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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)

CONTINUING CONNECTED TRANSACTIONS

AGREEMENT FOR SUPPLY OF COAL FOR THREE YEARS

MASTER AGREEMENT FOR SUPPLY OF COAL

The Board hereby announces that on 30 November 2017, Shandong Kailai entered into the Master Coal Supply Agreement with Yihe and Zaozhuang Baiyi in relation to the supply of coal by Shandong Kailai to Yihe for a term of three years commencing from 1 January 2018 to 31 December 2020 (both dates inclusive). It is expected that the transaction amount for the transactions under the Master Coal Supply Agreement for the three years ending 31 December 2020 will not exceed the annual caps of HK\$414 million, HK\$448.5 million and HK\$448.5 million, respectively.

IMPLICATION UNDER THE GEM LISTING RULES

As (i) Shandong Baiyi is a substantial shareholder of Shandong Kailai, an indirect non-wholly owned subsidiary of the Company; (ii) Shandong Baiyi is wholly owned by Yiho; and (iii) Zaozhuang Baiyi is owned as to 75% by Shandong Baiyi, each of Yiho and Zaozhuang Baiyi is a connected person of the Company at the subsidiary level. As such, the transactions under the Master Coal Supply Agreement constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

By virtue of Rule 20.99 of the GEM Listing Rules, as (i) each of Yiho and Zaozhuang Baiyi is a connected person of the Company at the subsidiary level; (ii) the terms of the Master Coal Supply are on normal commercial terms; (iii) the Board (including all the independent non-executive Directors) has approved the transactions under the Master Coal Supply Agreement and confirmed that the Master Coal Supply Agreement is on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole, the transactions under the Master Coal Supply Agreement are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. None of the Directors has a material interest in the Master Coal Supply Agreement.

MASTER AGREEMENT FOR SUPPLY OF COAL

The Board hereby announces that on 30 November 2017, Shandong Kailai entered into the Master Coal Supply Agreement with Yihe and Zaozhuang Bayi in relation to the supply of coal by Shandong Kailai to Yihe on the principal terms and conditions as set out below:

Master Coal Supply Agreement

Date and parties

Date: 30 November 2017

Parties: (1) Shandong Kailai, as supplier;
(2) Yihe, as purchaser; and
(3) Zaozhuang Bayi, as receiver.

Principal terms of the Master Coal Supply Agreement

During the term of the Master Coal Supply Agreement, it is agreed that Yihe shall purchase not less than 50,000 tonnes of coal from Shandong Bailai each month which shall be delivered by Shandong Bailai to the location as designated by Zaozhuang Bayi (which is owned as to 75% by Shandong Bayi) at the cost of Shandong Bailai. Pursuant to the Master Coal Supply Agreement, the coal to be supplied thereunder shall be for generating electricity.

Under the Master Coal Supply Agreement, the sale price of coal shall be determined by both parties after arm's length negotiations based on the prevailing market price, provided that, in any event, the terms and conditions for the supply of coal by Shandong Kailai to Yihe (including the sale price of each unit of coal) shall be no less favourable as those between the Group and its other coal purchasers who are Independent Third Parties (the "**Independent Purchasers**"). In the event that sale price offered by other supplier(s) of coal of Yihe which is/are Independent Third Parties for comparable quantities and specifications of coal are the same as those of Shandong Kailai, Shandong Kailai shall have the priority to supply the coal to Yihe for purchase. Under the Master Coal Supply Agreement, there is no exclusivity commitment restricting the Group from supplying coal to Independent Purchasers.

In order to assess whether the sale price of coal under the Master Coal Supply Agreement is fair and reasonable and no less favourable than that between the Group and the Independent Purchasers, the Group would consider the following factors before supplying coal to Yihe under the Master Coal Supply Agreement:

1. the national industrial policy as well as industry and market conditions in the PRC;
2. the specified guidelines issued by the National Development and Reform Commission of China setting out the coal purchase prices (if any);
3. the current transacted coal prices of the local coal exchange or market in the PRC;

4. the quality of the coal (including the estimated calorific value of coal as required by different power generating units);
5. the quantity of coal;
6. the estimated transportation fees based on the distance between the relevant coal mines and the delivery location as designated by Zaozhuang Bayi; and
7. the then market unit price of coal with comparable quality and quantity supplied by the Group to the Independent Purchasers.

The Directors (including the independent non-executive Directors) consider that the above methods and procedures can ensure that the transactions contemplated under the Master Coal Supply Agreement will be conducted on normal commercial terms and no less favourable than those available from Independent Purchasers and in the interest of the Company and its shareholders as a whole.

Yihe will settle the purchase of coal from Shandong Kailai on a monthly basis based on the actual quantity of coal purchased.

The Master Coal Supply Agreement shall have a term of three years commencing from 1 January 2018 to 31 December 2020 (both dates inclusive).

Proposed annual caps for the three years ending 31 December 2020

The Directors expect that the transaction amount for the transactions under the Master Coal Supply Agreement for the three years ending 31 December 2020 will not exceed the annual caps of HK\$414 million, HK\$448.5 million and HK\$448.5 million, respectively. The proposed annual caps are determined by the Directors by reference to the following factors:

1. the estimated amount of coal to be purchased by Yiho based on the estimated amount of electricity to be generated by Zaozhuang Bayi;
2. the estimated increase in demand for electricity based on the historical average growth rate in the past few years in Shandong Province, the PRC and the completion of phase 2 of power station construction project therein with an estimated annual electricity generation capacity of 4.15 billion kWh; and
3. the prevailing and expected market price of coal during the term of the Master Coal Supply Agreement.

Reasons for and benefits in the Master Coal Supply Agreement

Reference is made to the prospectus (the “**Prospectus**”) of the Company dated 20 December 2016 in relation to the rights issue (the “**Rights Issue**”) of the Company on the basis of one rights share for every two then existing shares of the Company. As disclosed in the Prospectus, it was proposed that approximately 12.5% of the net proceeds of the Rights Issue would be used for construction of windbreak wall in the open yard of the Group in Shandong, the PRC which would enable the Group to store coal in such yard and enlarge its coal trading volume. Following the completion of the Rights Issue, the Group has constructed windbreak wall in Shandong, the PRC which is being used by its business partners for coal storage. By entering into of the Master Coal Supply Agreement, the

Group can secure certain amount of coal for sale during the term of the Master Coal Supply Agreement which can facilitate its coal trading business or otherwise facilitate the sale of coal by its business partners using the windbreak wall as part of the Group's supply chain management services.

The Directors (including the independent non-executive Directors) considered the terms of the Master Coal Supply Agreement and the related annual caps are on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATION UNDER THE GEM LISTING RULES

As (i) Shandong Bayi is a substantial shareholder of Shandong Kailai, an indirect non-wholly owned subsidiary of the Company; (ii) Shandong Bayi is wholly owned by Yihe; and (iii) Zaozhuang Bayi is owned as to 75% by Shandong Bayi, each of Yihe and Zaozhuang Bayi is a connected person of the Company at the subsidiary level. As such, the transactions under the Master Coal Supply Agreement constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

By virtue of Rule 20.99 of the GEM Listing Rules, as (i) each of Yihe and Zaozhuang Bayi is a connected person of the Company at the subsidiary level; (ii) the terms of the Master Coal Supply are on normal commercial terms; (iii) the Board (including all the independent non-executive Directors) has approved the transactions under the Master Coal Supply Agreement and confirmed that the Master Coal Supply Agreement is on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole, the transactions under the Master Coal Supply Agreement are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. None of the Directors has a material interest in the Master Coal Supply Agreement.

INFORMATION OF THE GROUP, YIHE AND ZAOZHUANG BAYI

The Company is an investment holding company listed on the Growth Enterprise Market of the Stock Exchange. The Group is principally engaged in the provision of supply chain management services for mineral business and mining and metallurgical machineries products in the Belt and Road. The Group has operating experience in Hong Kong, Shenzhen, and Shandong of China and also Silk Road related regions such as Xinjiang, and Tajikistan. Not only does the Group have years of operating experience in Tajikistan but it also has taken on consulting roles in other Central Asian projects with their business partners. Management and directors of the Group not only has experience in energy and mining but also financial and capital markets experience in Hong Kong as well as other developed and developing nations. As a frontrunner of the Belt and Road initiative made by the PRC government and an advocate of the Belt and Road initiative, the Group has started to invest in Tajikistan, Central Asia since 2011 before launching of the Belt and Road initiative in 2013, and is continuing to look for business opportunities to participate in Belt and Road initiative.

Yihe is located in Zaozhuang of Shandong province, the PRC. It principally engages in the business of coal production-processing, coal-water slurry production and sales, generating combined heat and power (CHP), bead wire and isolation film production, and logistic trading.

Zaozhuang Bayi is located in Zaozhuang City High-tech Industrial Development Zone of Shandong Province, the PRC which covers an area of about 300 acres. Its principal business includes

generating electricity, providing heat and cold supply services, coal-water slurry manufacturing, sales and of coal and development of coal's by-products.

TERMS USED IN THIS ANNOUNCEMENT

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of Directors
“Company”	Kaisun Energy Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange
“Director(s)”	director(s) of the Company
“GEM Listing Rules”	Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“Independent Third Party(ies)”	party or parties which, as far as the Directors are aware of after having made all reasonable enquiries, is/are not connected persons (as defined under the GEM Listing Rules) of the Company
“Master Coal Supply Agreement”	a master supply agreement dated 30 November 2017 and entered into between Shandong Kailai as supplier, Yihe as purchaser and Zaozhuang Bayi as receiver pursuant to which Shandong Kailai has agreed to supply, and Yihe has agreed to purchase, coal pursuant to the terms and conditions thereof
“PRC”	the People's Republic of China
“Shandong Bayi”	山東八一煤電化有限公司 (Shandong Bayi Coal and Electricity Company Limited*), a limited liability company incorporated in the PRC and a wholly owned subsidiary of Yihe
“Shandong Kailai”	山東凱萊能源物流有限公司 (Shandong Kailai Energy Industrial Co. Limited*), a limited liability company incorporated in the PRC and joint venture of an indirect non-wholly owned subsidiary of the Company whose registered capital is owned as to 70% by the Group and 30% by Shandong Bayi
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yihe”	億和煤電化集團有限公司 (Yihe Coal and Electricity Co. Ltd.*), a limited liability company incorporated in the PRC whose registered capital is owned as to 43.75% by 山東八一

煤電化有限公司工會 (Shandong Bayi Coal and Electricity Company Limited Labour Union*) and 56.25% by Independent Third Parties

“Zaozhuang Bayi”

棗庄八一水煤漿熱電有限責任公司 (Zaozhuang Bayi CWS Power Co., Ltd.), a limited liability company incorporated in the PRC whose registered capital is owned as to 75% by Shandong Bayi and 25% by Independent Third Parties.

“%”

per cent.

By the order of the Board
Kaisun Energy Group Limited
Chan Nap Kee, Joseph
Chairman

Hong Kong, 30 November 2017

** For identification purpose only*

The English text of this announcement shall prevail over the Chinese text in case of inconsistencies.

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; (2) there are no other matters the omission of which would make any statement in this announcement misleading or deceptive.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the Company's website at www.kaisunenergy.com.