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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)

**(1) PROPOSED RIGHTS ISSUE
ON THE BASIS OF ONE RIGHTS SHARE
FOR EVERY TWO EXISTING SHARES
HELD ON THE RECORD DATE;**

**(2) CONNECTED TRANSACTION IN RELATION TO THE
UNDERWRITING AGREEMENT; AND**

(3) PROPOSED SHARE CONSOLIDATION

Underwriters to the Rights Issue



KOALA Securities Limited

樹熊證券有限公司

Director

Mr. Chan Nap Kee, Joseph

PROPOSED RIGHTS ISSUE

The Board is pleased to announce that on 1 December 2016 (after trading hours), the Company and the Underwriters entered into the Underwriting Agreement to implement the Rights Issue. The Company proposes to raise approximately HK\$90.44 million before expenses by issuing 1,884,202,850 Rights Shares at the Subscription Price of HK\$0.048 per Rights Share, being the closing price of the Shares on the date of this announcement, payable in full on acceptance by way of the Rights Issue, on the basis of one Rights Share for every two Shares held on the Record Date.

The Rights Issue will not be available to the Excluded Shareholders. To qualify for the Rights Issue, a Shareholder or an investor must be: (i) registered as a member of the Company on the register of members of the Company in Hong Kong on the Record Date; and (ii) not be an Excluded Shareholder.

Pursuant to the Underwriting Agreement, the Underwriters have severally agreed to subscribe for,

or procure the subscription for, the Underwritten Shares if and to the extent that any of the Underwritten Shares has not been taken up by the Latest Time for Acceptance.

Under the Rights Issue, 1,884,202,850 Rights Shares would be allotted, representing 50% of the existing total number of issued shares of the Company as at the date of this announcement. The Rights Shares will have an aggregate nominal value of HK\$18,842,028.5.

Reasons for the Rights Issue and use of proceeds

The major business of the Group includes (i) mining and metallurgical machineries production; (ii) provision of supply chain management for mineral business in various countries and regions, including those covered by the “Belt and Road” initiatives of the PRC government; (iii) exploitation and production of coal; and (iv) securities investment.

The estimated net proceeds from the Rights Issue of approximately HK\$86.29 million after deduction of estimated expenses of the Rights Issue of about HK\$4.15 million will be used in the following manner:

- (1) approximately 25% of the net proceeds, or HK\$21.57 million, will be used for expansion of mining and metallurgical machineries production, and supply chain management services for mineral business;
- (2) approximately 35% of the net proceeds, or HK\$30.20 million, will be used for business or investment opportunities in countries and regions covered by the “Belt and Road” initiatives of the PRC government; and
- (3) approximately 40% of the net proceeds, or HK\$34.52 million, will be used for the Group’s general working capital.

Having considered other fund raising alternatives for the Group, including issuance of debt securities, Share placements and external borrowing and taking into account the benefit and costs of each alternative, the Board considers that the Rights Issue would allow the Company to complete the fund raising exercise in a timely manner without having to obtain Shareholders’ approval, provide a good opportunity for the Group to strengthen its capital base, enhance its financial position and raise sufficient fund to meet the Group’s business requirements with lower financing costs, and bring least impact to the existing share price of the Shares, while at the same time the Rights Issue would enable all Shareholders to participate in the future development of the Company on equal terms. Since the Rights Issue would allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and therefore avoid dilution, the Board considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

WARNING OF RISKS OF DEALINGS IN THE SHARES AND RIGHT SHARES

The Rights Issue is conditional upon, among others, the Underwriting Agreement becoming unconditional and the Underwriters not terminating the Underwriting Agreement in accordance with its terms. Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors are advised to exercise due caution when dealing with the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriters the right to terminate its obligations on the occurrence of certain events including force majeure. Please refer to the section headed “Termination of the Underwriting Agreement” in this announcement above for further details.

Shareholders should note that the Shares will be dealt in on an ex-rights basis commencing from Wednesday, 7 December 2016. The Rights Shares will be dealt with in their nil-paid form from Thursday, 22 December 2016 to Tuesday, 3 January 2017 (both days inclusive). Any Shareholders or other persons dealing in the Shares or in the Rights Shares in their nil-paid form up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be at 4:00 p.m. on Wednesday, 11 January 2017) will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any Shareholders or other persons contemplating selling or purchasing the Shares or Rights Shares in their nil-paid form who are in any doubt about their position are recommended to consult their professional advisers. Shareholders and potential investors should exercise caution in dealing in the securities of the Company.

The register of members of the Company will be closed from Friday, 9 December 2016 to Friday, 16 December 2016 (both days inclusive) to determine the eligibility of the Qualifying Shareholders. No transfer of Shares will be registered during the book closure period. To qualify for the Rights Issue, a Qualifying Shareholder’s name must appear on the register of members of the Company in Hong Kong on the Record Date, which is currently expected to be Friday, 16 December 2016. In order to be registered as a member of the Company in Hong Kong at 5.00 p.m. on the Record Date, any transfer of Shares (together with the relevant title documents) must be lodged with the Hong Kong branch share registrar and transfer office for registration by 4:30 p.m. on Thursday, 8 December 2016.

GEM Listing Rules implications

Pursuant to Rule 10.29 of the GEM Listing Rules, since the Rights Issue would increase the issued share capital of the Company by no more than 50%, the Rights Issue is not conditional upon approval by the Shareholders.

As Mr. Chan is an executive Director and chairman of the Company, Mr. Chan is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the issue and allotment of Rights Shares to Mr. Chan and the underwriting commission payable to Mr. Chan pursuant to the Underwriting Agreement constitute a connected transaction of the Company under the GEM Listing Rules. As Rule 20.90 of the GEM Listing Rules will be complied with, the issue of Rights Shares to Mr. Chan contemplated under the Underwriting Agreement is exempted from reporting, announcement and independent shareholders’ approval requirements pursuant to Rule 20.90(2) of the GEM Listing Rules. In respect of the underwriting commission payable to Mr. Chan pursuant to the Underwriting Agreement, it constitutes a connected transaction of the Company which is only subject to the reporting and announcement requirements and is exempt from independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

PROPOSED SHARE CONSOLIDATION

The Stock Exchange has drawn to the Company’s attention to the requirement in Rule 17.76 of the GEM Listing Rule pursuant to which the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities

where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995.00. In view of the recent trading prices of the Shares, the Share Consolidation is proposed in compliance with Rule 17.76 of the GEM Listing Rules whereby every ten (10) existing issued and unissued Shares of HK\$0.01 each in the share capital of the Company will be consolidated into one (1) Consolidated Share of HK\$0.10 each. The Share Consolidation will become effective upon fulfillment of the conditions set out in the paragraph headed “Proposed Share Consolidation - Conditions of the Share Consolidation” in this announcement.

GENERAL

The Prospectus or Prospectus Documents, as appropriate, containing further information on the Rights Issue will be dispatched to Shareholders as soon as practicable. Shareholders and potential investors should exercise caution in dealing in the Shares.

An EGM will be convened and held by the Company for Shareholders to consider and, if thought fit, pass an ordinary resolution to approve the Share Consolidation. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder will be required to abstain from voting on the resolution to approve the Share Consolidation.

For the purpose of determining Shareholders who are qualified for attending the EGM, the register of members of the Company will be closed from Friday, 10 February 2017 to Wednesday, 15 February 2017 (both days inclusive), during which period no transfer of the Shares will be effected. In order to qualify for attending the EGM or any adjournment thereof, all share transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office by no later than 4:30 p.m. on Thursday, 9 February 2017.

A circular containing, among other things, further details of the proposed Share Consolidation together with the notice of the EGM and related proxy form, is expected to be despatched to the Shareholders on or before Tuesday, 24 January 2017.

Shareholders and potential investors should note that while the Share Consolidation is not conditional upon the completion of the Rights Issue, the Share Consolidation is conditional upon satisfaction of the conditions as set out in the paragraph headed “Proposed Share Consolidation - Conditions of the Share Consolidation” in this announcement. Accordingly, the Share Consolidation may or may not finally proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares. If they are in any doubt, they should consult their professional advisers..

PROPOSED RIGHTS ISSUE

Terms of the Rights Issue

Basis of the Rights Issue : One Rights Share for every two Shares held on the Record Date by the Qualifying Shareholders

Number of Shares in issue as : 3,768,405,700 Shares
at the date of this
announcement

Number of Rights Shares	:	1,884,202,850 Rights Shares
Subscription Price	:	HK\$0.048 per Rights Share, being the closing price of the Shares on the Last Trading Day
Number of Shares in issue immediately following the completion of the Rights Issue	:	5,652,608,550 Shares
Underwriters	:	(i) Koala Securities Limited; and (ii) Mr. Chan Nap Kee, Joseph
Number of Underwritten Shares to be underwritten by the Underwriters	:	1,816,041,970 Rights Shares, being the total number of Rights Shares to which holders of existing Shares are entitled pursuant to the Rights Issue less the number of Committed Shares
Amount to be raised	:	approximately HK\$90.44 million before expenses

Under the Rights Issue, 1,884,202,850 Rights Shares would be allotted, representing 50% of the existing total number of issued shares of the Company as at the date of this announcement. The Rights Shares will have an aggregate nominal value of HK\$18,842,028.5.

As at the date of this announcement, there is no other outstanding options, warrants, convertible notes or other rights to subscribe for Shares.

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders only. To the extent reasonably practicable, the Company will send copies of the Prospectus to each of the Excluded Shareholders for their information only. Please take special note that the Company will send the provisional allotment letter and the form of application for excess Rights Shares to the Qualifying Shareholders only.

The register of members of the Company will be closed from Friday, 9 December 2016 to Friday, 16 December 2016 (both days inclusive) to determine the eligibility of the Qualifying Shareholders. No transfer of Shares will be registered during the book closure period.

To qualify for the Rights Issue, a Shareholder or an investor must be: (i) registered as a member of the Company on the register of members of the Company in Hong Kong on the Record Date; and (ii) not be an Excluded Shareholder.

In order to be registered as members of the Company in its register of members in Hong Kong on the Record Date, Qualifying Shareholders must lodge any transfer of Shares (with the relevant title documents) for registration with the Hong Kong branch share registrar and transfer office by 4:30 p.m. on Thursday, 8 December 2016.

The last day for dealing in the Shares on a cum-rights basis will be on Tuesday, 6 December 2016. The Shares will be dealt with on an ex-rights basis from Wednesday, 7 December 2016.

The Hong Kong branch share registrar and transfer office of the Company is:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

The latest time for payment for and acceptance of the Rights Shares is expected to be at 4:00 p.m. on Friday, 6 January 2017. Qualifying Shareholders who take up their pro rata entitlement under the Rights Issue in full will not suffer any dilution to their interests in the Company. If a Qualifying Shareholder does not take up his, her or its entitlement in full under the Rights Issue, his, her or its proportionate shareholding in the Company will be diluted.

Rights of the Excluded Shareholders

The Prospectus Documents are not expected to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will comply with Rule 17.41(1) of the GEM Listing Rules and make enquiries regarding the feasibility of extending the Rights Issue to the Shareholders whose names appear on the register of members of the Company in Hong Kong on the Record Date but whose addresses are in places outside of Hong Kong, and if, having made such enquiry, the Directors consider that it is necessary or expedient not to extend the Rights Issue to these Shareholders on account either of the legal restrictions under the laws of the place of his registered address or the requirements of the relevant regulatory body or stock exchange in that place, the Rights Issue will not be available to the Excluded Shareholders and the Company will disclose the explanation for such exclusion in the Prospectus. The Company will only send the Prospectus to the Excluded Shareholders for their information.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence on the Stock Exchange and in any event before the last day for dealings in nil-paid Rights Shares if a premium (net of expenses) can be obtained. Proceeds of each sale, less expenses and stamp duty, of HK\$100 or more will be distributed by the Company to the relevant Excluded Shareholders pro rata to their shareholdings on the Record Date (but rounded down to the nearest cent) in Hong Kong dollars. The Company will retain individual amounts of less than HK\$100 for the benefit of the Company. Any unsold nil-paid Rights Shares of the Excluded Shareholders will be made available for excess application by the Qualifying Shareholders.

Subscription Price

The Subscription Price is HK\$0.048 per Rights Share and is payable in full when a Qualifying Shareholder accepts the provisional allotment of Rights Shares or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares applies for the relevant Rights Shares.

The Subscription Price represents:

- (a) the closing price of HK\$0.0480 per Share as quoted on the Stock Exchange on the date of this announcement;

- (b) the closing price of HK\$0.0480 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a premium of approximately 1.27% to the average closing price of HK\$0.0474 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a premium of approximately 0.42% to the average closing price of HK\$0.0478 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to and including the Last Trading Day;
- (e) a discount of approximately 38.85% to the audited consolidated net asset value attributable to equity holders of the Company per Share (after taking into account minority interests) as at 31 December 2015 of approximately HK\$0.0785 (based on the audited consolidated net assets of the Group of approximately HK\$296,001,727) and 3,768,405,700 Shares in issue as at the date of this announcement); and
- (f) the theoretical ex-rights price of HK\$0.048 based on the closing price of HK\$0.048 per Share as quoted on the Stock Exchange on the Last Trading Day.

The Subscription Price was determined by the Directors using the market price of the Shares (instead of any discount or premium of the market price) under the prevailing market conditions and the current financial position of the Group so as to bring least impact to the share price of the Company. The Board considers that the Subscription Price is fair and reasonable.

Basis of provisional allotments

One (1) Rights Share (in nil-paid form) for every two (2) Shares held by Qualifying Shareholders on the Record Date. Any holdings (or balance of holdings) of less than two (2) Shares will not entitle their holders to be provisionally allotted a Rights Share. Please refer to the arrangement as referred to in the paragraph headed "Fractional entitlements" below.

Fractional entitlements

The Company will not provisionally allot and will not accept applications for any fractions of Rights Shares. All fractions of the Rights Shares will be aggregated (and rounded down to the nearest whole number) and all nil paid Rights Shares arising from such aggregation will be sold in the market and the proceeds will be retained by the Company for its own benefit, if a premium (net of expenses and stamp duty) can be obtained. Any such unsold aggregated fractions of nil paid Rights Shares will be made available for excess application by the Qualifying Shareholders. No odd lot matching services will be provided.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid, will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid in respect thereof on or after the date of allotment and issue of such Rights Shares.

Application for excess Rights Shares

Under the Rights Issue, Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Excluded Shareholders, any unsold Rights Shares created by adding together fractions of the Rights Shares and any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares. Application can be made by Qualifying Shareholders only and only by completing the excess application form for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will, upon consultation with the Underwriters, allocate the excess Rights Shares at their discretion on a fair and equitable basis according to the principle that any excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of excess Rights Shares applied for, but no reference will be made to the number of Rights Shares applied for under a provisional allotment letter or the existing number of Shares held by such Qualifying Shareholders. If the aggregate number of Rights Shares not taken up by the Qualifying Shareholders under the provisional allotment letters is greater than the aggregate number of excess Rights Shares applied for through forms of application for excess Rights Shares, the Directors will allocate in full to each Qualifying Shareholder the number of excess Rights Shares applied for under the forms of application for excess Rights Shares. No preference will be given to topping up odd lots to whole board lots.

In applying the above principles, reference will only be made to the number of excess Rights Shares being applied for.

Investors with their Shares held by a nominee company (or which are deposited in CCASS) should note that the Board will regard the nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually save and except the beneficial owner(s) which the Company shall permit in its absolute discretion. Investors with their Shares held by a nominee company (or which are deposited in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) on or prior to the Record Date.

Investors whose Shares are held by their nominee(s) (or which are deposited in CCASS) and who would like to have their names registered on the register of members of the Company on the Record Date, must lodge all necessary documents with the Registrar for completion of the relevant registration by 4:30 p.m. on Thursday, 8 December 2016.

Certificates for the Rights Shares and refund cheques

Subject to fulfillment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be despatched by ordinary post on or before Monday, 16 January 2017 to those persons who have validly accepted and paid for the Rights Shares and those successful applicants for the excess Rights Shares to the registered address or, in case of joint applicants, to the registered address of the applicant whose name first appears in the register of members of the Company in Hong Kong or, as the case may be, the transfer form, at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) will be despatched on or before Monday, 16 January 2017 by ordinary post to the addresses as aforesaid at the respective applicants' own risks.

Application for listing

The Company has applied to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid form. The nil-paid and fully paid Rights Shares will be traded in board lots of 10,000.

No part of the Shares for which listing or permission to deal is being or is proposed to be sought, is listed, or dealt in on any other stock exchange.

Rights Shares will be eligible for admission into CCASS

Subject to the listing of and permission to deal in all the Rights Shares in both nil-paid and fully-paid form on the Stock Exchange being granted, the Rights Shares in both nil-paid and fully-paid form will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Stamp duty and other applicable fees and charges

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

The Underwriting Agreement

Date : 1 December 2016 (after trading hours)

Parties : (i) the Company;
(ii) Mr. Chan, an executive Director and chairman of the Company, being one of the Underwriters; and
(iii) Koala Securities, being one of the Underwriters

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Koala Securities and their ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

Number of Underwritten Shares to be underwritten by the Underwriters : The Underwriters have conditionally agreed to severally underwrite up to an aggregate of 1,816,041,970 Rights Shares, being the total number of Rights Shares to which holders of existing Shares are entitled pursuant to the Rights Issue less the number of Committed Shares

(i.e. 68,160,880 Rights Shares undertaken to be subscribed by Mr. Chan, details of which are set out in the paragraph headed “Mr. Chan’s undertaking” below). The Rights Issue is therefore fully underwritten.

Pursuant to the Underwriting Agreement, the Underwriters have severally agreed that, if any of the Underwritten Shares has not been taken up by the Latest Time for Acceptance, they will subscribe for or procure the subscription for the Untaken Shares on the Closing Date on the following basis:

- (i) Mr. Chan shall subscribe or procure subscribers for up to 1,452,833,576 Untaken Shares, being the maximum number of Untaken Shares that Mr. Chan is obliged to take up pursuant to the Underwriting Agreement; and
- (ii) Untaken Shares not required to be subscribed or procured subscription for by Mr. Chan under (i) above shall be subscribed or procure subscription for by Koala Securities, provided that such number of Untaken Shares shall in no event be greater than 363,208,394, being the maximum number of Untaken Shares that Koala Securities is obliged to take up pursuant to the Underwriting Agreement.

Underwriting Commission : The Company will pay:

- (i) Koala Securities an underwriting commission of 4% of the aggregate Subscription Price in respect of 20% (being the percentage of number of Underwritten Shares to be underwritten by Koala Securities pursuant to the Underwriting Agreement) of the actual number of the Underwritten Shares to be determined on the Record Date; and
- (ii) Mr. Chan an underwriting commission of 4% of the aggregate Subscription Price in respect of 80% (being the percentage of number of Underwritten Shares to be underwritten by Mr. Chan pursuant to the Underwriting Agreement) of the actual number of the Underwritten Shares to be determined on the Record Date,

by not later than the date of despatch of the share certificates in respect of the Rights Shares, save that the underwriting commission shall not be payable if the Underwriting Agreement does not become unconditional or if it is terminated by the Underwriters

pursuant to the terms and conditions of the Underwriting Agreement. The underwriting commission has been determined among the parties after arm's length negotiation, taken into account the Subscription Price, the aggregate amount of proceeds to be raised by the Company from the Rights Issue and the prevailing rate of underwriting commission of similar fundraising activities.

In addition, the Company shall bear the legal fees of the Underwriters. The Company shall forthwith upon request by the Underwriters reimburse the Underwriters for any expenses which the Underwriters may have properly paid or incurred on behalf of the Company relating to the issue of the Rights Shares and associated transactions.

Prior to entering into of the Underwriting Agreement with Koala Securities and Mr. Chan, the Company had approached various other independent underwriters regarding the proposed underwriting of the Rights Issue. However, in light of the financial position and share price of the Company and given the scale of the fund required to be raised by the Company, the Company had experienced difficulties in reaching agreement with any such independent underwriters in fully underwriting the Rights Shares at market price.

For the purpose of assessing whether the terms of the Underwriting Agreement (including the underwriting commission) would be on normal commercial term, fair and reasonable and in the interest of the Company and the shareholders as a whole, the Directors (including the independent non-executive Directors but excluding Mr. Chan who was required to abstain from voting on the Board resolution approving the Underwriting Agreement and the transactions contemplated thereunder due to his material interests therein) (the “**Disinterested Board**”) had taken into account the respective terms of the recent rights issues undertaken by various listed issuers in Hong Kong and the underwriting arrangements thereof. The Disinterested Board considers it commercially essential for underwriters of rights issue to receive underwriting commission, as these underwriters require financial resources and are taking up risks to be underwriters for rights shares. Despite that Mr. Chan is an executive Director and chairman of the Company and therefore a connected person of the Company, he does not take lesser risk as an Underwriter for underwriting the Rights Issue than Koala Securities. Under the Underwriting Agreement, the rate of the underwriting commission payable to Mr. Chan is the same as that of Koala Securities, and is within the range of underwriting commission charged by underwriters under the recent rights issues in Hong Kong. On the above basis, the Disinterested Board is of the view that the terms of the Underwriting Agreement, including the commission, accord with the market practice, are on normal commercial terms and in the ordinary course of business of the Group, fair and reasonable so far as the Company and the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Conditions of the Underwriting Agreement

The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional. The obligations of the Underwriters under the Underwriting Agreement are subject to certain conditions, including, among others:

- (a) the issue by the Stock Exchange of a certificate of authorisation for the registration in respect of the Prospectus Documents, and the registration with the Registrar of Companies in Hong Kong the Prospectus Documents and all other documents required to be attached thereto and otherwise in compliance with the GEM Listing Rules, the Companies Ordinance and the Companies (WUMP) Ordinance;
- (b) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus to the Excluded Shareholders, if any, for information purpose only;
- (c) the listing committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms); and
- (d) all the representations, warranties and undertakings of the Company under the terms of the Underwriting Agreement remain true and correct.

The Underwriters may at any time by notice in writing to the Company jointly waive the condition precedent (d) above, while the other conditions precedent are incapable of being waived. If the conditions of the Underwriting Agreement are not satisfied and/or waived in whole or in part jointly by the Underwriters by the Latest Time for Termination or such other date as the Company and the Underwriters may agree, the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

If the Underwriting Agreement does not become unconditional or is terminated, the Rights Issue will not proceed.

Termination of the Underwriting Agreement

The Underwriters may jointly by notice in writing to the Company, served prior to the Latest Time for Termination (provided that if the date of the Latest Time for Termination shall be a business day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next business day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day), to terminate the Underwriting Agreement if:

- (1) in the reasonable opinion of the Underwriters, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or

affecting local securities markets which may, in the reasonable opinion of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

- (2) any material adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriters is likely to materially and adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriters will materially and adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the reasonable opinion of any of the Underwriters, a material omission in the context of the Rights Issue; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of this announcement, the Prospectus Documents or other announcements or circulars in connection with the Rights Issue.

Mr. Chan's undertaking

Mr. Chan is an executive Director and chairman of the Company. As at the date of this announcement, Mr. Chan is interested in 136,321,760 Shares, representing approximately 3.62% of the Company's current total number of issued Shares. Pursuant to the Underwriting Agreement, Mr. Chan has irrevocably and unconditionally undertaken to Koala Securities and the Company that, among others:

- (1) to accept or procure the acceptance by the Latest Time for Acceptance of the 68,160,880 Rights Shares (the "**Committed Rights Shares**") which will be provisionally allotted to him or his nominees) in respect of the 136,321,760 Shares registered in the name of HKSCC Nominees Limited for credit to the stock account of Mr. Chan's designated CCASS participant (the "**Nominees**") on the date of the Underwriting Agreement (the "**Current Shares**");

- (2) to procure that provisional allotment letter in respect of these Committed Rights Shares shall be lodged with the branch share registrar of the Company in Hong Kong with payment in accordance with the terms of the Prospectus Documents by the Latest Time for Acceptance;
- (3) the Current Shares will remain registered in his Nominees until the close of business on the Record Date; and
- (4) that Mr. Chan shall procure that his nominees and/or companies controlled by him or by any of his nominees (whether directly or indirectly) shall not, during the period from immediately after the execution of the Underwriting Agreement and prior to or on the date the Underwriting Agreement becoming unconditional, without the prior written consent of the Company and Koala Securities, dispose of (including without limitation the creation of any option, charge or other encumbrances or rights over or inspect of) or transfer or acquire (except in circumstances which do not contravene the rules of the Stock Exchange) any Shares or any interests therein (except the acceptance of Committed Rights Shares) and notwithstanding the foregoing unless any third party to whom such Shares or interests are to be transferred shall undertake to give similar undertakings in favour of the Company and Koala Securities in accordance with the Underwriting Agreement.

Save for the undertaking from Mr. Chan, the Company has not obtained undertakings from any other Shareholders that they will subscribe for any or all of the Rights Shares to be provisionally allotted to them.

Shareholding structure of the Company before and after the Rights Issue

The shareholding structure of the Company immediately before and after the completion of the Rights Issue is set out below:

	As at the date of announcement		Immediately after completion of the Rights Issue assuming all Shareholders taking up their respective entitlements to the Rights Issue in full		Immediately after completion of the Rights Issue assuming no Shareholders (other than Mr. Chan) taking up any of Underwritten Shares and all Underwritten Shares are taken up by the Underwriters	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Connected persons						
Chan Nap Kee, Joseph (Note 1)	136,321,760	3.62	204,482,640	3.62	1,657,316,216	29.32
Chow Pok Yu, Augustine (Note 2)	4,000,000	0.11	6,000,000	0.11	4,000,000	0.07
Yang Yongcheng (Note 3)	4,100,000	0.11	6,150,000	0.11	4,100,000	0.07
Liew Swee Yean (Note 4)	2,040,000	0.05	3,060,000	0.05	2,040,000	0.04
Siu Siu Ling,	2,040,000	0.05	3,060,000	0.05	2,040,000	0.04

Robert (Note 5)						
Wong Yun Kuen (Note 6)	3,500,000	0.09	5,250,000	0.09	3,500,000	0.06
Anderson Brian Ralph (Note 7)	1,500,000	0.04	2,250,000	0.04	1,500,000	0.03
Sub-total:	153,501,760	4.07	230,252,640	4.07	1,674,496,216	29.62
Public						
Koala Securities	-	-	-	-	363,208,394	6.43
Other public Shareholders	3,614,903,940	95.93	5,422,355,910	95.93	3,614,903,940	63.95
Sub-total:	<u>3,614,903,940</u>	<u>95.93</u>	<u>5,422,355,910</u>	<u>95.93</u>	<u>3,978,112,334</u>	<u>70.38</u>
Total	<u>3,768,405,700</u>	<u>100.00</u>	<u>5,652,608,550</u>	<u>100.00</u>	<u>5,652,608,550</u>	<u>100.00</u>

Notes:

1. Mr. Chan Nap Kee, Joseph is a connected person of the Company by virtue of him being an executive Director.
2. Dr. Chow Pok Yu, Augustine is a connected person of the Company by virtue of him being an executive Director.
3. Mr. Yang Yongcheng is a connected person of the Company by virtue of him being an executive Director.
4. Mr. Liew Swee Yean is a connected person of the Company by virtue of him being an independent non-executive Director.
5. Mr. Siu Siu Ling, Robert is a connected person of the Company by virtue of him being an independent non-executive Director.
6. Dr. Wong Yun Kuen is a connected person of the Company by virtue of him being an independent non-executive Director.
7. Mr. Anderson Brian Ralph is a connected person of the Company by virtue of him being an independent non-executive Director.

Reasons for the Rights Issue and use of proceeds

The major business of the Group includes (i) mining and metallurgical machineries production; (ii) provision of supply chain management for mineral business in various countries and regions, including those covered by the “Belt and Road” initiatives of the PRC government; (iii) exploitation and production of coal; and (iv) securities investment.

The estimated net proceeds from the Rights Issue of approximately HK\$86.29 million after deduction of estimated expenses of the Rights Issue of about HK\$4.15 million will be used in the following manner:

- (1) approximately 25% of the net proceeds, or HK\$21.57 million, will be used for expansion of mining and metallurgical machineries production, and supply chain management services for mineral business, including (i) the purchase of production equipments and machineries for the

establishment of an additional production line for, and the improvement of the existing production facilities for, the metallurgical machineries production; and (ii) the construction of windbreak wall in the open yard of the Group which can achieve dust suppression and dust pollution control. It is expected that such purchase, improvement and construction will be completed by the third quarter in 2017;

- (2) approximately 35% of the net proceeds, or HK\$30.20 million, will be used for business and investment opportunities in countries and regions covered by the “Belt and Road” initiatives of the PRC government, including businesses of trading of commodities or commodities manufacturers or buyers. Such commodities include zircon, coal and iron ore and other commodities depending on the market demands, and investment or acquisition opportunity available from time to time; and
- (3) approximately 40% of the net proceeds, or HK\$34.52 million, will be used for the Group’s general working capital with (i) 5% of the net proceeds to be used in improving the management and internal approval process of the business of the Group (i.e. the professional expenses for external internal control consultant, legal advisers and other professionals for improving the internal control systems, ongoing compliance and corporate governance of the Group); (ii) 10% of the net proceeds to be used in recruiting qualified personnel in light of the expansion of business of the Group as contemplated after obtaining the proceeds from the Rights Issue; and (iii) 25% of the net proceeds to be used in administrative expenses of the Group.

The Company has considered other fund raising alternatives for the Group, including issuance of debt securities, Share placements and external borrowing and the benefit and costs of each alternative. Nevertheless, the Directors consider that these alternatives to the Rights Issue are not feasible and favourable to the Company and its Shareholders as a whole for the following reasons:

- (1) the amount of fund required to be raised by the Company would not be able to be satisfied by way of the share placement pursuant to the 20% general mandate granted by the Shareholders in the last general meeting of the Company, while it would not be time-efficient to arrange for convening extraordinary general meeting of the Company for seeking the specific mandate from the Shareholders for larger scale share placement, exposing the Company to extended risks of adverse market development during the additional period of time;
- (2) share placement would result in the dilution in the shareholdings of the existing Shareholders in the Company, irrespective of the scale of such share placement, which would in turn lead to decline in share price and the Company’s share price;
- (3) external borrowings, or issuance of debt securities, by the Company would increase the financing costs of the Group and thereby adversely affecting the profitability and operating cashflow of the Group. Taken into account the existing financial position and business performance of the Group, the Group had experienced difficulties in obtaining external borrowings or issuing debt securities on favourable commercial terms and in such scale as required by the Group for the purpose; and
- (4) the Rights Issue on the basis of one Rights Shares for every two existing Shares at a Subscription Price equals to the closing price per Share on the Last Trading Day (i) would allow the Company to complete the fund raising exercise in a timely manner without having to obtain shareholders’ approval under Rule 10.29 of the GEM Listing Rules; (ii) would provide a good opportunity for the Group to strengthen its capital base, enhance its financial

position and raise sufficient fund to meet the Group's business requirements with lower financing costs; (iii) would enable all Shareholders to participate in the future development of the Company on equal terms and would allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and avoid dilution; and (iv) would bring least impact to the existing share price of the Shares.

Accordingly, the Board considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

The estimated expenses of the Rights Issue are about HK\$4.15 million, which include underwriting commission and professional fees payable to the lawyers, financial printer and other parties involved in the Rights Issue and will be borne by the Company.

Expected timetable of the Rights Issue

	2016
Last day of dealings in the Shares on a cum-rights basis	Tuesday, 6 December
First day of dealings in the Shares on an ex-rights basis	Wednesday, 7 December
Latest time for lodging transfers of Shares accompanied by the relevant title documents in order to qualify for the Rights Issue	4:30 p.m. on Thursday, 8 December
Closure of register of members (both dates inclusive)	Friday, 9 December to Friday, 16 December
Record Date for the Rights Issue	Friday, 16 December
Despatch of the Prospectus Documents	Tuesday, 20 December
First day of dealings in nil-paid Rights Shares	Thursday, 22 December
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Wednesday, 28 December
	2017
Last day of dealings in nil-paid Rights Shares	Tuesday, 3 January
Latest time for payment for and acceptance of the Rights Shares and application for excess Rights Shares	4:00 p.m. on Friday, 6 January
Latest time for the Rights Issue to become unconditional.	4:00 p.m. on Wednesday, 11 January
Announcement of results of the Rights Issue	Friday, 13 January
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares to be despatched on or before	Monday, 16 January

Share certificates of the Rights Shares to be posted on or before	Monday, 16 January
Dealing in fully-paid Rights Shares commences	9:00 a.m. on Tuesday, 17 January

All times specified in this announcement refer to Hong Kong local time. Dates or deadlines specified in this announcement are indicative only and may be varied by agreement between the Company and the Underwriters. Any consequential changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as appropriate.

Effect of bad weather on the latest time for acceptance of and payment for Rights Shares

The latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if there is a tropical cyclone warning signal no.8 or above, or a “black” rainstorm warning:

- (a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Friday, 6 January 2017. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same business day; or
- (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Friday, 6 January 2017. Instead the latest time of acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take place on Friday, 6 January 2017, the dates mentioned herein may be affected. The Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

Previous fund raising exercise of the Company

Save for the Rights Issue, there have been no funds raised on any issue of Shares in the 12 months immediately preceding the date of this announcement.

GEM Listing Rules implications

Pursuant to Rule 10.29 of the GEM Listing Rules, since the Rights Issue would increase the issued share capital of the Company by no more than 50%, the Rights Issue is not conditional upon approval by the Shareholders.

As Mr. Chan is an executive Director and chairman of the Company, Mr. Chan is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the issue and allotment of Rights Shares to Mr. Chan and the underwriting commission payable to Mr. Chan pursuant to the Underwriting Agreement constitute a connected transaction of the Company under the GEM Listing Rules.

As Rule 20.90 of the GEM Listing Rules will be complied with, the issue of Rights Shares to Mr. Chan contemplated under the Underwriting Agreement is exempted from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 20.90(2) of the GEM Listing Rules.

Since each of the applicable percentage ratios in respect of the underwriting commission payable to Mr. Chan pursuant to the Underwriting Agreement is less than 25% and such underwriting commission is less than HK\$10,000,000, the underwriting commission payable to Mr. Chan pursuant to the Underwriting Agreement is only subject to the reporting and announcement requirements and is exempt from independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Save for Mr. Chan, none of the Directors is regarded as having a material interest in the Underwriting Agreement and is required to abstain from voting on the Board resolution approving the Underwriting Agreement and the transactions contemplated thereunder. Mr. Chan has abstained from voting on the Board resolution approving the Underwriting Agreement and the transactions contemplated thereunder.

WARNING OF RISKS OF DEALINGS IN THE SHARES AND RIGHT SHARES

The Rights Issue is conditional upon, among others, the Underwriting Agreement becoming unconditional and the Underwriters not terminating the Underwriting Agreement in accordance with its terms. Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors are advised to exercise due caution when dealing with the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriters the right to terminate its obligations on the occurrence of certain events including force majeure. Please refer to the section headed "Termination of the Underwriting Agreement" in this announcement above for further details.

Shareholders should note that the Shares will be dealt in on an ex-rights basis commencing from Wednesday, 7 December 2016. The Rights Shares will be dealt with in their nil-paid form from Thursday, 22 December 2016 to Tuesday, 3 January 2017 (both days inclusive). Any Shareholders or other persons dealing in the Shares or in the Rights Shares in their nil-paid form up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be at 4:00 p.m. on Wednesday, 11 January 2017) will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any Shareholders or other persons contemplating selling or purchasing the Shares or Rights Shares in their nil-paid form who are in any doubt about their position are recommended to consult their professional advisers. Shareholders and potential investors should exercise caution in dealing in the securities of the Company.

The register of members of the Company will be closed from Friday, 9 December 2016 to Friday, 16 December 2016 (both days inclusive) to determine the eligibility of the Qualifying Shareholders. No transfer of Shares will be registered during the book closure period. To qualify for the Rights Issue, a Qualifying Shareholder's name must appear on the register of members of the Company in Hong Kong on the Record Date, which is currently expected to be Friday, 16 December 2016. In order to be registered as a member of the Company in Hong Kong at 5.00 p.m. on the Record Date, any transfer of Shares (together with the relevant title

documents) must be lodged with the Hong Kong branch share registrar and transfer office for registration by 4:30 p.m. on Thursday, 8 December 2016.

PROPOSED SHARE CONSOLIDATION

The Share Consolidation is proposed in compliance with Rule 17.76 of the GEM Listing Rules whereby every ten (10) existing issued and unissued Shares of HK\$0.01 each in the share capital of the Company will be consolidated into one (1) Consolidated Share of HK\$0.10 each.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following conditions being satisfied:

- (i) the passing of the ordinary resolution to approve the Share Consolidation by the Shareholders at the EGM;
- (ii) the compliance with all relevant procedures and requirements under the applicable laws of the Cayman Islands to effect the Share Consolidation; and
- (iii) the listing committee of the Stock Exchange granting approval to the listing of and permission to deal in the Consolidated Shares to be issued.

Assuming all the above conditions are fulfilled, the Share Consolidation will become effective on the Business Day following the passing of the ordinary resolution at the EGM.

Effect of the Share Consolidation

As at the date of this announcement, the authorised share capital of the Company is HK\$500,000,000 divided into 50,000,000,000 Shares of HK\$0.01 each, of which 3,768,405,700 Shares have been issued and are fully paid or credited as fully paid. Upon completion of the Rights Issue, the total number of issued Shares of the Company will be increased to 5,652,608,550 Shares. Assuming that no further Shares are issued or repurchased between the date of this announcement and the date of the EGM other than the issue of the Rights Shares, immediately after the Share Consolidation becoming effective, the authorised share capital of the Company will remain HK\$500,000,000 yet divided into 5,000,000,000 Consolidation Shares of HK\$0.10 each instead, of which 565,260,855 Consolidated Shares of HK\$0.10 each will be in issue which are fully paid or credited as fully paid following the Share Consolidation becoming effective.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank *pari passu* in all respects with each other. The Share Consolidation will not result in any change in the rights of the Shareholders. Other than the expenses to be incurred in relation to the Share Consolidation (including without limitation professional fees and printing fees), the implementation thereof will not, of itself, alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the holders of shares of the same class, save for any fractional Consolidated Ordinary Shares which may arise.

Listing application

An application will be made by the Company to the listing committee of the Stock Exchange for the listing of and the permission to deal in the Consolidated Shares. All necessary arrangements will be

made for the Consolidated Shares to be admitted into the CCASS. The Share Consolidation will be conducted in accordance with the articles of association of the Company.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on Stock Exchange, upon the Share Consolidation being effective, as well as compliance with the stock admission requirements of the HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

None of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

Fractional Consolidated Shares and odd lot trading arrangement

Fractional Consolidated Shares will be disregarded and will not be issued to Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold and retained for the benefits of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Consolidated Shares regardless of the number of share certificates held by such holder.

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares arising from the Share Consolidation, the Company will appoint a designated broker to provide matching service for the sale and purchase of odd lots of the Consolidated Shares at the relevant market price per Consolidated Share for Shareholders, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares, during the period from Thursday, 2 March 2017 to Friday, 24 March 2017.

Holders of odd lots of the Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares are not guaranteed. If any Shareholder is in doubt about the odd lot trading arrangement, such Shareholder should consult his/her/its own professional advisers.

Further details of the odd lot trading arrangement will be set out in the circular of the Company in relation to, among other things, the Share Consolidation, and the circular is expected to be despatched to Shareholders on or before Tuesday, 24 January 2017.

Free exchange of share certificates and trading arrangement

Subject to the Share Consolidation becoming effective, which is expected to be on Thursday, 16 February 2017, Shareholders may, during the period from Thursday, 16 February 2017 to Wednesday, 29 March 2017 (both days inclusive) between 9:00 a.m. and 4:00 p.m. on any Business Day, submit the Existing Share Certificates to the Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, to exchange, at the expense of the Company, for the New Share Certificates of the Consolidated Shares.

Thereafter, each Existing Share Certificate will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each New Share Certificate issued or each Existing Share Certificate submitted for cancellation, whichever the number of certificates issued or cancelled is higher. Nevertheless, the Existing Share Certificates will continue to be good evidence of legal title and may be exchanged for the New Share Certificates for the Consolidated Shares at any time after Wednesday, 29 March 2017 but are not accepted for trading, settlement and registration upon completion of the Share Consolidation.

REASONS FOR THE SHARE CONSOLIDATION

The Stock Exchange has drawn to the Company's attention to the requirement in Rule 17.76 of the GEM Listing Rule pursuant to which the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995.00.

In view of the recent trading prices of the Shares, the Share Consolidation is proposed in compliance with Rule 17.76 of the GEM Listing Rules and the trading requirements whereby every ten (10) existing issued and unissued Shares of HK\$0.01 each in the share capital of the Company will be consolidated into one (1) Consolidated Share of HK\$0.10 each. The Share Consolidation will become effective upon fulfillment of the conditions set out in the paragraph headed "Proposed Share Consolidation - Conditions of the Share Consolidation" in this announcement.

Upon the proposed Share Consolidation becoming effective, the value of each Share will increase and the total number of Shares in issue will decrease. The Share Consolidation will result in an upward adjustment to the trading price of the shares of the Company. Based on the closing price of HK\$0.048 per Share as quoted on the Stock Exchange as at the date of this announcement, the market value per board lot of 10,000 Shares is HK\$480. The estimated market price per Consolidated Share will theoretically be HK\$0.48 and the estimated market value per board lot of 10,000 Consolidated Shares will theoretically be increased to HK\$4,800 immediately upon the Share Consolidation becoming effective. The Board considers that the Share Consolidation would enable the Company to comply with the trading requirements under the GEM Listing Rules. The Board also considers that the Share Consolidation will maintain the trading amount for each board lot at a reasonable level and attract more investors and broaden the shareholder base of the Company. In view of the above, the Board considers that the Share Consolidation is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Expected timetable of the Share Consolidation

	2017
Despatch of circular in relation to the Share Consolidation together with notice of EGM and proxy form	Tuesday, 24 January
Latest time for lodging transfers of shares to qualify for attending the EGM	4:30 p.m. on Thursday, 9 February
Closure of register of members for the purpose of determining members who are entitled to attend the EGM (both dates inclusive)	Friday, 10 February to Wednesday, 15 February
Latest time for lodging proxy form for EGM	Monday, 13 February

Expected date of EGM	Wednesday, 15 February
Announcement of poll results of EGM	Wednesday, 15 February
Effective date of Share Consolidation	Thursday, 16 February
First day of free exchange of Existing Share Certificates for New Share Certificates for Consolidated Shares	Thursday, 16 February
Dealing in Consolidated Shares commences	9:00 a.m. on Thursday, 16 February
Original counter for trading in existing Shares (in the board lots of 10,000 Shares in the form of Existing Share Certificates) temporarily closes	9:00 a.m. on Thursday, 16 February
Temporary counter for trading in Consolidated Shares (in board lots of 1,000 Consolidated Shares in the form of Existing Share Certificates) opens	9:00 a.m. on Thursday, 16 February
Original counter for trading in Consolidated Shares (in board lots of 10,000 in the form of New Share Certificates for Consolidated Shares) re-opens	Thursday, 2 March
Parallel trading (in the form of both Existing Share Certificates in board lots of 1,000 Consolidated Shares and New Share Certificates in board lots of 10,000 Consolidated Shares) commences	Thursday, 2 March
Operation of odd lot arrangement commences	Thursday, 2 March
Parallel trading (in the form of both Existing Share Certificates in board lots of 1,000 Consolidated Shares and New Share Certificates in board lots of 10,000 Consolidated Shares) ends	Friday, 24 March
Operation of odd lot arrangement ends	Friday, 24 March
Temporary counter for trading Consolidated Shares (in board lots of 1,000 in the form of Existing Share Certificates) closes	4:00 p.m. on Friday, 24 March
Last day for free exchange of Existing Share Certificates for New Share Certificates	Wednesday, 29 March

All times specified in this announcement refer to Hong Kong local time. Dates or deadlines specified in this announcement are indicative only and may be varied. Any consequential changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as appropriate.

GENERAL

The Prospectus or Prospectus Documents, as appropriate, containing further information on the Rights Issue will be dispatched to Shareholders as soon as practicable. Shareholders and potential investors should exercise caution in dealing in the Shares.

An EGM will be convened and held by the Company for Shareholders to consider and, if thought fit, pass an ordinary resolution to approve the Share Consolidation. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder will be required to abstain from voting on the resolution to approve the Share Consolidation.

For the purpose of determining Shareholders who are qualified for attending the EGM, the register of members of the Company will be closed from Friday, 10 February 2017 to Wednesday, 15 February 2017 (both days inclusive), during which period no transfer of the Shares will be effected. In order to qualify for attending the EGM or any adjournment thereof, all share transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office by no later than 4:30 p.m. on Thursday, 9 February 2017.

The Hong Kong branch share registrar and transfer office of the Company is:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

A circular containing, among other things, further details of the proposed Share Consolidation together with the notice of the EGM and related proxy form, is expected to be despatched to the Shareholders on or before Tuesday, 24 January 2017.

Shareholders and potential investors should note that while the Share Consolidation is not conditional upon the completion of the Rights Issue, the Share Consolidation is conditional upon satisfaction of the conditions as set out in the paragraph headed "Proposed Share Consolidation - Conditions of the Share Consolidation" in this announcement. Accordingly, the Share Consolidation may or may not finally proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares. If they are in any doubt, they should consult their professional advisers.

DEFINITIONS

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

“ Board ”	the board of Directors or a duly authorised executive committee thereof
“ Business Day ”	a day (other than a Saturday and Sunday) on which licensed banks are generally open for business more than five hours in Hong Kong
“ CCASS ”	the Central Clearing and Settlement System established and operated by HKSCC
“ Closing Date ”	the date falling on the third business day after the Latest Time of Acceptance
“ Committed Shares ”	the aggregate of 68,160,880 Rights Shares which Mr. Chan has undertaken to accept pursuant to the Underwriting Agreement
“ Company ”	Kaisun Energy Group Limited (凱順能源集團有限公司*), 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
“ Company (WUMP) Ordinance ”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended and supplemented from time to time
“ Consolidated Share(s) ”	ordinary share(s) of HK\$0.10 each in the share capital of the Company upon completion of the Share Consolidation
“ Director(s) ”	director(s) of the Company
“ EGM ”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve the Share Consolidation, which is expected to be held on Wednesday, 15 February 2017
“ Excluded Shareholders ”	those Overseas Shareholders whom the Board, based on legal opinions provided by legal advisers, considers it necessary or expedient not to offer the Rights Shares to such Shareholders on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“ Existing Share Certificate(s) ”	the form of certificate(s) of the Shares

“GEM Listing Rules”	Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong branch share registrar and transfer office”	Computershare Hong Kong Investor Services Limited, the Company’s Hong Kong branch Share registrar located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Koala Securities”	Koala Securities Limited, a registered institution as defined in the SFO which is licensed to conduct Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO
“Last Trading Day”	30 November 2016, being the last trading day of the Shares on the Stock Exchange prior to the issue of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Friday, 6 January 2017 or such other time or date as may be agreed between the Company and the Underwriters, being the latest time for acceptance of, and payment for the Rights Shares and (i) if there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on such day at any time before 12:00 noon and no longer in force thereafter, the Latest Time for Acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same day; and (ii) if there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on such day at any time between 12:00 noon and 4:00 p.m., the Latest Time for Acceptance will be postponed to the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.
“Latest Time for Termination”	4:00 p.m. on the next business day after the Latest Time for Acceptance
“Mr. Chan”	Mr. Chan Nap Kee, Joseph, an executive Director and chairman of the Company
“New Share Certificate(s)”	the form of certificate(s) of the Consolidated Shares
“Overseas Shareholders”	Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong

“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus”	the Rights Issue prospectus
“Prospectus Documents”	the Prospectus, the provisional allotment letter and the form of application for excess Rights Shares
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Excluded Shareholders
“Record Date”	Friday, 16 December 2016 or such other date as may be agreed between the Company and the Underwriters in accordance with the relevant regulations or requirements
“Rights Issue”	the proposed offer by the Company by way of rights of the Rights Shares at the Subscription Price pursuant to the Prospectus Documents and summarised in this announcement
“Rights Share(s)”	1,884,202,850 new Shares, proposed to be allotted and issued by way of rights to the Qualifying Shareholders
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended and supplemented from time to time
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Share Consolidation”	the proposed 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
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.048 per Rights Share under the Rights Issue, being the closing price of the Shares on the Last Trading Day
“Underwriters”	collectively, Koala Securities and Mr. Chan

“ Underwriting Agreement ”	the underwriting agreement dated 1 December 2016 entered into between the Company and the Underwriters in relation to the Rights Issue
“ Underwritten Shares ”	1,816,041,970 Rights Shares, being the total number of Rights Shares to which holders of existing Shares are entitled pursuant to the Rights Issue less the number of Committed Shares
“ Untaken Shares ”	those (if any) of the Underwritten Shares not taken up by the Qualifying Shareholders on or before the Latest Time for Acceptance
“ HK\$ ”	Hong Kong dollars, the lawful currency of Hong Kong

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

Hong Kong, 1 December 2016

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, Dr. Chow Pok Yu Augustine, 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.

** for identification purpose only*