Chain Management Business

Shandong Kailai Energy Industrial Co., Limited ("Shandong Kailai") is a joint venture of the Group's subsidiary (74.33% shareholder) and Shandong Bayi Coal and Electricity Company Limited (25.67% shareholder — a local government enterprise) that specialized in minerals supply chain management and logistic centre business. During the 3rd Quarter, Shandong provincial government has prohibited diesel truck from entering Weifang Port and Yanti Port for coal collection, enterprises are also no longer entering into coal logistics contract that uses diesel trucks insides those ports. The aim is to increase railway transport usage in order to reduce the pollution in Shandong Province. Railway transportation has become the only means for transport for coal. Shandong Kailai has received the right to use a particular section of railway line permitted by Jinan Railway Bureau back in February 2017, and we believe our business would greatly benefit by our stevedoring and storage services to coal suppliers.

Sources: http://www.mycoal.cn/news/24/117060.html

New Clients — 世德集團

Stevedoring Services

Short distance transportation

Logistics base II (land use right)

Shandong Kailai highlight for the Period:

- With completion of the first phase of construction work, the logistics centre is able to handle 1 million ton of coal products. The Group is making preparations for the second phase of construction and the new platform measures at 6,800 square meters with handling capacity increasing to a total of 3 million tons per annum.

- Shandong Kailai has begun providing services and entered into logistic contracts with many well-known private enterprises and SOEs such as 淄博淄礦煤炭運銷有限公司, 徐州瑞茂創恒能源科技有限公司, 徐州榮昌能源科技有限公司, etc. In the 3rd quarter, the company has also entered into a logistics contract with 山西世德能源集團有限公司, which is a top 100 private enterprise in Shanxi Province and also a member company of China Federation of Logistics and Purchasing.

Xinjiang Coal Exploitation

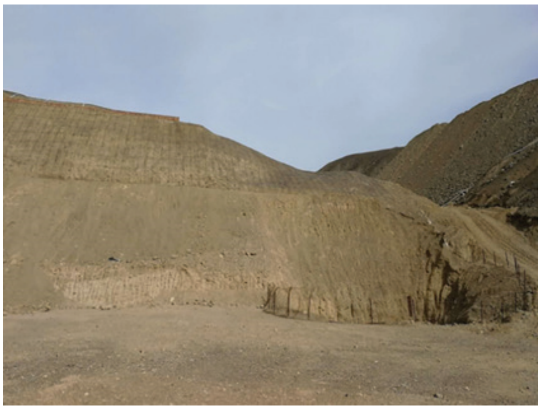
The summary of Xinjiang Turpan Xingliang Mining Co., Limited ("Xingliang Mining") in the 3rd quarter of 2017:

As of 30 September 2017, the preliminary work, including levelling industrial square ground, housing repairs, maintenance and instalment of electronic and mechanical equipment, measurement of the industrial square, debugging of monitoring and communication system, as well as winch foundation construction, are all proceeding progressively.

1. After consolidation of coal mines by local government in Xinjiang, Xingliang Mining was formed in 2017 under the Xinjiang "13th Five-Year" development program. Approved by National Development and Reform Commission ("NDRC" 國家發改委) and National Energy Administration ("NEA" 國家能源局), the coal resources in Xingliang Mining increases to approximate 20 million tons from original 8 million tons.

2. At present, there are only two coal mines in Qiquanhu town, Gaochang district, Turpan city. Xingliang is the sole coal mine in Qiquanhu town that is currently in construction, and the only mine available to supply coal to meet a huge market demand of coal to nearby power plants, cement plant, chemical plant and civilians.

Industrial square construction for the instalment of main shaft, auxiliary shaft and wind shaft



Shaft construction on-site

Side-slope protection construction

Powder magazine and flood protection canal

Supply Chain Management Services

Supply Chain Management Services is one of the most important business for the Group as a way to expand our Belt and Road market, diversify investment risks and increase the variety of investment. As one of the pioneers in the Belt and Road, the Group has fully realized the potential to become the "Super connector" based on our experience and knowledge accumulated over the years, by facilitating the interaction between China Mainland and countries along Belt and Road.

In 2017, the group will continue to further enhance cooperation with Daichi Kigenso Kagaku Kogyo Co., Ltd ("DKKK"), making a great leap forward in both quantity and types of product. We will supply to DKKK quality zirconium products by our manufacturer in Vietnam. The successful deal with DKKK further strengthen the Group's position in supply chain management services, especially in emerging Southeast Asian market.

The summary of supply chain management services in 3rd quarter 2017

1. Further to signing of Memorandum of Understanding ("MOU") by the Company with DKKK, one of the top global manufacturers of zirconium products and Vietnam manufacturer the in April 2017 in relation to the supply and procurement of zircon sand, zircon flour and other goods, Mr. Tsuyoshi Inoue, the President of DKKK, together with his team, visited Kaisun's team in Hong Kong in October 2017 to discuss specific terms of contract and future business cooperation in 2018.

2. Pursuant to the first offtake agreement entered with DKKK, we are progressively making deliveries according to the terms of the contract. The turnover in 3rd Quarter is expected to be around HK$3.8 million, and the total quota in first offtake agreement is scheduled to be completed by the end of the 4th quarter, generating steady earnings for the group in supply chain management services.

From Left to right:

Mr. Toyoda Yasunori 豐田恭典, VERC 顧問

Mr. Kimio Ouchi 大內公夫,

Executive vice president of DKKK,

Dr. Koon, Representative of Vietnam manufacturer

Mr. Tsuyoshi Inoue 井上剛, President of DKKK,

Mr. Joseph Chan, Kaisun's Chairman

Mr. Andy Chen, Kaisun's CEO of Agriculture & Natural Resources Business

Mr. Mark Jiang, Kaisun's Senior Manager of Agriculture & Natural Resources Business

As the supply chain management puts a great deal of stress on our company's cashflow, management of the Group is more cautious and selective regarding potential new contracts. Nevertheless, the Group is still in contact with other supply chain management suppliers and will consider entering into new contracts when suitable opportunities arises.

Agricultural Investment & Development

Cheung Lee is a major player and long-time veteran with 25 years experiences in planting, on-site management, logistic and sales of pollution-free vegetables. The products are distributed and sold in many cities of China's Guangdong Province and Hong Kong. Cheung Lee owns six sizable and modern farming bases in China including 2 in Ningxia, 2 in Yunnan as well as 2 in Guangdong with total farming area at approximately 10,000 acres.

Besides our current shareholding of 2.7% Cheung Lee's shares, we have the right to subscribe for up to 20% of Cheung Lee's shares.

The group is committed to offering professional guidance and services on corporate governance, risk control, internal audit, financial report, as well as setting up a special working group comprised of professionals who have been assigned to follow up on the above tasks.

As Cheung Lee hopes to further develop their business along Belt and Road, Kaisun helped Cheung Lee to connect to Belt and Road countries, and bring in strategic investors as well.

Vegetable planting
base in Yunnan

Some plantation display

Central Asia — Mining and Leasing

Kaisun started our Belt and Road journey in Central Asia. Central Asia is landlocked with China to its West and it is full of resources and minerals which needs machineries and manpower for development. It is one of the highest growth region in the world by GDP and the Group is one of the few companies in Hong Kong that has experience and expertise to operate in this area.

Apart from the general ongoing business development in Central Asia in which the Group always looks for any type of suitable business opportunities, there are currently three major business the Group is involved which are:

1) Coal exploitation in Tajikistan and minerals exploration and development in Central Asia.

2) Central Asia Equipment and Machineries Leasing

3) Working with Tojiksodirotbank ("TSB") and acting as the "super connector" trying to bring exchange platform and trading system expertise to Tajikistan for establishing a commodities trading platform.

Central Asia Mining and associated risk

Since 2014, the exchange rate between Tajikistan Somoni against the USD has been the number one deciding factor on the Group's decision on slowing down on our coal exploitation in Tajikistan. Since 2014, the Somoni has actually depreciated 50% against the USD and it has made a detrimental impact on the coal operation's gross margin as our revenue is denominated in Somoni and cost in USD. Nonetheless, the harsh winter of Tajikistan has passed and exploitation is once again possible. The exchange rate for the past five months has actually been relatively stable and the Group has decided to perform minimal amount of mining in order to keep our machineries in good shape and stay ready once mining makes economic sense again.

Central Asia Equipment and Machineries Leasing

Natural resources and minerals development requires machineries, which in turn spawns a need for leasing business. The Group's experience and general data shows that even though Central Asia is still experiencing one of the largest growth globally, Central Asia is still currently experiencing a difficult period as exchange rates continues to depreciate and they continue to rely on minerals revenue and remittances income which means they are very vulnerable to external shocks. Therefore, in order for Central Asia to be ready for the growth and capital injection, structural reforms needs to be in motion. Their financial sector, especially their banking system is one of the biggest weakness on the list and needs outside help. This is what the Group is trying to do with our cooperation with TSB but that takes time and a great deal of research. Nonetheless, in order to fill that leasing demand for the time being, the Group is working with a local Tajik partner and has established an equity joint venture. This was only possible given our experience and connections in the region.

The results have been satisfactory so far and customers are willing to lease their equipment through the Group's joint venture. We see growth potential of leasing business in Central Asian countries.

Hong Kong Listed Securities Trading

Hong Kong listed securities continues to be a significant asset in our business portfolio. It has performed well with greater than expected growth for the past year under the management of our investment committee. Recently, global stock market index has risen sharply and the Hang Seng Index has made one of the biggest gain in the past months since 2009 reaching almost 10 year high — see below graph. Our investment committee does not see strong enough fundamental data to support this continuous surge and we believe it was best to reposition our portfolio by taking the available profit while leaving dividend paying securities in order to continue to generate cash inflow. However, this does not mean we will be moving away from securities trading and we will wait for opportunities to arise.

New Economy Business — eSports, eCommerce, Event Organizing Company & Investments

With the Belt and Road in mind, the purpose of establishing the Group's new economy business unit was to explore asset light investment opportunities with good growth potential in order to bring value to our investors. Since the beginning of 2017, we have established an eSports unit, an e-commerce unit, an event organization unit as well as other potential new economy related business investment unit. For the first half of the year, most of the work done was to lay the fundamental groundwork including research, due diligence and finding the right partner for our businesses. This is because we believe in leveraging in industry leaders and government to help grow our business. Below is a table showing the quarterly progress of the Group's new economy business in 2017.

1st Quarter Preparation

- Research and due diligence, finding the right business for the Group
- Meeting with potential business partners
- Decided on e-commerce, eSports, event organizing as well as a new economy investment unit
- e-commerce business unit established and began operation

2nd Quarter Implementation

- e-commerce business unit achieved the milestone of having our own office in China, making first sale as well as having our own operation team. In house online infrastructure also in progress.
- establishment of eSports and event organization units and a couple of new economy investments has been made under new economy investment unit such as Fuying (Reputable Chinese new financial services platform) and Sturgeon Capital (a seasoned Belt and Road investment fund with 10 years of experience in the Belt and Road)
- eSports unit completed 1 small scale event to test waters as well as sponsoring 1 competiing team in a Hong Kong eSports event to make a name in the market.

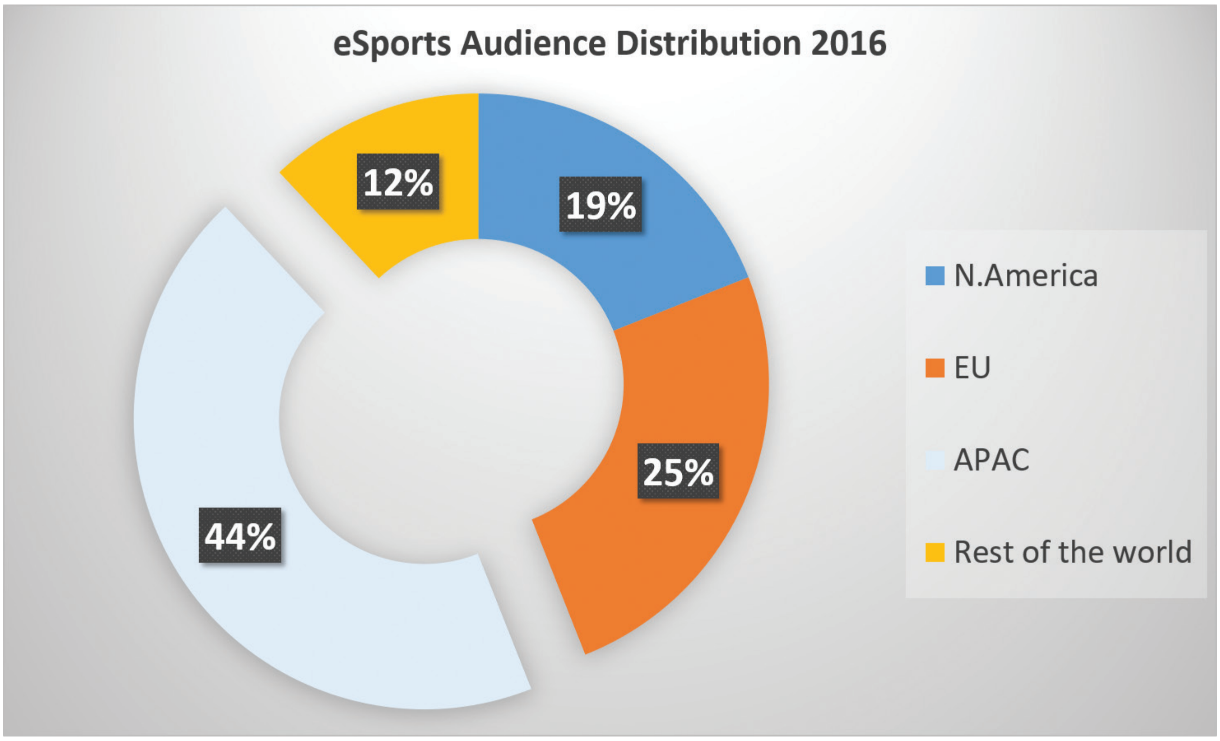
3rd Quarter Action

- eSports - first major event Girl Gamer 2017 and qualifiers for international eSports Championship in Busan (IeSF) succesfully held in Macau achieving 2 great milestones
- Event organization business unit (joint venture with local veteran) made great progress by organizing two successful events in Hong Kong, provided service for reputable Hong Kong business and association.
- Right now it is in the middle of planning and organizing an up coming Belt and Road Forum in early November featuring Shanghai Cooperation Organization's Secretary General, Seven Ambassadors to China, as well as Hong Kong government executives

eSports — target further development in Belt and Road countries

The Group was very delighted to report to our shareholders that we have entered into a strategic cooperation framework agreement with China Travel Cultural Media Hong Kong Ltd., the subsidiary of China Travel International Investment Hong Kong Limited (0308.hk), in which both parties will look to jointly host events and festival in eSports at theme parks as well as resorts under the China Travel brand as well as explore cooperation opportunities in countries along the Belt and Road. Both parties believe that by combining one of the world's oldest cultural business with one of the world's latest — Tourism and eSports, it will generate great synergy and exposure as well as lowering the potential cost of the events.

Currently, eSports audience is predominantly from APAC. Therefore, with this cooperation, we wish to capture a percentage of audience and participants from this group.



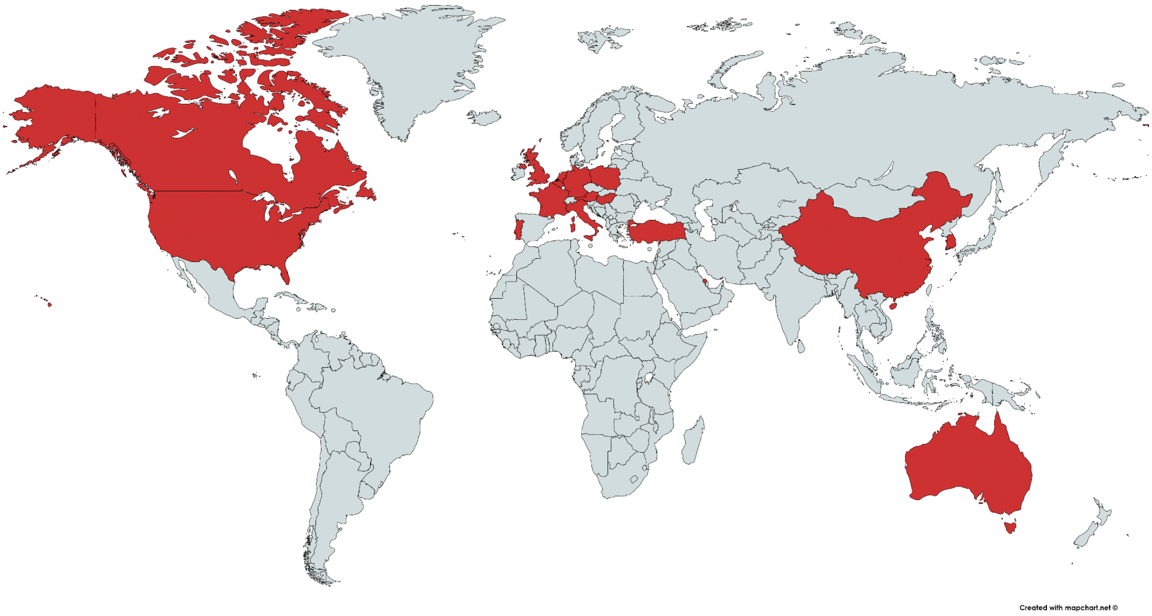
For further details, please refer to the announcement made by the Group on Oct 27, 2017.

Representative from China Travel Cultural Media Hong Kong Ltd. — Mr. Leo Li (photo left) and Kaisun's CEO of New Economy Business- Mr. Philip Ching (photo right).

During this quarter, two major operation milestones have also been achieved for our eSports division. First, Girl Gamer eSports Festival 2017 was hosted in Studio City, Macau SAR. The Group's subsidiary completed the event from initial conceptualization and planning of the event, to securing all sponsorships, and inviting all of the conference speakers as well as competing teams and directing. We were able to gain support from both Hong Kong SAR and Macau SAR government in this event and we were also very thankful to the event advertisement partners including the likes of Studio City Macau, Red Bull, Alibaba Cloud, GL events, Momax, CTM, etc. It was a truly international event with international audience, international competing teams, international speakers and international advertisement partners. We were also very satisfied with the total exposure of the event reaching about 10 million (which includes exposure from traditional media, new media, social media, government promotion, strategic partners, and advertisement partners). Exposure is what drive this eSports business as it will attract even more potential income and investors. Please take a look at the following for some event information.

Girl Gamer supporters and advertisement partners:

Girl Gamer international representation (Conference speakers and competitors):



Exposure of the event (views, forwarding, mentions, media coverage):

Outlet	**Potential Reach:**	**Outlet**	**Potential Reach:**
Facebook	2,254,981	Youtube	60,697
Twitter	1,324,195	Instagram	35,000
Linkedin	664,220	MomeTV	2,576,000
Twitch	30,198	Ferry	325,000
Huya	156,562	Cotai Strip Outdoor	250,000
Quanmin	225,064	Studio City Indoor	100,000
Youku	32,290	Websites	76,472
iQiyi	86,174	LKF TV	84,902
Sina	202,204	Red Bull	30,000
Panda	265,337	Sports Illustrated	230,000
RTP Arena	160,250	**Total Potential Reach**	**9,169,564**

Two of the Group's directors as well as eSports division management in Girl Gamer

Right after the Girl Gamer event the eSports unit continued its momentum and held a small but very significant event for the International eSports Federation, which is the Macau qualifiers for the Busan eSports Championship 2017. This is our first time hosting an event for an international eSports federation and it solidified the Group's eSports business unit's international status.

Event Organizing Company

Now we would like to talk about a few successful cases under our event organizing business unit and joint venture. Since the establishment of the joint venture, it has successfully completed:

- Two events held at Hong Kong's 5 star hotels
- One press conference
- One cocktail party for an established association in Hong Kong

And currently, this joint venture had organised a Belt & Road themed forum hosted during early November inviting the Group's long term friend, H.E. Rashid Alimov, the Secretary General of the Shanghai Cooperation Organization as well as seven ambassadors to China. On top of that, government executives of Hong Kong and representatives from fortune 500 companies attended this forum as speakers.

HKSAR government Chief Executive Mrs. Carrie Lam Cheng Yuet-ngor, Financial Secretary Mr. Paul Chan Mo-po, were keynote speakers at the 3rd November, 2017 Belt and Road Forum "The Belt & Road and Eurasia: Reality. Propects" organized by Kaisun's equity Joint Venture.

CY Leung, National Committee of the Chinese People's Political Consultative Conference's vice chairman, *GBS, JP* and HKSAR government Chief Secretary for Administration Mr. Matthew Cheung Kin-chung received the Belt and Forum delegation respectively on 2nd November 2017

Ambassador of Tajikistan to China — H.E. Parviz Davlatzoda (photo left), and Kaisun's Chairman Mr. Joseph Chan (photo right) were both speakers at our Belt and Road Forum

The event organization business unit is very grateful to be part of this historical event and with our dedication and preparation this event was a success and an important addition to our business portfolio.

In addition to hosting traditional events, this business unit is looking forward to establish a new media outlet featuring a fully online platform with exclusive interviews, news and editorial contents. Currently, it is at the due diligence and planning stage and hopefully this project will be made public in the near future.

Other new economy business units

Our e-Commerce unit is progressing on schedule with the next big thing being our own in house online infrastructure. For other new economy business investments such as Sturgeon Capital as well as Fuying which are of strategic importance to the Group, we are exploring all kinds of cooperation opportunities with them including fund raising and will disclose to our shareholders once the Group finds the optimal way of further cooperation.

Social Responsibilities

As a very serious Belt & Road participant, the Group viewed Cultural understanding of the Belt & Road countries a key element to the success of connecting their people and businesses. Hong Kong is unique in this East meet West situation as we have a large ethnic minority community living and working in Hong Kong in which many of them are born and bred in Hong Kong and have been living in Hong Kong for a century. The Board of the Group is constantly looking to recruit staff from these ethnic group fulltime or part time as well as through internship scheme. This year we have recruited a Hong Kong born but with Pakistani background intern to help the Group host (with 2 other local interns) one of our eSports event《Clash Royale》Its Lit! — Hong Kong 2017, a one day mobile game tournament on August 12th, in Hong Kong. Many of the contestants that participated as well as viewers were also ethnic minorities and it was a fine example of cultural exchange in the Belt & Road Participation.

The Group believes they can contribute greatly in Hong Kong's participation in the Belt & Road development as they know Hong Kong and China and many speak their native language at home, English in school or at work as well as Cantonese which is the most common Chinese dialect spoken in Hong Kong when socializing.

With the Group business covering Central Asia, South Asia and East Asia as well as South East Asia we have hired Russia speaking colleagues, Japanese major graduates and native South Asians to cope with our need. We have spoken to community leaders from the ethnic groups hoping to recruit their young local born and bred youth to contribute into our Belt & Road business development.

Mandatory Provident Fund Committee

To better protect the interest of the Company and the Company's employees, during October 2017, the Company established the Mandatory Provident Fund ("MPF") Committee to monitor service charges and follow up services of the Company's MPF service provider.

Financial Review

Revenue of the Group for the period amounted to approximately HK$75.1 million, representing an increase of approximately 1.9 times compared to that of the same period of 2016 (2016: HK$25.8 million). Revenue arose from the provision of supply chain management services for mineral business, Shandong mining and metallurgical machineries production, production and exploitation of coal and a new business segment — New economy business amounted to HK$61.2 million, HK$9.3 million, HK$0.8 million and HK$3.8 million respectively.

The Group's gross profit for the period increased approximately 71% to HK$6.3 million compared to the same period in 2016 (2016: HK$3.7 million). Gross profit arising from the provision of supply chain management services for mineral business was approximately HK$1.5 million, from Shandong mining and metallurgical machineries production was approximately HK$4.0 million, from production and exploitation of coal was approximately HK$787,000 and from New economy business was HK$40,000.

For the period, the gain on disposal of financial assets at fair value through profit or loss decreased approximately 97% to HK$58,000 compared to the same period in 2016 (2016: HK$2.1 million). The fair value gain on financial assets at fair value through profit or loss was HK$335,000.

As listed securities investment is one of the principal activities and normal course of business of the Group, the income from listed securities investment for the period was separately reflected as "Gain on disposal of financial assets at fair value through profit or loss" and "Fair value gain/loss on financial assets at fair value through profit or loss". Hence the columns of comparable figures of the unaudited condensed consolidated statement of profit or loss for the nine months ended 30 September 2016 on P.2 in the Quarterly Results Announcement were restated to reflect such changes.

For the period, the total administrative and other operating expenses from the Group's operations was approximately HK$39.5 million (2016: HK$26.5 million).

For the period, the loss from operations was approximately HK$(30.5) million (2016: HK$(11.5) million).

Upon completion of the acquisition of Xingliang Coal Mine in Xinjiang, PRC, the fair value of the mining right is approximately HK$174.5 million and the excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary was approximately HK$144.8 million.

Upon completion of the investment in Sturgeon Capital Limited ("Sturgeon Capital") in United Kingdom, which engages in belt and road asset management and fundraising activities, the Company has the right to obtain further 71,429 shares, approximately 20% enlarged shares of Sturgeon Capital at nil consideration if the assets management units ("AMU") of the Sturgeon Capital is below US$45 million on or before 4 November 2017. The fair value gain of derivate financial instrument (call option) valued by the independent valuer amounted to HK$4.3 million. The AMU of Sturgeon Capital as at investment date and the reporting date is US$70 million.

The Group recorded profit for the period of approximately HK$77.5 million (2016: HK$(11.7) million).

The total comprehensive income attributable to owners of the Company for the period amounted to approximately HK$53.1 million (2016: HK$(12.9) million).

As at 30 September 2017, the Group has cash balance of approximately HK$3.0 million held in a Hong Kong securities broker. The fair value of listed securities amounted to HK$100.7 million.

As at 30 September 2017, the Group held financial assets at fair value through profit or loss of approximately HK$100.7 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 30 September 2017	% of shareholding as at 30 September 2017	Unrealized gain/(loss) on fair value change for the period ended 30 September 2017 *HK$*	Dividends received for the period ended 30 September 2017 *HK$*	Fair value as at 30 September 2017 *HK$*	Fair value as at 31 December 2016 *HK$*	% of the Group's net assets as at 30 September 2017	Investment cost *HK$*	Reasons for fair value loss
Jai Meng Holdings Limited (8101) *(Note 1)*	110,000,000	3.80	(3,960,000)	—	9,900,000	13,860,000	2.1	7,775,000	Drop in Share price
LEAP Holdings Group Limited (1499) *(Note 2)*	—	—	—	—	—	3,666,000	—	—	—
OP Financial Investments Limited (1140) *(Note 3)*	36,756,000	1.94	5,513,400	1,470,240	87,111,720	81,598,320	18.6	53,976,200	—
Sau San Tong Holdings Limited (8200) *(Note 4)*	42,000,000	0.77	(1,428,000)	—	2,646,000	1,274,000	0.6	5,600,000	Drop in Share price
Shun Wo Group Holdings Limited (1591) *(Note 5)*	10,000,000	0.25	210,000	—	1,070,000	—	0.2	860,000	—
Pantronics Holdings Limited (1611) *(Note 6)*	—	—	—	—	—	2,324,600	—	—	—
Total			**335,400**	**1,470,240**	**100,727,720**	**102,722,920**	**21.5**	**68,211,200**	

Notes:

1. 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.

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. 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.

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. Shun Wo Group Holdings Limited (HKEx: 1591) — The group is a contractor of foundation works in Hong Kong.

6. Pantronics Holdings Limited (HKEx: 1611) — Headquartered in Hong Kong, Pantronics Holdings Limited began it's business as an OEM manufacturer over 30 years ago and, between the years 2001 and 2004, Pantronics Holdings Limited have evolved to become a manufacturer in the EMS industry. Pantronics Holdings Limited manufactures power-related electrical and electronic products, including solenoid coils, battery charger solution and power supply, LED lighting and others such as PCBA and parts assembly.

As at 30 September 2017, the Group held available-for-sale financial assets of approximately HK$18.5 million, wholly comprised of unlisted equity securities in Hong Kong and United Kingdom. The details of available-for-sale financial assets are set out as follow:

Company Name	**Number of sharers held as at 30 September 2017**	**% of share-holding as at 30 September 2017**	**% of the Group's net assets as at 30 September 2017**	**Investment cost as at 30 September 2017** *HK$*	as at 31 December 2016 *HK$*
Cheung Lee Farming Corporation *(Note 1)*	270	2.7	0.58	**2,700,000**	1,200,000
Sturgeon Capital Limited *(Note 2)*	24,999	10.0	1.66	**7,800,000**	—
Xin Ying Holdings Limited *(Note 3)*	8,000,000	N/A	1.70	**8,000,000**	—
Xinjiang Turpan Xingliang Mining Limited *(Note 4)*	N/A	N/A	—	**—**	1,116,656
			3.94	**18,500,000**	2,316,656

Notes:

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

2. Sturgeon Capital Limited is an independent alternative investment manager specializing in frontier and emerging markets. Sturgeon Capital manages the Sturgeon Central Asia fund, a multi-strategy investment fund focused on Central Asia and the surrounding region. The Sturgeon Capital management team have been investing in the region since 2005 and is made up of industry professionals with diverse professional background of regional and industry specific experience.

3. The principal activity of Xin Ying Holdings Limited ("Xin Ying") is investment holding. Xin Ying's subsidiaries combine the development of financial globalization and internet information technology innovation mean to provide innovative and efficient financing, assessment, consulting management, interconnection, financial e-commerce and more professional financial services for domestic enterprises and individual customers in PRC. Xin Ying's subsidiaries hold two types of credit license — 融資性擔保機構經營許可證 and 深圳市小額貸款業務資格.

4. Xinjiang Turpan Xingliang Mining Limited ("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.

Liquidity and Financial Resource

As at 30 September 2017, the Group has a bank and cash balances of approximately HK$33.0 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 liabilities over the Group's total assets, was Nil as at 30 September 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"), Sterling Pound, United States dollars and Tajikistan Somoni. As at 30 September 2017, 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

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$85,425,000 (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.

For the 8 months up to 30 September 2017, approximately HK$52.4 million had been used as intended, including approximately: (i) HK$5 million used from expansion of mining and metallurgical machineries production and supply chain management services for mineral business; (ii) HK$22.1 million used for business or investment opportunities in countries and regions covered by the "Belt & Road" initiatives of the PRC government; and (iii) HK$25.3 million used for general working capital.

The Company intends to use the remaining proceeds, including (i) approximately HK$16.4 million for expansion of mining and metallurgical machineries production, and supply chain management services for mineral business; (ii) approximately HK$7.9 million for business or investment opportunities in countries and regions covered by the "Belt and Road" initiatives of the PRC government; and (iii) approximately HK$8.7 million for the Group's 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

The interest and short positions of the directors and chief executives in the Shares, after allotment of rights shares on 16 January 2017 and share consolidation of 10 shares into 1 share which became effective on 16 February 2017, were as follow:

Name of Directors	Capacity	Number of shares as at 30 September 2017	Approximate percentage of the total issued shares
Chan Nap Kee, Joseph	Beneficial owner	160,212,298 *(Note 1)*	27.79%
Yang Yongcheng	Beneficial owner	615,000 *(Note 2)*	0.11%
Liew Swee Yean	Beneficial owner	204,000 *(Note 3)*	0.04%
Siu Siu Ling, Robert	Beneficial owner	204,000 *(Note 3)*	0.04%
Wong Yun Kuen	Beneficial owner	525,000 *(Note 3)*	0.09%
Anderson Brian Ralph	Beneficial owner	150,000 *(Note 3)*	0.03%

Save as disclosed above, as at 30 September 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 160,212,298. 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, 1,080,000 shares were purchased by Mr. Chan Nap Kee, Joseph on the market from 29 March to 30 September 2017. Hence total number of shares owned by Mr. Chan was 160,212,298 as at 30 September 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 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 2013.

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

As at 30 September 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:

Long positions in Shares and underlying Shares

Name of Shareholders	Capacity and nature of interest	Number of shares	Approximate percentage of the total issued shares as at 30 September 2017
Mr. Chan Nap Kee, Joseph	Beneficial Owner	160,212,298	27.79%
Ms. Yeung Po Yee, Bonita	Interest of spouse *(Note 1)*	160,212,298	27.79%
Mr. Zhang Xiongfeng	Beneficial Owner	40,080,000	6.95%
Ms. Wu Mingqin	Interest of spouse *(Note 2)*	40,080,000	6.95%

Notes:

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

2. These were total number of Shares that Mr. Zhang Xiongfeng ("Mr. Zhang") beneficially owned. As the spouse of Mr. Zhang, Ms. Wu Mingqin, was taken to be interested in the Shares in which Mr. Zhang was interested by virtue of the SFO.

Save as disclosed above, the Directors were not aware of any other person (other than the directors and the chief executives of the Company) who, as at 30 September 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, Share Award Schemes 2013 and Share Award Scheme 2016, for the purpose of assisting in recruiting, retaining and motivating key staff members. Eligible participants of the schemes include the Company's directors (including independent non-executive directors) and other employees of the Group.

I. Share Award Scheme 2013

The Company adopted the Share Award Scheme on 10 May 2013. For details of the Share Award Scheme 2013, please refer to the announcement of the Company dated 10 May 2013.

During the year 2016, based on the Company's instructions, the trustee of the Share Award Scheme 2013 purchased a total of 20,110,000 shares of the Company from the open market on the Stock Exchange ("Purchased Shares").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 no. of Purchased Shares in the Share Award Scheme 2013 became 2,011,000.

Following the expiry of the Share Award Scheme 2013 and the adoption of the Share Award Scheme 2016, by mutual agreement between the Company and the Trustee, the total no. of the Purchased Shares of 2,011,000 held by trust for Share Award Scheme 2013 was transferred to the trust for Share Award Scheme 2016. After this transfer of Purchased Shares, the Share Award Scheme 2013 was terminated

II. Share Award Scheme 2016

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

For details of the Share Award Scheme 2016 and proposed issue of new shares under specific mandate, please refer to the Company's announcement dated 14 June 2016 and circular dated 15 June 2016, and the Company's announcement dated 30 June 2016 on poll results of the Extraordinary General Meeting ("EGM") for approving the specific mandate.

Grant of Award shares pursuant to the Share Award Scheme 2016 — by issue of New Shares under Specific Mandate to Selected Employees

The specific mandate (the "Specific Mandate") was granted by the shareholders (the "Shareholders") of the Company pursuant to resolutions of the Shareholders in an extraordinary general meeting of the Company held on 30 June 2016 which has authorised the Board to exercise the powers of the Company to allot and issue up to 113,052,000 new Shares (which has been consolidated into 11,305,200 new Shares following the share consolidation of every ten (10) shares of HK$0.01 each in the issued and unissued share capital of the Company into one (1) consolidated share of HK$0.10 each in the issued and unissued share capital of the Company as approved by the Shareholders in the extraordinary general meeting of the Company held on 15 February 2017, which took effect from 16 February 2017) within one year after the date of approval of such resolution to the Trustee in relation to the 2016 Share Award Scheme for the purpose of satisfying future awards to be granted under the 2016 Share Award Scheme

On 2 June 2017, the board (the "Board") of directors (the "Directors") of the Company has resolved to grant an award (the "Award") of 11,305,200 ordinary shares (the "Shares") of HK$0.10 each in the share capital of the Company (the "Award Shares") to 17 selected employees of the Group (the "Selected Employees") under the 2016 Share

Award Scheme, which was satisfied by way of issue and allotment of new Shares to the trustee appointed by the Company for the purpose of the trust in connection with the 2016 Share Award Scheme (the "Trustee") pursuant to the Specific Mandate.

Please refer to the Company's announcement dated 2 June 2017 for details on grant of award shares pursuant to the Share Award Scheme 2016 to Selected Employees.

During the 9 months to 30 September 2017, based on the Company's instructions, the trustee of the Share Award Scheme 2016 purchased a total of 1,450,000 shares of the Company from the open market. Together with the total number of 2,011,000 Purchased Shares transferred from Share Award Scheme 2013, the total number of Purchased Shares as at 30 September 2017 in Share Award Scheme 2016 was 3,461,000. During the period, no Purchased Shares were awarded to any director or employee of the Company under the Share Award Scheme 2016.

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, risk management and internal control system of the Group and provide an important link between the Board and the Company's auditors on those matters within the scope of the Group's audit. It also reviews the effectiveness of the external and internal audit and conducts risk evaluation.

The Group's financial statements for the nine months ended 30 September 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.

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".

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 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 Remuneration Committee.

The primary duties of the RC 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

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. Mandatory Provident Fund Committee

To better protect the interest of the Company and the Company's employees, during October 2017, the Company established the Mandatory Provident Fund ("MPF") Committee to monitor service charges and follow up services of the Company's MPF service provider.

The MPF Committee comprises five employees from different units of the Company, and the Chairman being an independent non-executive Director of the Company. Mr. Liew Swee Yean was elected as Chairman of the MPF Committee.

9. Purchase, Sale or Redemption of Listed Securities

During the period ended 30 September 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 2016, pursuant to the terms of the rules and trust deed of the Share Award Scheme 2016, purchased on the Stock Exchange a total of 1,450,000 shares of the Company at a total consideration of about HK$562,850.

10. 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 2017. 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.

11. 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 30 September 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.

12. Review of Risk Management and Internal Control Effectiveness

The Board has conducted a review of the effectiveness of the Group's risk management and internal control systems for the nine months ended 30 September 2017, covering material financial, operational and compliance controls, and considered that the Group's risk management and internal control systems are effective and adequate.

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

Hong Kong, 7 November 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: Mr. CHAN Nap Kee Joseph and Mr. YANG Yongcheng, and four independent non-executive directors of the Company: 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.