KAISUN ENERGY GROUP LIMITED

凱順能源集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8203)

A Belt & Road Participant

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

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

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This announcement, for which the directors (the "Directors") of Kaisun Energy Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the last five financial years is set out as below:

RESULTS

	Year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**35,218**	18,673	36,878	266,188	583,154
Loss before tax	**(3,665)**	(107,476)	(223,524)	(200,837)	(177,356)
Income tax (expense)/credit	**(9,864)**	23,936	3,715	3,821	(828)
Less: Loss/(profit) attributable to non-controlling interests	**113**	(7,534)	18,357	29,080	3,983
Loss attributable to owners of the Company	**(13,416)**	(91,074)	(201,452)	(167,936)	(174,201)

ASSETS AND LIABILITIES

	As at 31 December				
	2016	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**306,544**	311,784	317,706	598,176	884,872
Total liabilities	**(26,849)**	(15,782)	(56,528)	(119,271)	(202,749)
Owners' funds	**287,206**	304,253	279,186	477,799	653,764

CHAIRMAN'S STATEMENT

In 2016, Kaisun continued with our Belt and Road related business development, which includes our existing minerals and energy related operations as well as exploring different opportunities in the Belt and Road with our strategic partners. We have been operating in the Belt and Road regions even before the Belt and Road initiative was announced back in 2013. This experience has made Kaisun the pioneer and expert in the Belt and Road. So even though Kaisun is relatively small by market capitalization standards but media, businesses and even international organization hold us in high regard for our knowledge in the Belt and Road that goes beyond statistics and theories.

This experience, unfortunately has not converted into a meaningful bottom line. While our business team travelled around developing our Belt and Road business, we have also spent the last few years dealing with the after effects of the commodities slump. There was a great deal of non-cash loss items in our financial results for the past few years such as impairment on our mining assets as well as some on our supply chain management receivables. It was a decision made so the above would not burden us going forward. Many energy and mining related companies including some of our business partners struggle to dig themselves out of the hole after over leveraging themselves on this capital intensive industry. Kaisun is fortunate enough to have a collection of mining and energy seasoned directors to sit on the Board and advised the Group to restrain ourselves when our peers were going on a borrowing craze. To add, we are proud to say that Kaisun is actually one of the few listed companies in Hong Kong to have more independent non-executive directors than executive directors for gatekeeping purposes.

Another issue that we found ourselves facing was that we could have better internal control and risk management protocols to accommodate our Belt and Road business. Our risk exposure working in the Belt and Road countries are most likely higher than companies that do majority of their business in Hong Kong and in the PRC. Knowing that fact, we took a proactive stance in hiring an internal auditor back in 2013 to develop our own internal control and risk management procedures to go alongside our Belt and Road business development. In order to enhance further Kaisun's internal control procedures for the purpose of reorganizing its business units and preparing for our future cooperation with our strategic partners, we have recently engaged Moore Stephens Consulting Limited ("Moore Stephens") to carry out a review in respect of Kaisun's investment management and procurement management processes, report on its findings and make recommendations accordingly. Suggestions were given by Moore Stephens on how we can improve on our investment management and procurement management processes and they have been put into practice starting 2017.

With that said, we still owe our shareholders an apology for not performing well in the past few years. We do understand that no matter how much we do in the background, if it could not give our shareholders return everything would be meaningless. We have a great deal of long term supporters and investors of the Group starting to grow impatient as we go through this long and painful transitional period. This is why in order to show our gratitude to our shareholders and a further commitment to Kaisun, management of the Group was one of the underwriters in our recent fundraising efforts via a two for one rights issue (subscription price at closing price on date before announcement date). Management of the Group took up most of the rights shares at the end. We hope that this move will boost morale of our investors and with the extra fund available, we can diversify our Belt and Road portfolio further while strengthening our existing businesses.

We believe that 2017 will be a much greater year for Kaisun's development. This is because commodities prices have most likely bottomed out and on the other hand, Belt and Road related investments across the world is reaching a new high. The world is beginning to acknowledge the Belt and Road Initiative as the cure to the current global economic situation and now various concrete projects are beginning to embark. The Group will try to cease this golden opportunity and study various investment options. If one or more that suits the development direction of the Group arises, we will consider further raising through equity or debt, whichever option that will make the most sense to the Group and benefit our shareholders the most.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

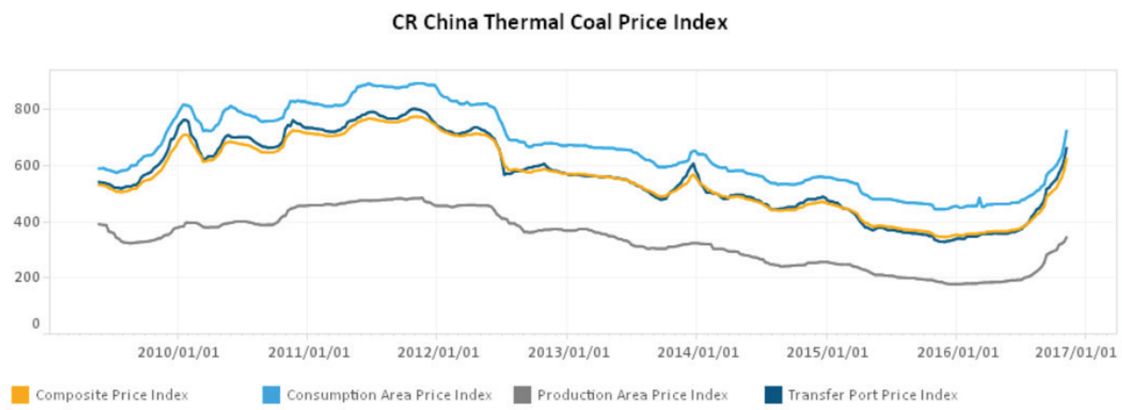
Kaisun Energy Group Existing Belt and Road Business

With years of experience in the Belt and Road and in the frontier market like Central Asia, the Group has established our footprint in different regions in the Belt and Road. One of the Group's greatest strength comes from our energy and mining background. This energy and mining experience has transformed into a business network with private and state-owned enterprises, government and international organizations. We consider this a great head start and a great advantage in our Belt and Road business development as we are able to quickly pitch our ideas and development plans to the right people. Also, we are able to become a more effective "super connector" while at the same time, grow and expand our existing operations. With that said, the Group now has a solid investment and business portfolio diversified into different regions of the Belt and Road such as Central Asia, Southeast Asia and of course, the PRC.

The Board and Management of the Group highly value our existing mining, energy, logistics, and supply chain management businesses as these are still the backbone of the Belt and Road initiative and the industries that drives development of a country and of the Group.

PRC division — Shandong mining and metallurgical machineries production

Tengzhou Kaiyuan Industrial Co. Ltd ("Tengzhou Kaiyuan") is a joint venture of the Company's subsidiary (80% shareholder) and the local government owned enterprise (20% shareholder) that specializes in mining and metallurgical machineries production. This type of cooperation shows the essence of the Group's direction where we want to leverage on our Belt and Road connection to create value for the Group and for our investors. Tengzhou Kaiyuan has been with the Group since 2014 and given a recent recovery of coal prices (see diagram below), Tengzhou Kaiyuan has more than doubled its previous year's total sales (2016: HK$12.9 million, 2015: HK$5.7 million) and has finally turned in a profit. Management of the Group has done a great job on Tengzhou Kaiyuan building its reputation, increasing its production capacity and also making it flexible enough to weather through the tough times but still able to capture opportunities when they arise.



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

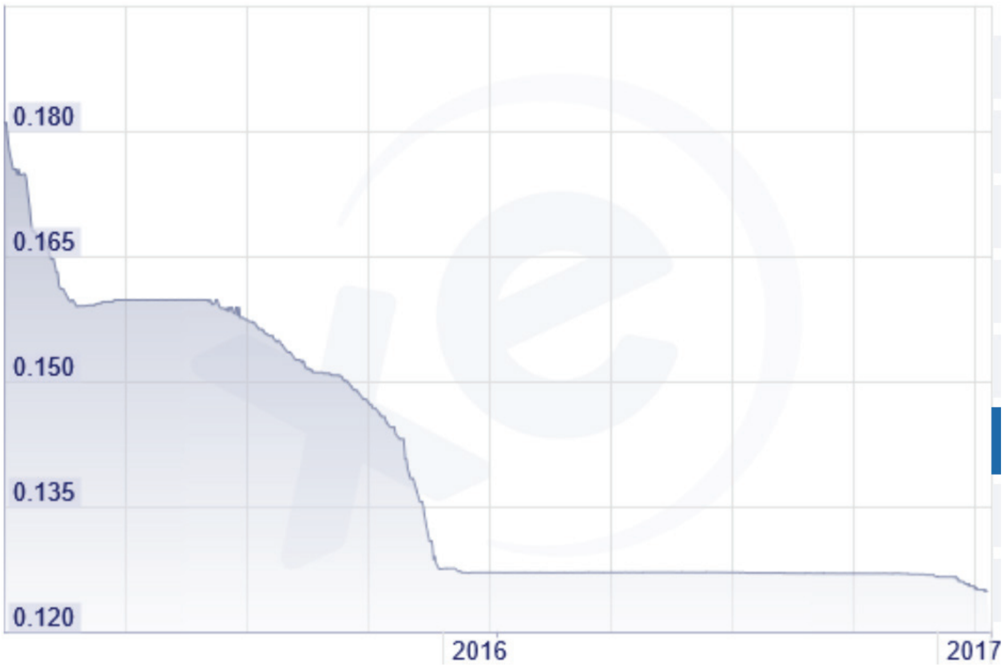
PRC division — Shandong supply chain management business

Shandong Kailai Energy Industrial Co., Limited ("山東凱萊能源物流有限公司") ("Shandong Kailai") is a joint venture of the Company's subsidiary (70% shareholder) and Shandong Baiyi Coal and Electricity Company Limited ("山東八一煤電化有限公司") (30% shareholder — a local government owned enterprise) that specializes in minerals supply chain management business. 2016 was not a particularly exciting year for Shandong Kailai in terms of financial results given only a few coal supply chain management business was conducted. But in reality, a great deal of effort was put in and plenty of groundwork work was laid out for the joint venture in 2016. One of the greatest achievements is that, after a long application process in 2016, on February 2017, Shandong Kailai officially receives an agreement issued by China's Jinan Railway Bureau permitting right to use a special section of railway line. What makes this agreement special is that Shandong Kailai will have the right to use a section of the railways where we will provide loading and storage services to minerals suppliers that wish to use our logistic center. Location wise, our logistic center will be in close proximity to South Shandong High Technology Chemical Industry Zone (魯南高科技化工園區) — one of the top 10 chemical engineering industrial base in China (Please see below map for an approximate distance illustration). In order to complement this milestone of the company, Shandong Kailai designed the expansion plan of our logistic center where the ultimate goal is 3 million tons of minerals handling capacity per year.

Another venture of Shandong Kailai is the development of a coal mine in Turpan, Xinjiang. Our Group's business relationship with Xinjiang goes back long before the Belt and Road initiative. We have great minerals logistics experience and various connections in Xinjiang and through our joint venture Shandong Kailai we would like to revisit this strategic location in the Belt and Road. Given PRC's energy development strategy set out in the Thirteenth Five-Year Plan for the National Economic and Social Development, and the nearby infrastructure development of Turpan, we believe that after proper development, this coal mine will be a great contributor to the Group.

Central Asia division — Tajikistan Coal exploitation

Our strategy on the exploitation of coal in Tajikistan has been simple in the past couple of years. Ever since the continuing depreciation of Tajikistan Somoni ("TJS") against the US$, management of the Group decided to leave production and preparation to a minimal in order to allowing us flexibility moving forward. This is because most of our coal sales is in Tajikistan which means our revenue is denominated in TJS while most of our costs is denominated in US$. This strategy has worked reasonably well in which our conservativeness has protected the Group from suffering losses from volatile exchange rates. During 2016, the exchange rate between TJS and US$ seemed to have stabled but under serious consideration management of the Group decided to put ramping up coal production on hold and once again we were correct going in that direction. From January 2017 to March 2017, TJS actually depreciated further by approximately 1.7% from TJS/US$0.12696 to TJS/US$0.12478. Therefore, only very small scale of exploitation was done during the year in order to keep our machineries in good shape so that we can be ready when the opportunity comes.



Nonetheless, our resources in Tajikistan did not go wasted as our team searched for other opportunities in the country and in Central Asia. This effort has turned into our Belt and Road leasing business in Tajikistan.

Central Asia division — Leasing Business

In 2016 we started our leasing business with our partner in Tajikistan but eventually we would like to conduct leasing business in the whole Central Asia as well as the CIS countries. One important thing to point out is that in order to avoid currency risks such as our coal exploitation business, our leasing business was conducted using US$ in 2016. The rationale in why we established our own leasing business will be discussed below.

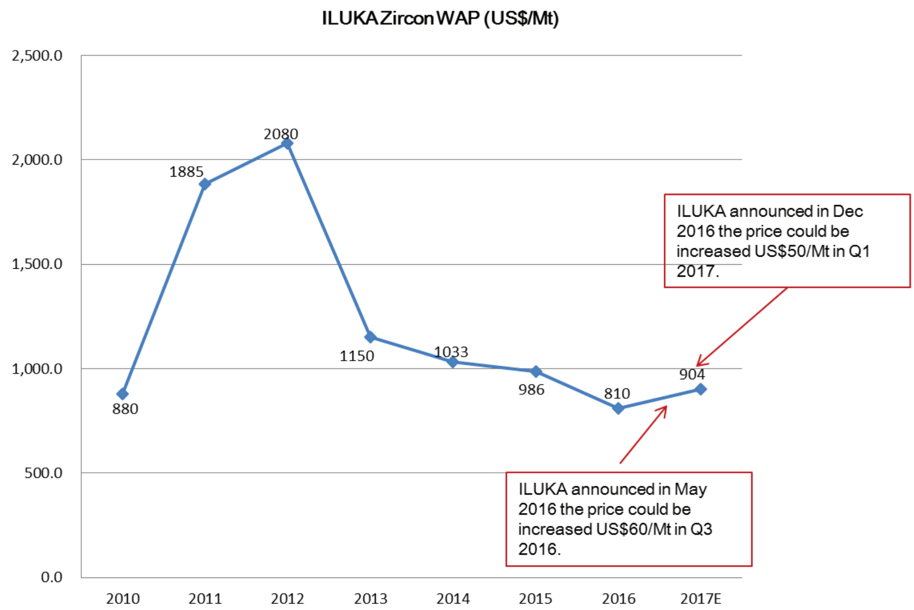
It was after years of experience and actually operating in Tajikistan and Central Asia that management of the Group believes leasing is the best way to kick off our next business after coal exploitation. This is due to the fact that Belt and Road initiative's impact on regions such as Central Asia is tremendous. The number of new development projects are abundant which gives birth to the need of equipment and other types of machineries leasing. The Group is basically just trying to meet this Belt and Road driven demand in a country where leasing is not mainstream. On the other hand, leasing provides the Group with the flexibility and safety that other types of financing could not provide. Since ownership of the equipment or machineries in question belongs to the Group, leasing greatly reduces our risks in case of default.

Also, leasing in Central Asia in general lacks scale and supervision. Therefore, by entering the leasing business in Tajikistan and Central Asia, we are a pioneer in the industry. By partnering with a local leasing company in Tajikistan in 2016, the Group now has a chance to tap into the business with great potential. Given the Belt and Road initiative's influence in Central Asia, management of the Group believes a carefully planned out leasing business would bring great value to the Group and to our investors.

Supply Chain Management Business

The Group entered the supply chain management business back in 2012. As a rookie in the industry the Group spent a great deal of time and resources before becoming the industry veteran that we are today. With our current involvement in the Belt and Road related business and given our current robust business network, we have earned the respect of our peers and now we are able to command better terms than before. Even though it costs the Group less capital to conduct supply chain management business, this industry is still very capital intensive and puts a great deal of stress on the Group's cash flow. After careful consideration and studying all available supply chain management business proposal given to the Group, we have decided to only carry out small scale supply chain management business in the Period. This is not to say the Group was to shy away from conducting supply chain management business but instead, we were selective regarding potential new contracts in which they must match the Group's development and risk profile.

One of the Group's recent great achievement is acting as a "super connector" in signing an agreement with Daiichi Kigenso Kagaku Kogyo Co., Ltd., ("DKKK") which is one of the world's largest Zirconium products manufacturer in relation to supply and procurement of zircon sand. DKKK is a Japan-based manufacturer of various zirconium oxide and composite oxides. As the world's top-ranking zirconium compound producer accounting for more than 50% of the global market share, DKKK holds a position of monopolizing the oxygen sensors of Japanese market for automobiles. Furthermore, DKKK is one of the two manufacturers in the world that has an integrated production system from crude ores to finished products. The Group is very excited to work with an industry veteran and leader in their field. From the graph below, we can see that zircon prices are expected to have bottomed out making our cooperation with DKKK that much more promising.



The Group is also aware that one of our supply chain management business partner Up Energy Development Group Limited ("Up Energy") has been placed in the first delisting stage by the Stock Exchange of Hong Kong Limited. We have been closely monitoring their situation and the Group will respond accordingly to their future development.

Listed Securities Investment

Originally began in or around 2011/2012 as part of the Group's treasury management activities, listed securities investment became the Group's largest profit contributor in the year 2016. The Group first became involved in securities investment with an aim to generate a reasonable amount of return and to enhance the yield on cash. However, as the commodities market slump continued, the Group became more involved in securities investment for the past couple of years and hence this has been our normal course of business. Due to the growing gains on investment of listed securities, listed securities investment is now one of the principal activities of the Group. Management of the Group believes that commodities prices have bottomed out and our investment will not only be focused more on our existing business and principal activities, but also the recently established new economy business, which will be discussed in greater detail below.

New economy business

The Belt and Road initiative was never just about distributing production overcapacity to China's neighbors, for it also emphasize on matters such as the promotion of cultural exchange and improving cross-border trade and financial network. The Group already has an experienced business unit that deals in the more "traditional" type of business such as energy, resources, logistics and agriculture. However, in order to capture the opportunities that arises from the other side of the Belt and Road initiative, the Group decided in late 2016 to develop our very own "New Economy Business Unit" after careful studying of this industry. Management of the Group believes in making our current business and operation technologically updated and adaptive. At the same time, we look to develop and to establish businesses that are sustainable but also has staying power and growth potential. To begin, management of the Group has selected a group of young yet Belt and Road experienced individuals to lead this new economy business development project. The following guideline was also given to our new economy business unit when searching for our next potential investments/projects:

1) Must be Belt and Road related in order to match the Group's development direction;

2) Should not be capital intensive as compared to traditional businesses such as energy, logistics and infrastructures;

3) We should partner with industry veterans in order to leverage on their expertise, knowledge, and reputation and capital.

Following the guidelines above, our new economy business unit has identified three major types of business with great potential, and they are:

1) Event organizing — which includes public relations company, eSports, etc;

2) E-commerce platform — which includes establishing our own cross-border trade platform as well as starting a business in reputable platforms such as AliExpress;

3) Financial investments — which includes asset management companies leveraging on financial skills of KEG's existing management.

Our aim with this new economy business unit is to eventually develop the above businesses in the frontier markets. Nonetheless, to begin we will focus our efforts in the more familiar markets such as Belt and Road countries in the Asia-pacific. Our potential business partners and the Group will build up our brand and at the same time prepare to establish a presence in the frontier markets. The potential of the frontier market is huge and by being one of the first to develop new economy business by leveraging on our existing Belt and Road connection as well as our potential business partners' knowledge and reputation the outcome should be encouraging.

Management of the Group hopes that these business subunits under the newly established new economy business unit will bring the Group energy as well as create value to our investors. Our Board put special attention to this new economy business as this is a millennial trend that will drive the future economy.

The rationale and potential of each of the above major type business will be discussed in greater detail below from page 11 to page 14.

Event organizing business

Public relations company ("PR company"):

Event management and planning has been around for centuries and it will be for the years to come. Also, with the advancement of technology, how events are conducted is changing constantly. Press conferences used to be on television reaching millions and now they are broadcasted live over the internet reaching audiences all over the world. In the future, virtual reality will bring events directly into audiences' homes. Nonetheless, the significance of events will remain unchanged and it is to add value, whether to a new product, or to celebrate a prestigious milestone, or to a competition, etc. The basic principles of event planning and management will also be unaffected by advancing technologies. Event organizers will still need to plan out the details of the event (including responsibilities, schedules, duties, timeline and how they are interconnected), know their audience (selecting the right venue, the right broadcasting method, who to hire as guests), how to handle emergencies, and to improve upon each hosted event.

Tying it back to the Belt and Road, different events drives cultural exchanges between Belt and Road countries. For example, ever since Belt and Road initiative was put forward by President Xi Jinping, many Belt and Road events were being hosted in the last three years and we do not foresee this trend to stop anytime soon. Different conferences, summits, speeches are frequently hosted in Hong Kong and around the world under the Belt and Road name. The Group was involved in quite a few successful ones where we were the sponsors. Furthermore, in many of these events the Group was the one able to invite the guests and even handle some of the logistics. The Group's power to bring people together is due to our experience conducting business in Belt and Road countries. We were able to establish a large network with the likes of international organizations, government officials, scholars, State-owned enterprises, as well as large private companies. Since Kaisun is a forerunner in Belt and Road in Hong Kong — in both actual business experience as well as reputation, we should turn this into a business opportunity where we can host our own Belt and Road related events. Hong Kong is still Asia's leading destination to host large exhibitions and forums. Large scale Belt and Road conferences and summits occurs frequently in Hong Kong and there are numerous smaller scales events happening weekly. Public relations is a $14 billion industry worldwide *(Source: http://www.holmesreport.com/research/article/global-pr-industry-hits-$14bn-in-2016-as-growth-slows-to-5)* and grabbing a small percentage of that will still be significant to the Group's development.

(Source: http://www.exhibitions.org.hk/en/media-centre/127-exhibit-survey2015)

Highlight of some Large scale Belt and Road related events held in Hong Kong

Date	Name of Event	Venue	Organiser
18 May 2016	1st Belt and Road Summit	Hong Kong Convention and Exhibition Centre	HKTDC
11 September 2017	2nd Belt and Road Summit	Hong Kong Convention and Exhibition Centre	HKTDC
2015–2016	Belt and Road International Forum	Renaissance Harbour View Hotel	International Academy of the Belt and Road
7 December 2015	"Xinhua Silk Road" information products at "One Belt, One Road" forum	Hong Kong Convention and Exhibition Centre	Xinhua News Agency
19–20 October 2016	Diplomatic Lecture — Belt and Road and Hong Kong's Opportunities	The Hong Kong Polytechnic University	Beijing-Hong Kong Academic Exchange Centre, Office of the Commissioner of the Ministry of Foreign Affairs of the People's Republic of China in the Hong Kong Special Administrative Region, The Hong Kong Polytechnic University
13 August 2015	Belt and Road Thematic Lecture	Renaissance Harbour View Hotel	All-China Federation of Returned Overseas Chinese, Hong Kong Young Entrepreneur Association
6 March 2017	Funding Scheme for Exchange in Belt and Road Countries	Chai Wan, Hong Kong	Committee on the Promotion of Civic Education, Commission on Youth

eSports:

Also under the event organizing business is eSports — which is competitive tournament of video games. eSports has been around for many years, starting from small-scale events hosted in people's homes transforming into a spectacle viewed by millions. This is also an industry currently being supported by the Hong Kong government. Due to the recent tourism declines, Hong Kong is looking to host "mega-events" in order to attract more tourists and eSports is one of the focal points in the list of ideal mega-events.

(Source: http://www.budget.gov.hk/2017/eng/budget17.html)

The importance of eSports cannot be ignored as the total revenue generated in the eSports ecosystem is projected to be over a billion US$ in a couple of years (2016 total revenue — US$493 million). Traditional entertainment outlets such as movies and music are slowly losing its influence in the entertainment universe. Meanwhile, the video game industry (2016 total revenue — US$100 billion), together with the competition of video games — eSports, is taking the world by storm and will be the entertainment of choice in the foreseeable future. The audience of eSports is also the most-difficult-to-reach demographic — 21 to 34 years old, and these are the people who will have the highest spending power in the years to come.

(Source: http://resources.newzoo.com/global-games-market-report)

The importance of eSports also goes beyond its entertainment value and content consumption: live interactions and participation from the viewers are a critical component to the experience, and viewers from all over the world are watching eSports competitions while also interacting with each other via online streaming platforms and other media outlets. Therefore, the cultural impact of eSports is massive.

Seeing that the industry of eSports is bringing audiences around the world together, traditional media outlet are trying to capture a piece of this pie. ESPN, Fox sports, etc. all have their own dedicated eSports section on their websites, and they also broadcast eSports events on television. China, being one of the best supporting countries of eSports has developed many online platforms and TV channels dedicated to video games and eSports.

Governments from different countries have also become aware of eSports and its effect on their youth population and economy growth. Right now, many countries recognize eSports as an official sport and players are regarded as proper athletes to represent their countries. Smaller and less developed countries also realize that eSports professional competitors, unlike other traditional sports, are relatively less expensive to train, so even smaller countries can achieve success in the world stage. Therefore, many countries in the world are very supportive of eSports as it can help stimulate the economy and it is also a modern alternative to create exposure of their countries to the world.

With that said, the Group is looking into the business of eSports and its future potential to generate a long lasting stable source of revenue for the Group. The Group has been in talks with an industry veteran located in the Asia-Pacific region to get our foot into the door. Initial focus of our operation will be in the Asia-Pacific countries. The largest gaming market growth comes from Asia-Pacific (a US$46.6 billion industry — contributing to 58% of global games market growth in 2016). The exposure and potential viewership is also substantial with Asia-Pacific gaming population of over 1 billion. Nonetheless, we will eventually leverage our experience in the Belt and Road countries and bring eSports to these markets that are with the greatest business potential.

(Source: http://resources.newzoo.com/global-games-market-report)

E-commerce platform:

For the many years the Group has been involved in the Belt and Road development business, we have made a number of connections and connections of ours have always been interested in Chinese made items, whether they be machineries, equipment, or even garments. These friends of the Group would always want us to help them buy these items, and usually in bulk. Nonetheless, the Group was not ready for such requests so we could not fulfill these needs from our Belt and Road partners. Now, our new economy business unit is ready to develop our own e-commerce trading platform in order to take advantage of these business opportunities. At the same time, we develop these platforms with sustainability as well as improving on our current business model in mind. In the future, potential buyers interested in our mining equipment or trading minerals will be able to use our e-commerce platform to conduct business. This will greatly increase our product exposure within China as well as the nearby Belt and Road countries.

But before we finish developing this platform, our business unit would like to test waters by running our own e-Commerce business in an internationally recognized platform — AliExpress. AliExpress is Alibaba Group's only cross border e-commerce platform. The reach and the users of this platform is vast. Also, this platform is sales, payment and logistics all-in-one platform. It is our hope that, through this easy to use platform, the Group can help our friends as well as other potential customers in the Belt and Road to obtain the products they need.

(Source: Ministry of Commerce of the People's Republic of China, National Bureau of Statistics of the People's Republic of China, AliResearch (2016)

https://www.bnext.com.tw/article/40842/BN-2016-09-06-110825-223)

Financial investment:

Leveraging on Asset management platform:

One of the Group's goal is to diversify our investment in the Belt and Road's countries with high potential. Yet, due to various limitations such as our lack of experience in some countries we have mostly been focusing our efforts in China, Central Asia and a few other countries such as Vietnam and Georgia. There are many more countries in the Belt and Road that are worth investing but it will be unwise for the Group to go in blind. Take Iran for example, it is located in the intersection between the Belt and Road and it is also Middle East's second largest economy. There are huge demands in infrastructures in Iran as well as the need to upgrade their airport and airplane fleets. Financial market wise, the Tehran Stock Exchange offers one of the best returns in 2016 with its index 29% higher than its 2015 counterpart.

(Source: http://www.tse.ir/en/news/newsPages/news_N41645.html)

Nonetheless, with high potential returns there are still related risks when investing in these countries and it takes more than just Belt and Road experience in order to succeed. It will require a mixture of country and product knowledge, global trend and its effect on the country, as well as daily monitoring in order to achieve the greatest returns while mitigating risks to the fullest. This is why the Group is partnering with and considering investing in an asset management company ("AMC") that will leverage on the market's liquidity to create scale in order to diversify our Belt and Road investment into countries that have great potential but less familiar to the Group. This will also ease off on the Group's need to keep doing fund raising as we can now leverage on the AMC. The AMC will also monitor investments introduced by the Group as well as our Belt and Road partners. The Group foresees as our investment partners and number of investment increases, we can build an even greater network of Belt and Road connection and at the same time, diversifying our Belt and Road investments so that it will have a chance to enjoy a great return while mitigating risks through the scale of the AMC's investment.

Fund raising activity — Rights Issue

In order to further develop the Group's Belt and Road business as well as to strengthen our capital base, on 1 December 2016, the Group proposed a rights issue on the basis of one rights share for every two existing shares (subscription price at closing price of share on date before announcement date). This fundraising activity has been completed on 16 January 2017 and HK$86.29 million was successfully raised after deducting relevant expenses.

What is more meaningful about this rights issue is that our senior management was one of the underwriters. This is once again, our senior management's way of showing commitment and confidence towards the Group and our development direction. Hopefully, this extra commitment will boost the morale and confidence of our existing shareholders. We also wish to use this opportunity to introduce our shareholders to various great Belt and Road opportunities such as the new economy business and at the same time, give boost to our existing business and bring them to a new level of success.

To reiterate on our 1 December 2016 announcement, the use of proceeds are as follows:

1) For expansion of mining and metallurgical machineries production, and supply chain management services for mineral business;

2) For business or investment opportunities in countries and regions covered by the Belt and Road initiative;

3) General working capital.

The reason for rights issue instead of using alternative means to raise capital is because, after considering other alternatives, rights issue (with subscription price at closing price of share on date before announcement date) would most likely be the option to have one of the lower finance costs, time efficient, enable all existing shareholders to participate in the future development of the Group on equal terms and also impact the share price the least. After a few months, we would see that our share price after 10 shares to 1 share consolidation (as advised by Stock Exchange in compliance with Rule 17.76 of the GEM Listing Rules) would remain at about the same level as our announcement date back in December 2016.

Future Business Development

Future development of the Group will continue to be Belt and Road related. Management of the Group believes 2017 will be Belt and Road initiative's golden era in which more and more actual investments will take place and better synergy will be produced across countries and the investing companies. We will continue to pay close attention to our existing business while at the same time try to nurture our new economy business. New investment and business expansion wise we will be using funds raised from our recent rights issue but further investments and expansion might require additional fund raising and different financing options such as debt financing. The Board as well as management of the Group will unquestionably study all of our options with utmost care and choose the one that will be the most beneficial to the Group's progression and to our investors.

Future business development of each of our division will be discussed below:

PRC division — Shandong mining and metallurgical machineries production

The Group's mining and metallurgical machineries production in 2017 still depends very much on the coal market performance. Management of the Group believes that there is growth potential to our machineries production business and we could consider adding an extra production line to meet that growth. Nonetheless, after proper streamlining in the past couple of years, our Shandong mining and metallurgical machineries production business is capable of surviving through tough times as well as capturing opportunities whenever they arise.

PRC division — Shandong supply chain management business

The joint venture will expand our logistic center as planned in 2016 after we obtained in February 2017 the right to use a section of the railway. Hopefully after the expansion our logistic hub can better fulfill the coal demands of nearby coal users. This joint venture will also continue to carry out the development of Turpan, Xinjiang coal mine accordingly.

Central Asia division — Tajikistan Coal exploitation

The Group's treatment towards our Tajikistan Coal exploitation will remain the same as the past few years. We must wait until the TJS/US$ exchange rate stabilize to the point that management of the Group feels comfortable before we can ramp up production again. Over the past few years we did not see a demand problem of coal in Tajikistan but production must make economic sense for the Group before we can consider producing in scale again.

Central Asia division — leasing business

The Group would like to continue conducting leasing business with our Tajikistan partner in order to get a better feel of what it is like to run a leasing business in Central Asia. Once we find ourselves with a greater understanding of the industry and developed a better know-how we should be able to expand our leasing business to the rest of Central Asia and to the CIS. We do not foresee that it will be difficult for find clients as we have many business partners still conducting business in or would like to expand their business to these regions.

Supply chain management business

Supply chain management business will continue in 2017 with the same amount of attention it was given in 2016. Management of the Group believes that commodities prices have bottomed out in 2016 and we will find ourselves presented with a lot more opportunities. However, supply chain management business puts a great deal of stress on our cash flow so management of the Group will choose not only the business with the greatest margin, but will also have our Belt and Road development and risk profile in mind. For example, we hope to repeat our DKKK success in 2017 with another leader in the commodities business.

Listed securities investment

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

New economy business

The Group's new economy business unit will continue to look for different investment opportunities but one of the focus of the new economy business unit would be to establish a solid foundation for each of the previously discussed business sectors, to reiterate, the three major types of business focus are:

1) Event organizing — which includes public relations company, eSports, etc.;

2) E-commerce platform — which includes establishing our own cross-border trade platform as well as starting a business in reputable platforms such as AliExpress;

3) Financial investments — which includes asset management companies.

For most of these projects, the Group is in talks with an industry veteran for cooperation. Management of the Group as well as our new economy business unit believes that a joint venture type of cooperation would best suit our needs. Since most of the above businesses requires a certain level of industry knowledge and experience as well as reputation, it would not make business sense for our

Group to start from scratch. The Group believes in leveraging on our partner's industry experience and reputation while at the same time, bring in our Belt and Road connections and flavour in order to achieve great synergy.

Our existing strategic partners

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

We will continue to explore business opportunities in the Belt and Road regions such as Central Asia, the Caucasus, Middle East, etc. for infrastructure, energy and electricity, as well as any other potential projects where the Group and our strategic partners can mutually benefit.

FINANCIAL REVIEW

Revenue of the Group for the year 2016 amounted to approximately HK$35.2 million, represented an increase of approximately 88.6% when compared with the same period in 2015 (2015: HK$18.7 million). The significant increase was due to the Group reviving the supply chain management business portion again. Revenue arose from the provision of supply chain management services for mineral business, production and exploitation of coal in Tajikistan and Shandong mining and metallurgical machineries production amounted to HK$21.0 million, HK$1.3 million and HK$12.9 million respectively.

The Group's gross profit for the year 2016 increased approximately 207.4% to approximately HK$4.9 million when compared with the same period in 2015 (2015: HK$(4.5) million). Gross profit arising from the provision of supply chain management services for mineral business was approximately HK$137,000, from Shandong mining and metallurgical machineries production is approximately HK$4.7 million and gross profit arising from production and exploitation of coal in Tajikistan amounted to HK$41,000.

For the year 2016, the gain on disposal of financial assets at fair value through profit or loss decreased approximately 50.3% to HK$4.5 million when compared with the same period in 2015 (2015: HK$9.1 million). The fair value gain on financial assets at fair value through profit or loss was HK$29.9 million, represented approximately 21 times to that of approximately HK$1.4 million for the year ended 31 December 2015.

For the year 2016, the total administrative and other operating expenses from the Group's operations was approximately HK$45.7 million, a decrease of approximately 65.1% as compared with the same period in 2015 (2015: HK$131.1 million).

For the year 2016, the loss from operations was approximately HK$3.7 million, a decrease of approximately 96.6% when compared with the same period in 2015 (2015: HK$118.8 million).

The Group recorded loss for the year 2016 of approximately HK$13.5 million, represented a decrease of approximately 83.8% when compared with the same period in 2015 (2015: HK$83.5 million).

The total comprehensive income attributable to owners of the Company for the year 2016 amounted to approximately HK$(15.9) million (2015: HK$(103.3) million).

At as 31 December 2016, the Group has cash balance of approximately HK$1.5 million hold in a securities broker. The fair value of listed securities amounted to HK$102.7 million.

The details of financial assets at fair value through profit of loss are set out as follow:

Company Name	Number of sharers held as at 31 December 2016	% of share-holding as at 31 December 2016	Unrealized gain/ (loss) on fair value change for the year ended 31 December 2016	Dividends received for the year ended 31 December 2016	Fair value as at 31 December 2016	Fair value as at 31 December 2015	% of the Group's net assets as at 31 December 2016	Investment cost	Reasons for fair value loss
			HK$	*HK$*	*HK$*	*HK$*		*HK$*	
Hong Kong Listed Securities									
OP Financial Investments Limited (1140) *(Note 1)*	36,756,000	2.00	27,622,120	918,900	81,598,320	—	29.2	53,976,200	—
LEAP Holdings Group Limited (1499) *(Note 2)*	7,050,000	0.27	395,750	—	3,666,000	5,387,200	1.3	5,677,200	—
Jai Meng Holdings Limited (8101) *(Note 3)*	110,000,000	3.80	5,435,000	—	13,860,000	—	5.0	8,425,000	—
Sau San Tong Holdings Limited (8200) *(Note 4)*	14,000,000	0.77	(2,926,000)	—	1,274,000	4,200,000	0.5	4,200,000	Drop in Share price
Pantronics Holdings Limited (1611) *(Note 5)*	1,970,000	0.66	(675,400)	—	2,324,600	—	0.8	3,000,000	Drop in Share price
Rui Kang Pharmaceutical Group Investments Limited (8037) *(Note 6)*	—	—	—	—	—	116,280	—	—	—
Total			29,851,470	918,900	102,722,920	9,703,480	36.8	75,278,400	

Notes:

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

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

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group has bank and cash balances of approximately HK$36.3 million (2015: HK$103.6 million).

FINAL DIVIDEND

In order to retain resources for the Group's business development, the Board does not recommend the payment of a final dividend for the year 2016 (2015: HK$Nil).

GEARING RATIO

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

CAPITAL STRUCTURE

During the year 2016, the Company has not issue any new share.

FOREIGN EXCHANGE EXPOSURE

Majority of the trading transactions, assets and liabilities of the Group were denominated in HK$, TJS, US$ and RMB. As at 31 December 2016, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

PLACEMENT OF NEW SHARES AND USE OF PROCEEDS

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

For the 20 months up to 31 December 2016, approximately HK$91.5 million had been used as intended, including approximately: (i) HK$22.8 million on capital expenditure of the Shandong project; (ii) HK$15.8 million on providing working capital for Central Asia's operation; and (iii) HK$52.9 million for general working capital.

The Company intends to use the remaining proceeds, which was approximately HK$36.3 million of general working capital, as intended.

INCOME TAX

Details of the Group's income tax expense for the year 2016 are set out in note 6.

HUMAN RESOURCES

As at 31 December 2016, the Group had 97 (2015: 101) staff in Hong Kong, China and Tajikistan. The Group continues to employ, promote and reward its staff with reference to their performance and experience. In addition to their basic salaries, the Group's employees are also entitled to other fringe benefits such as provident fund. The management will continue to closely monitor the human resources requirements of the Group, and will also put emphasis on the staff quality. During the year 2016, the Group had not experienced any significant labour disputes which led to the disruption of its normal business operations. The Directors consider the Group's relationship with its employees to be good.

The total staff costs, including Directors' emoluments, amounted to approximately HK$20.3 million (2015: HK$26.4 million) for the year 2016.

SEGMENT REPORT

The detailed segmental analysis are provided in note 12.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2016.

LITIGATION

As at 31 December 2016, the Group had no significant pending litigation.

EVENTS AFTER THE REPORTING PERIOD

(1) Proposed Rights Issue and Share Consolidation

On 1 December 2016, the Company and Koala Securities Limited, entered into the underwriting agreement to implement the rights issue on the basis of one rights Share for every two Shares at the subscription price of HK$0.048 per rights Share ("Rights Issue") and a total of 1,884,202,850 rights Shares were issued on 16 January 2017.

For details of Rights Issue, please refer to the announcement dated 1 December 2016, the prospectus dated 20 December 2016 and the announcement dated 13 January 2017 by the Company in relation to the Rights Issue.

As stated in the Company's announcement dated 1 December 2016, the Share Consolidation was 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 would be consolidated into one (1) Consolidated Share of HK$0.10 each ("Share Consolidation").

The resolution approving the Share Consolidation was passed on the Extraordinary General Meeting held on 15 February 2017 and the Share consolidation became effective on 16 February 2017.

For details of Share Consolidation, please refer to the announcement dated 1 December 2016, the circular dated 24 January 2017, and the announcement dated 15 February 2017 by the Company in relation to the Share Consolidation.

(2) Acquisition of Shares of Mining Company

On 10 October 2016, Shandong Kailai (an indirect 70% owned subsidiary company of Kaisun Energy Group Limited), entered into two Share Transfer Agreements to acquire 10% and 90% shares of Xinjiang Turpan Xingliang Mining Limited ("Xingliang") for cash consideration of RMB10 million. The transaction was completed on 8 February 2017.

AUDIT COMMITTEE REPORT

Composition of the Audit Committee

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

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

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

During the year 2016, the audit committee held four meetings to review and supervise the financial reporting process. The results for the year have been reviewed by the Audit Committee who was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and adequate disclosures have been made.

Role and Function of the Audit Committee

In order to comply with amendments to the GEM Listing Rules, on 30 March 2012, new terms of reference that supersedes previous terms of reference of the Audit Committee were adopted. The new written terms of reference which describes its authorities and duties is available on the Company's website www.kaisunenergy.com under "Investor Relations" section with heading of "Corporate Governance".

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

The AC is provided with sufficient resources to discharge its responsibilities and is supported by the Finance Department of the Company. The AC is accountable to the Board.

Audit Committee Meetings

During the year 2016, the AC has held four meetings to review and supervise the financial reporting process and the AC has reviewed the quarterly, interim and annual results, internal controls and risk management systems. The AC was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The AC also carried out and discharged its other duties as set out in the Corporate Governance Code (the "CG Code").

Attendance of each of the independent non-executive directors at the AC meetings during the year 2016 is set out as follows:

Number of Audit Committee Meetings	**4**	
Mr. Liew Swee Yean *(Committee Chairman)*	4/4	100%
Mr. Siu Siu Ling, Robert	4/4	100%
Dr. Wong Yun Kuen	4/4	100%
Mr. Anderson Brian Ralph	3/4	75%
Average attendance rate	93.75%	

During the year 2016, the AC had undertaken the following duties:

(i) made recommendations to the Board on the appointment, reappointment or removal of the external auditors (the "Auditors") and approved the audit fees and terms of engagement of the Auditors, or any questions of resignation or dismissal of the Auditors;

(ii) reviewed the quarterly, interim and annual financial statements prior to recommending them to the Board for approval;

(iii) reviewed the Auditors' management letter and the management's response thereto, and to ensure that recommendations made by the Auditors are carried out;

(iv) reviewed the operation and effectiveness of the Company's financial control, internal control and risk management systems;

(v) reviewed the appropriateness of reporting and accounting policies and disclosure practices; and

(vi) reviewed the work of the Internal Audit Department, ensuring coordination between the Internal Audit Department and the Auditors, and reviewing and monitoring the effectiveness of the internal audit function.

During the year 2016, the Board, through the AC, reviewed the effectiveness of the Group's system of internal control over financial, operational and compliance issues, broad-based risk management processes, and physical and information systems security. To formalize the annual review of internal control system, the AC made reference to the globally recognised framework with modifications to include some controls which are specific to the Group's operation. The Audit Committee concluded that, in general, the Group has set up a sound control environment and installed necessary control mechanisms to monitor and correct noncompliance.

The Board, through the review of the AC, is satisfied that the Group has fully complied with the Code Provisions on internal controls as set forth in the CG Code for the year 2016.

The Group's financial statements for the year ended 31 December 2016 have been reviewed by the AC, who is of the opinion that such statements comply with applicable accounting standard and legal requirements, and that adequate disclosures have been made.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintain good standard of corporate governance practices and procedures. As stated in the third quarterly report, the Company has engaged Moore Stephens Consulting Limited ("Moore Stephens"), an independent external reviewer, to perform review on the internal control system. Details of implementation of recommendations by Moore Stephens are stated under "RISK MANAGEMENT AND INTERNAL CONTROLS REPORT" section on pages 23 and 24 of this Results Announcement. Except for the deviations described below, the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG code") contained in Appendix 15 to the GEM Listing Rules throughout the year 2016 under review.

The Code Provision A2.1 stipulates that the role of chairman and chief executive officer should be separated and should not be performed by the same individual. From 2 November 2010 to 26 October 2016, Mr. Chan Nap Kee Joseph, chairman, took up the role of acting chief executive officer and he was redesignated to Chief Executive Officer with effect from 26 October 2016. As Mr. Chan is both Chairman and Chief Executive Officer, Code Provision A.2.1 has been deviated.

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors ("Directors") of the Company on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year 2016. The Company has also made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

RISK MANAGEMENT AND INTERNAL CONTROLS REPORT

The Board has overall responsibility for the risk management and internal control systems of the Company and for reviewing their effectiveness. The risk management and internal control systems of the Company are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. As the Group's investment in the Belt and Road becomes more robust, the Board feels that our internal control protocols must grow alongside with it. The Group has gone through an internal control improvement and upgrade process. During the period, this process was led by the Board and the Audit Committee with revision activities carried out and recommendations on establishing new procedures, in addition to relevant implementation method given by Moore Stephens and the Group's Internal Auditor.

The Company has an Internal Audit Function, and Risk Management and Internal Control Systems are reviewed throughout the year 2016 and any findings in this regard will be reported to the Audit Committee on a quarterly basis. Our Internal Auditor has performed the Internal Audit Function of the Company throughout the Period. Kaisun has gone through a process of reorganization to prepare for our future cooperation with our strategic partners. We are currently also going through the process of reviewing and improving on our internal audit (which includes critical items such as internal control and risk assessment framework and procedures update) with the aim to provide an update to our current internal control system so as to improve our operational effectiveness and efficiency and better risk management as well as to complement our reorganization. For procurement, litigation check, background check, due diligence check, site visit check, financial check and credit search to our potential suppliers have been carried out for preparation of proposal to the Board. The project is recommended by Project Team and is approved by the Board. For investment, litigation check, background check, due diligence check, site visit check, financial check and credit search to our potential suppliers have been carried out. The project is recommended by Transaction Team and is approved by the Board. The Board monitored the implementation of the project by the Project Team.

As stated in the Company's Third Quarter Report dated 26 October 2016, the Company engaged Moore Stephens as our internal control reviewer to conduct a review of our internal control systems and make recommendations to the Company for this purpose. Based on the agreement between Moore Stephens and our Group's Audit Committee and executive management during the fieldwork, the internal control focused on two business activities: (i) Investment Management, and (ii) Procurement, Accounts Payable and Payments. This is once again, due to our increasing involvement in the Belt and Road investments, and the Board considers that it is extremely important to have our investment process procedures updated and fit to the Group's future development.

Moore Stephens has made recommendations to the Company and the Board on

(i) procurement policies and procedures, and

(ii) investment policies and procedures.

The procurement policies and procedures and the investment policies and procedures were approved by the Board before circulation to all Staffs. We have also incorporated all the comments recommended by Moore Stephens before sending it out to the Board. On 31 December 2016, the new (i) procurement policies and procedures and (ii) investment policies and procedures have fully been implemented and executed. On 13 January 2017, the revised new (i) procurement policies and procedures and (ii) investment policies and procedures have been circulated to all relevant staff members of the Group.

In addition to our qualified accounting staff, the Company has engaged an experienced internal control officer to further improve its risk management and internal control systems.

Review of Risk Management and Internal control Effectiveness

The Board has conducted an annual review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2016, covering the material financial, operational and compliance controls, and considered that the Group's risk management and internal control systems are effective and adequate. The Audit Committee has also annually reviewed the adequacy of resources, qualifications, experience and training programs of the Group's internal audit staff and accounting and financial reporting staff and because most of our accounting staff have professional qualifications with audit and financial experience as well, the Audit Committee considered that the staffing is adequate and the staffs are competent to carry out their roles and responsibilities.

The Board is pleased to announce the audited results of the Group for the year ended 31 December 2016 together with the audited comparative figures for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Note	**2016**	2015
		HK$	*HK$*
Revenue	5	**35,217,800**	18,673,469
Cost of goods sold		**(30,361,758)**	(23,196,558)
Gross profit/(loss)		**4,856,042**	(4,523,089)
Gain on disposal of financial assets at fair value through profit or loss		**4,508,570**	9,064,930
Fair value gain on financial assets at fair value through profit or loss		**29,851,470**	1,428,290
Other income and gains		**2,829,717**	6,345,890
Administrative and other operating expenses		**(45,710,503)**	(131,095,306)
Loss from operations		**(3,664,704)**	(118,779,285)
Impairment loss on intangible assets		—	(8,966,352)
Gain on disposal of subsidiaries		—	20,269,458
Loss before tax		**(3,664,704)**	(107,476,179)
Income tax (expense)/credit	6	**(9,864,319)**	23,936,454
Loss for the year	7	**(13,529,023)**	(83,539,725)
Attributable to:			
Owners of the Company		**(13,416,000)**	(91,073,480)
Non-controlling interests		**(113,023)**	7,533,755
		(13,529,023)	(83,539,725)
Loss per share *(cents)*			
Basic	9	**(3.58)**	(27.78)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016	2015
	HK$	*HK$*
Loss for the year	**(13,529,023)**	(83,539,725)
Other comprehensive income for the year, net of tax		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(1,587,470)**	(10,028,735)
Total comprehensive income for the year	**(15,116,493)**	(93,568,460)
Attributable to:		
Owners of the Company	**(15,857,207)**	(103,324,920)
Non-controlling interests	**740,714**	9,756,460
	(15,116,493)	(93,568,460)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Note	**2016** *HK$*	2015 *HK$*
Non-current assets			
Fixed assets		**1,975,466**	5,197,403
Goodwill		**—**	—
Intangible assets		**—**	—
Available-for-sale financial assets		**2,316,656**	—
Long term deposit		**4,466,624**	—
Long term other receivables		**577,200**	—
		9,335,946	5,197,403
Current assets			
Inventories		**3,637,564**	3,403,369
Trade and bills receivables	10	**32,238,371**	38,281,935
Deposits, prepayments and other receivables		**122,275,845**	151,581,312
Bank and cash balances		**36,333,327**	103,616,026
Financial assets at fair value through profit or loss		**102,722,920**	9,703,480
		297,208,027	306,586,122
Current liabilities			
Trade payables	11	**3,047,156**	4,263,938
Other payables and accruals		**11,375,893**	8,762,867
Current tax liabilities		**7,500,265**	2,519,325
		21,923,314	15,546,130
Net current assets		**275,284,713**	291,039,992
Total assets less current liabilities		**284,620,659**	296,237,395
Non-current liabilities			
Deferred tax liabilities		**4,925,492**	235,668
		4,925,492	235,668
NET ASSETS		**279,695,167**	296,001,727
Capital and reserves			
Share capital		**37,684,057**	37,684,057
Reserves		**249,521,933**	266,569,207
Equity attributable to owners of the Company		**287,205,990**	304,253,264
Non-controlling interests		**(7,510,823)**	(8,251,537)
TOTAL EQUITY		**279,695,167**	296,001,727

NOTES

1. GENERAL INFORMATION

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

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The International Accounting Standards Board has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the consolidated financial statements.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Application of new and revised IFRSs

The International Accounting Standards Board has issued a number of new and revised IFRSs that are first effective for annual periods beginning on or after 1 January 2016. Of these, the following new or revised IFRSs are relevant to the Group:

Amendments to IAS 1 Presentation of Financial Statements: Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify various presentation issues relating to:

- Assessment of materiality versus minimum disclosure requirements of a standard.
- Disaggregation of specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position. There is also new guidance on the use of subtotals.
- Confirmation that the notes do not need to be presented in a particular order.
- Presentation of other comprehensive income items arising from equity-accounted associates and joint ventures.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

(b) New and revised IFRSs in issue but not yet effective

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2016. These new and revised IFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 7 Statement of Cash Flows: Disclosure initiative	1 January 2017
Amendments to IAS 12 Income Taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to IFRS 2 Share-based Payment: Classification and measurement of share-based payment transactions	1 January 2018
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course.

IFRS 9 Financial Instruments

The standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from IAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

IFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in IAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in IAS 39 are carried forward largely unchanged.

IFRS 9 substantially overhauls the hedge accounting requirements in IAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

The Group's financial assets that are currently classified as available-for-sale include certain unlisted equity securities. The Group expects to irrevocably designate these equity securities as fair value through other comprehensive income. This will give rise to a change in accounting policy. The unlisted equity securities are currently measured at cost less impairment with any impairment losses recognised in profit or loss. IFRS 9 requires fair value measurement with fair value changes recognised in other comprehensive income without recycling.

The new expected credit loss impairment model in IFRS 9 may result in the earlier recognition of impairment losses on the Group's trade receivables and other financial assets. The Group is unable to quantify the impact until a more detailed assessment is completed.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer

2. Identify the performance obligations in the contract

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations in the contract

5. Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

The Group is unable to estimate the impact of the new standard on the consolidated financial statements until a more detailed analysis is completed.

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). IFRS 16 carries forward the accounting requirements for lessors in IAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

The Group's office property and factory premise leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under IFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

The Group will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from these operating leases commitments after taking into account the transition reliefs available in IFRS 16 and the effects of discounting.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise (e.g. certain financial instruments that are measured at fair value).

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

5. REVENUE

	2016	2015
	HK$	*HK$*
Sales of goods		
— Production and exploitation of coal	**1,333,870**	1,853,732
— Provision of supply chain management services for mineral business	**21,012,012**	11,162,182
— Mining and metallurgical machineries products	**12,871,918**	5,657,555
	35,217,800	18,673,469

6. INCOME TAX EXPENSE/(CREDIT)

	2016	2015
	HK$	*HK$*
Current tax — Hong Kong		
Provision for the year	**268,608**	1,464,295
Underprovision for prior years	**4,858,876**	—
Current tax — Overseas		
Provision for the year	**13,922**	—
Underprovision for prior years	**33,089**	1,875
Deferred tax	**4,689,824**	(25,402,624)
	9,864,319	(23,936,454)

Hong Kong Profits Tax has been provided at a rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year ended 31 December 2016.

PRC enterprise income tax has been provided at a rate of 25% (2015: 25%).

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax expense/(credit) and the product of loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2016	2015
	HK$	*HK$*
Loss before tax	**(3,664,704)**	(107,476,179)
Tax at the domestic income tax rate of 16.5% (2015: 16.5%)	**(604,676)**	(17,733,570)
Tax effect of income that is not taxable	**(4,899,171)**	(28,716,800)
Tax effect of expenses that are not deductible	**7,277,205**	14,795,480
Tax effect of tax loss not recognised	**3,847,547**	6,743,178
Tax effect of utilisation of tax losses not previously recognised	**(325,733)**	—
Temporary difference not recognised	**8,137**	(48,426)
Under provision for prior year	**4,891,965**	1,875
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(330,955)**	1,021,809
Income tax expense/(credit)	**9,864,319**	(23,936,454)

7. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2016	2015
	HK$	*HK$*
Auditor's remuneration		
Current	**2,300,000**	2,600,000
Under-provision for prior year	**110,000**	280,000
	2,410,000	2,880,000
Cost of inventories sold of supply chain management services for mineral business	**9,498,944**	11,016,854
Depreciation	**2,738,633**	3,149,838
Allowance of trade receivables	**—**	9,608,830
Allowance for deposits prepayment and other receivable	**—**	45,984,189
Amortisation of intangible assets	**—**	5,772,871
Write off of fixed assets	**404,125**	8,092,043
Loss on disposal of fixed assets	**41,591**	—
Write off of prepayments and other receivables	**12,435**	6,433,608
Impairment loss on intangible assets	**—**	8,966,352
Gain on disposal of financial assets at fair value through profit or loss (held for trading)	**(4,508,570)**	(9,064,930)
Fair value gain on financial assets at fair value through profit or loss	**(29,851,470)**	(1,428,290)
Reversal of allowance of doubtful debts	**(380,043)**	—
Operating lease rentals in respect of land and buildings	**888,440**	1,610,698
Net exchange loss	**3,615,955**	9,108,386

8. DIVIDEND

No dividend has been paid or declared by the Company during the year (2015: HK$Nil).

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the following:

	2016 HK$	2015 HK$
Loss for the purpose of calculating basic loss per share	**(13,416,000)**	(91,073,480)

	2016	2015
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**375,043,036**	327,893,249

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary sharing during the two years ended 31 December 2016.

10. TRADE AND BILLS RECEIVABLES

	2016 HK$	2015 HK$
Trade receivables	**37,768,833**	46,513,575
Allowance for doubtful debts	**(8,726,561)**	(9,424,954)
	29,042,272	37,088,621
Bills receivables	**3,196,099**	1,193,314
	32,238,371	38,281,935

The credit terms of trade receivables are in accordance with specific payment schedules agreed with various customers.

An ageing analysis of trade and bills receivables, based on the invoice date, and net of allowance, is as follows:

	2016 HK$	2015 HK$
0–30 days	**2,930,556**	13,964,013
31–60 days	**724,552**	637,230
61–90 days	**1,111,148**	236,276
Over 90 days	**27,472,115**	23,444,416
	32,238,371	38,281,935

As at 31 December 2016, an allowance was made for estimated irrecoverable trade receivables of approximately HK$8,726,561 (2015: HK$9,424,954).

Reconciliation of allowance of trade receivables:

	2016	2015
	HK$	*HK$*
At 1 January	**9,424,954**	—
Allowance for the year	**—**	9,608,830
Reversal of allowance for doubtful debts	**(380,043)**	—
Exchange differences	**(318,350)**	(183,876)
At 31 December	**8,726,561**	9,424,954

As of 31 December 2016, trade receivables of HK$28,876,030 (2015: HK$28,052,995) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. An ageing analysis of these trade receivables is as follows:

	2016	2015
	HK$	*HK$*
Up to 3 months	**3,066,114**	1,858,766
Over 3 months	**25,809,916**	26,194,229
	28,876,030	28,052,995

The carrying amounts of the Group's trade and bills receivables are denominated in the following currencies:

	2016	2015
	HK$	*HK$*
HK$	**12,608,388**	16,763,388
RMB	**19,629,983**	21,518,547
	32,238,371	38,281,935

11. TRADE PAYABLES

An ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	2016	2015
	HK$	*HK$*
0–30 days	**255,386**	662,170
31–60 days	**138,362**	16,431
91–180 days	**1,201,062**	4,654
Over 365 days	**1,452,346**	3,580,683
	3,047,156	4,263,938

The Group's trade payables are denominated in RMB.

12. SEGMENT INFORMATION

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

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

The accounting policies of the operating segments are the same as those described in the consolidated financial statements. Segment profits or losses do not include dividend income. Segment assets do not include amounts due from related parties. Segment non-current assets do not include financial instruments.

Information about operating segment profit or loss, assets and liabilities:

	Provision of supply chain management services for mineral business *HK$*	**Production and exploitation of coal in Tajikistan** *HK$*	**Mining and metallurgical machineries production in Shandong** *HK$*	**Trading of securities** *HK$*	**Total** *HK$*
Year ended 31 December 2016					
Revenue from external customers	**21,012,012**	**1,333,870**	**12,871,918**	**—**	**35,217,800**
Segment (loss)/profit	**(9,122,228)**	**(5,802,856)**	**419,533**	**29,401,608**	**14,896,057**
Interest income	**8,624**	**10**	**866**	**—**	**9,500**
Depreciation	**2,505,793**	**—**	**232,840**	**—**	**2,738,633**
Income tax expense	**33,089**	**13,922**	**—**	**4,958,432**	**5,005,443**
Other material non-cash items:					
Additions to segment non-current assets	**2,929**	**—**	**157,859**	**—**	**160,788**
As at 31 December 2016					
Segment assets	**152,019,065**	**418,070**	**18,553,939**	**102,722,920**	**273,713,994**
Segment liabilities	**7,185,837**	**367,644**	**3,580,153**	**5,194,100**	**16,327,734**

	Provision of supply chain management services for mineral business *HK$*	Production and exploitation of coal in Tajikistan *HK$*	Mining and metallurgical machineries production in Shandong *HK$*	Trading of securities *HK$*	Total *HK$*
Year ended 31 December 2015					
Revenue from external customers	11,162,182	1,853,732	5,657,555	—	18,673,469
Segment (loss)/profit	(68,956,249)	(9,998,198)	(4,761,653)	8,793,257	(74,922,843)
Interest income	207,337	—	1,049	—	208,386
Depreciation and amortisation	1,423,759	7,236,896	262,054	—	8,922,709
Income tax expense	—	—	1,874	1,699,963	1,701,837
Other material non-cash items:					
Impairment of assets	—	8,966,352	—	—	8,966,352
Additions to segment non-current assets	857,304	—	24,473	—	881,777
As at 31 December 2015					
Segment assets	127,367,354	1,182	12,461,448	9,703,480	149,533,464
Segment liabilities	4,480,952	4,751,663	1,600,459	1,699,963	12,533,037

Reconciliations of segment revenue and profit or loss:

	2016	2015
	HK$	*HK$*
Revenue		
Total revenue of reportable segments	**35,217,800**	18,673,469
Consolidated revenue	**35,217,800**	18,673,469
Profit or loss		
Total profit or loss of reportable segments	**14,896,057**	(74,922,843)
Deferred tax	**—**	25,638,292
Staff costs	**(12,779,023)**	(17,216,636)
Unallocated corporate income	**2,210,110**	727,353
Unallocated corporate expense	**(17,856,167)**	(17,765,891)
Consolidated loss for the year	**(13,529,023)**	(83,539,725)

Reconciliations of segment assets and liabilities:

	2016	2015
	HK$	*HK$*
Assets		
Total assets of reportable segments	**273,713,994**	149,533,464
Unallocated corporate assets		
— Deposits placed with a securities broker	**1,534,511**	55,362,753
— Bank and cash balances	**15,429,394**	91,115,534
— Others	**15,866,074**	15,771,774
Consolidated total assets	**306,543,973**	311,783,525
Liabilities		
Total liabilities of reportable segments	**16,327,734**	12,533,037
Unallocated corporate liabilities	**10,521,072**	3,248,761
Consolidated total liabilities	**26,848,806**	15,781,798

Geographical information:

The Group's revenue by location of operations and information about its non-current assets by location of assets are detailed below:

Revenue

	2016	2015
	HK$	*HK$*
Taiwan	**13,766,688**	—
Tajikistan	**1,333,870**	1,853,732
The PRC except Hong Kong	**20,117,242**	16,819,737
Consolidated total	**35,217,800**	18,673,469

Non-current assets

	2016	2015
	HK$	*HK$*
Hong Kong	**1,912,465**	204,585
The PRC except Hong Kong	**7,423,481**	4,992,818
Consolidated total	**9,335,946**	5,197,403

Revenue from major customers

	2016	2015
	HK$	*HK$*
Provision of supply chain management services for mineral business		
Customer a	**3,824,186**	—
Customer b	**3,960,936**	8,845,197
Customer c	**5,501,725**	—

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

Hong Kong, 24 March 2017

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

As at the date of this announcement, the Board comprises two executive directors of the Company Mr. CHAN Nap Kee Joseph, Mr. YANG Yongcheng and four independent non-executive directors of the Company Mr. LIEW Swee Yean, Mr. SIU Siu Ling Robert, Dr. WONG Yun Kuen and Mr. ANDERSON Brian Ralph.

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

* *for identification purpose only*