

The logo consists of the letters 'KEG' in a white, bold, sans-serif font, centered within a solid red square.

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



First Quarterly Report 2018

* For identification purpose only

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This report, 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



The board of directors (the “Board” or the “Directors”) of Kaisun Energy Group Limited (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2018, together with the unaudited comparative figures for the corresponding period in 2017 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE MONTHS ENDED 31 MARCH 2018

		Unaudited Three months ended 31 March	
	<i>Note</i>	2018 HK\$'000	2017 HK\$'000 (Restated)
Revenue	6	12,100	50,229
Cost of goods sold		(11,431)	(47,743)
Gross profit		669	2,486
Gain on disposal of financial assets at fair value through profit or loss		108	364
Fair value gain on financial assets at fair value through profit or loss		43,862	24,018
Other income and gains		5,030	326
Administrative and other operating expenses		(16,324)	(10,486)
Profit from operations		33,345	16,708
Share of profit of associates		173	—
Profit from before tax		33,518	16,708
Income tax expenses	7	(10,284)	(4,599)
Profit for the period		23,234	12,109
Attributable to:			
Owners of the Company		24,487	12,303
Non-controlling interests		(1,253)	(194)
		23,234	12,109
Earnings per share (Cents)	9		
Basic		4.28	2.31



UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 31 MARCH 2018

	Unaudited Three months ended 31 March	
	2018 HK\$'000	2017 HK\$'000
Profit for the period	23,234	12,109
Other comprehensive income for the period, net of tax		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translation foreign operations	<u>8,899</u>	<u>620</u>
Total comprehensive income for the period	<u>32,133</u>	<u>12,729</u>
Attributable to:		
Owners of the Company	<u>32,825</u>	12,563
Non-controlling interests	<u>(692)</u>	<u>166</u>
	<u>32,133</u>	<u>12,729</u>



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the three months ended 31 March 2018*

	Unaudited							
	Attributable to owners of the Company							
	Share held under share		Foreign currency			Non- controlling		Total
	Shares capital	award scheme	Share premium	translation reserve	Accumulated losses	Total	interests	equity
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2017	37,684	(1,190)	1,293,081	(20,858)	(1,021,511)	287,206	(7,511)	279,695
Total comprehensive income for the period	—	—	—	260	12,303	12,563	166	12,729
Issue of shares under rights issue (<i>Note 10</i>)	18,842	—	71,600	—	—	90,442	—	90,442
Transaction costs attributable to issue of shares	—	—	(5,017)	—	—	(5,017)	—	(5,017)
Changes in equity for the period	18,842	—	66,583	260	12,303	97,988	166	98,154
At 31 March 2017	56,526	(1,190)	1,359,664	(20,598)	(1,009,208)	385,194	(7,345)	377,849
At 1 January 2018	57,657	(1,963)	1,363,055	(7,430)	(972,204)	439,115	41,420	480,535
Total comprehensive income for the period	—	—	—	8,338	24,487	32,825	(692)	32,133
Capital injection by non-controlling interests in a subsidiary	—	—	—	—	—	—	1,002	1,002
Changes in equity for the period	—	—	—	8,338	24,487	32,825	310	33,135
At 31 March 2018	57,657	(1,963)	1,363,055	908	(947,717)	471,940	41,730	513,670



NOTES

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Unit B, 17/F., E Tat Factory Building, 4 Heung Yip Road, Wong Chuk Hang, Hong Kong. The Company's shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The condensed consolidated financial information should be read in conjunction with the 2017 annual financial statements. The accounting policies and methods of computation used in preparation of these condensed financial information are consistent with those used in the annual financial statement for the year ended 31 December 2017.



3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

During the three months ended 31 March 2018, the Group has adopted all the new and revised International Financial Reporting Standards (“IFRSs”) issued by IASB that are relevant to its operations and effective for its accounting periods beginning on 1 January 2018. IFRSs comprise of International Financial Reporting Standards (“IFRS”); International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the three months ended 31 March 2018 and the same period in last year.

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2018. The directors anticipate that the new and revised IFRSs will be adopted in the Group’s consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised IFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

4. FAIR VALUE MEASUREMENTS

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

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

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

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



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

(a) Disclosures of level in fair value hierarchy at 31 March 2018:

	Fair Value Measurements Using Level 1	
	Unaudited as at 31 March 2018 HK\$'000	Audited as at 31 December 2017 HK\$'000
Description		
Recurring fair value measurements:		
Financial assets		
Financial assets at fair value through profit or loss		
Listed securities	<u>157,374</u>	<u>113,912</u>

(b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 March 2018:

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



5. SEGMENT INFORMATION

The Group has six reportable segments which are production and exploitation of coal in Tajikistan, production and exploitation of coal in Xinjiang, provision of supply chain management services for mineral business (including logistic services), trading securities, mining and metallurgical machineries production in Shandong and others 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 Group's consolidated financial statements for the year ended 31 December 2017. Segment assets do not include amounts due from related parties. Segment non-current assets do not include financial instruments.

	Mining and metallurgical machineries production in Shandong	Provision of supply chain management services for mineral business	Production and exploitation of coal in Tajikistan	Production and exploitation of coal in Xinjiang	Trading of securities	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For three months ended 31 March 2018 (unaudited)							
Revenue from external customers	257	11,843	–	–	–	–	12,100
Segment (loss)/profit	(2,196)	6,979	(2,800)	(2,923)	32,143	(704)	30,499
As at 31 March 2018 (unaudited)							
Segment assets	35,031	135,855	559	193,743	179,875	3,341	548,404
Segment liabilities	(5,600)	(2,813)	(5,959)	(60,202)	(15,830)	(1,011)	(91,415)



	Mining and metallurgical machineries production in Shandong HK\$'000	Provision of supply chain management services for mineral business HK\$'000	Production and exploitation of coal in Tajikistan HK\$'000	Production and exploitation of coal in Xinjiang HK\$'000	Trading of securities HK\$'000	Others HK\$'000	Total HK\$'000
For three months ended							
31 March 2017 (unaudited)							
Revenue from external customers	2,499	47,730	—	—	—	—	50,229
Segment (loss)/profit	(676)	(3,900)	(1,652)	—	19,772	—	13,644
As at 31 December 2017							
Segment assets	33,709	155,245	12	186,607	113,912	121	489,606
Segment liabilities	(6,373)	(7,160)	(3,307)	(41,187)	(2,439)	—	(60,466)

Unaudited
Three months ended
31 March

	2018 HK\$'000	2017 HK\$'000
Reconciliations of segment profit or loss		
Total profit or loss of reportable segments	30,499	13,644
Other profit or loss	(7,265)	(1,535)
Consolidated profit for the period	23,234	12,109



6. REVENUE

	Unaudited Three months ended 31 March	
	2018 HK\$'000	2017 HK\$'000 (Restated)
Sales of goods		
— Provision of supply chain management services for mineral business	10,583	47,730
— Mining and metallurgical machineries products	257	2,499
Provision of services		
— Provision of logistics services for mineral business	1,260	—
	<u>12,100</u>	<u>50,229</u>



7. INCOME TAX EXPENSES

	Unaudited Three months ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
Income tax (credit)/expenses		
Current tax	(1,069)	—
Deferred tax	11,353	4,599
	10,284	4,599

No provision for Hong Kong Profits tax is required as the Group has no assessable profit arising in or derived from these jurisdictions for the relevant periods.

PRC Enterprise Income tax has been provided at a rate of 25% (2017: 25%).

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

8. DIVIDENDS

No dividend has been paid or declared by the Company for the three months ended 31 March 2018 (three months ended 31 March 2017: HK\$Nil).



9. EARNINGS PER SHARE

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

	Unaudited Three months ended 31 March	
	2018 HK\$'000	2017 HK\$'000
Profit for the purpose of calculating basic earnings per share	<u>24,487</u>	<u>12,303</u>
Number of shares Weighted average number of ordinary shares in issue less share held for share award scheme for the purpose of calculating basic earnings per share	<u>572,485,055</u>	<u>531,846,474</u>

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary sharing during the period ended 31 March 2018 and 2017.

10. SHARE CAPITAL

	Unaudited as at 31 March 2018 HK\$'000	Audited as at 31 December 2017 HK\$'000
Authorised: 5,000,000,000 ordinary shares of HK\$0.10 each	<u>500,000</u>	<u>500,000</u>
Issued and fully paid: Ordinary shares of HK\$0.10 each 576,566,055 (31 December 2017: 576,566,055)	<u>57,657</u>	<u>57,657</u>



11. INTANGIBLE ASSETS

Mining rights

HK\$'000

Cost

At 1 January 2017	87,199
Arising on acquisition of a subsidiary	171,617
Exchange difference	(10,582)
At 31 December 2017	248,234
Exchange difference	7,815
At 31 March 2018	256,049

Accumulated amortization and impairment losses

At 1 January 2017	87,199
Amortisation for the year	7,151
Exchange difference	(17,251)
At 31 December 2017	77,099
Amortisation for the period	2,296
Exchange difference	712
At 31 March 2018	80,107

Carrying amount

At 31 March 2018	175,942
At 31 December 2017	171,135

At 31 March 2018, the Group's mining rights are the rights obtained by the Group for production and exploitation of one coal mine (2017: one) located in the PRC and two (2017: two) coal mines located in Tajikistan. The major content of the coal mine in PRC and Tajikistan is thermal coal and anthracite and bituminous coal respectively. The terms of the mining rights of the coal mines in PRC and Tajikistan are from April 2018 to December 2018 and August 1997 to September 2018 respectively. The mining rights are stated at cost less accumulated amortisation and impairment losses over the term of the mining rights.



12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited as at 31 March 2018 HK\$'000	Audited as at 31 December 2017 HK\$'000
Equity securities, at fair value — Listed in Hong Kong	<u>157,374</u>	<u>113,912</u>
Analysed as:		
Current assets	<u>157,374</u>	<u>113,912</u>

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

	Unaudited as at 31 March 2018 HK\$'000	Audited as at 31 December 2017 HK\$'000
Held for trading	<u>157,374</u>	<u>113,912</u>

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

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



13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited as at 31 March 2018 HK\$'000	Audited as at 31 December 2017 HK\$'000
Unlisted equity securities, at cost		
— In Hong Kong	2,700	2,700
— In United Kingdom	7,800	7,800
	10,500	10,500
9% redeemable preference shares, at cost	8,000	8,000
	18,500	18,500

Unlisted equity securities and 9% redeemable preference shares, at cost were classified as available-for-sale financial assets and were stated at cost as they do not have a quoted market price in active market and whose fair value cannot be reliably measured was at the end of each reporting period.

The unlisted equity securities in Hong Kong and United Kingdom were denominated in HK\$ and Great British Pound respectively.



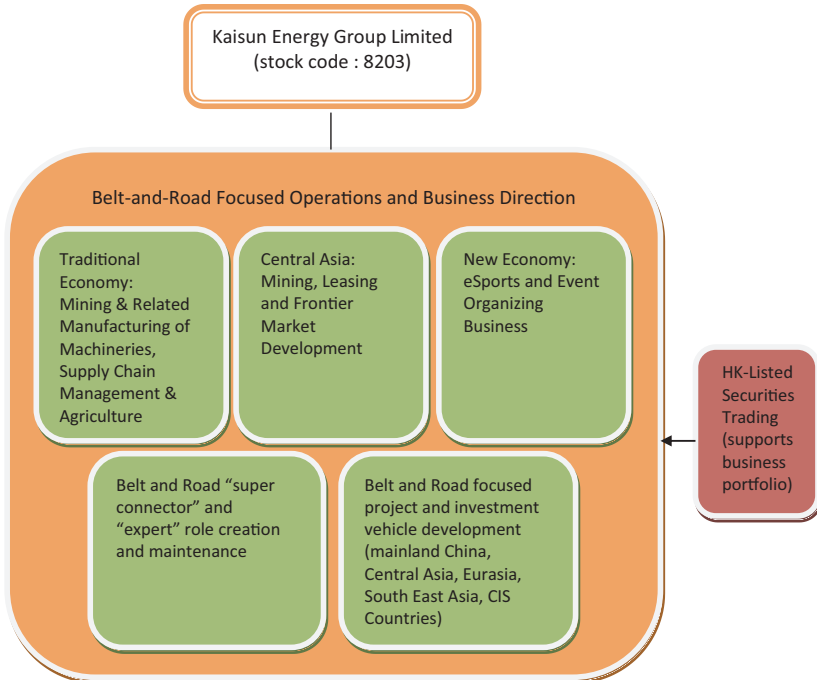
MANAGEMENT DISCUSSION AND ANALYSIS

The Group's Belt-and-Road-focused operation can currently be categorized into three main sectors:

- 1) The traditional economy business unit — which comprises mining, supply chain management, manufacturing of machineries and agriculture. Most of its activity takes place in strategic locations of the Belt in mainland China.
- 2) The Central Asia business unit — apart from the existing energy-related business in Central Asia, the Group is also seeking opportunities in the frontier markets of the landlocked region.
- 3) The new economy business unit — with eSports, event organizing and consultancy as its focus accompanied by some other investment.



Hong Kong-listed securities trading forms part of the Group's operation. Income from this operation can contribute to pay for part of our operation costs such as administrative expenses. Hong Kong-listed securities trading has been monitored by an investment committee, providing analytical reports and performance reports regularly.



▲ Diagram showing the portfolio of operations and assets of the Group



The following discussions will provide more in-depth details about the Group's development in the 3 major areas as well as the securities trading mentioned above.

I. TRADITIONAL ECONOMY BUSINESS UNIT (“TEBU”)

The information below gives the background and development review within TEBU in 2018 Q1.

Mining, Supply Chain Management and Agriculture

Shandong Mining and Metallurgical Machineries Production

Under the current business environment that coal enterprises are improving profitability, increasing production capacity of coal industry, an increase of mechanization rate of coal mining industry, together with renewal period of coal machinery equipments approaching, all these raise the investment level for projects and demand for coal equipments, which drives the market recovery for coal machinery equipments. Moreover, with implementation of “Made in China (2025)” plan and the changes of the machinery industry, facilitating development of the mechanical industry and industry's upgrade and transformation, resulting in enterprises emphasizing more on the quality and value-added products, so as to seize the opportunity arising from “Belt and Road”, and creating new methods of cooperations.

(Sources: <http://finance.chinanews.com/cj/2018/02-02/8440037.shtml>)

Tengzhou Kaiyuan is a joint venture of the Company's subsidiary that specialised in mining and metallurgical machinery production and has 26 mining product safety qualification certificates. The major product is overhead manned cableway device, and all its products comply with ISO9001:2015 standard.



Tengzhou Kaiyuan Highlight for Quarter 1

- Revenue of approximately HK\$257,000. It was expected that approximately RMB7 million of contracts signed in first quarter of 2018 would become revenue in second quarter of 2018.
- In first quarter of 2018, we have started to launch Tengzhou Kaiyuan's products into markets in Xinjiang and Gansu.

Shandong Supply Chain Management Business

Shandong Kailai Energy Industrial Co., Limited ("Shandong Kailai") is a joint venture that specializes in minerals supply chain management and logistic centre business. In the first quarter of 2018, Shandong Kailai had renewed the right of use of railway section allocated by Jinan Railway Bureau and will continue to provide stevedoring, warehousing and logistics services to enterprises.

The logistic centre covers an area of 10,000 square meters, with annual loading capacity of 1 million tons. The increase in demand for using railway transportation is excellent news to Shandong Kailai. The expansion of the logistics park (phase II) will be carried out in the second quarter; and it is expected that after the completion of phase II construction work the total area will be around 16,800 square meters, with storage capacity raised to 300,000 tons, and average annual carrying capacity reaching 3 million tons. Upon expansion of the logistics park, we believe that the scale of warehousing and logistics business will increase and expected to bring good returns to the Group.

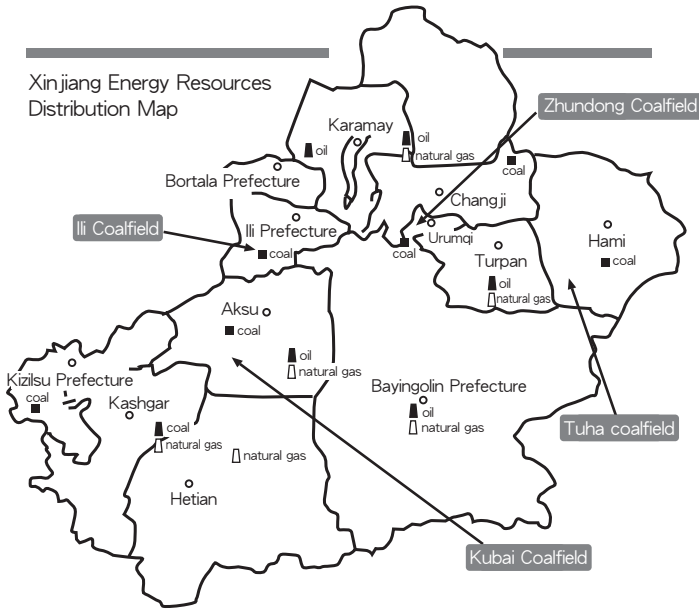
In the first quarter of 2018, Shandong Kailai continue to cooperate with a number of well-known enterprises, including entering into a coal packing and transport contract with Shandong Ruo Mao Cheung Heng Energy Technology Co., Ltd., and a sales and purchase contract and coal packing and transport contract with a top 100 private enterprises in Shanxi- Shanxi Xide Energy Group Co., Ltd.



Shandong Kailai Highlight for Quarter 1

- Revenue of approximately RMB7.31 million, including RMB1.01 million from coal packing business and 6.3 million from coal trading business.

Xinjiang Coal Exploitation Business (A wholly-owned subsidiary of Shandong Kailai)



Xinjiang has abundant and concentrated distribution coal resources; the estimated capacity is 2.19 trillion tons, accounting for 40.5% of the country’s total. The coal resources concentrated in and around Turpan, Changji and Ili and Hami. There are 24 coal mines having estimated capacities of more than 10 billion tons, including 5 coal mines having estimated capacities of more than 100 billion tons, which are Zhundong Coalfield, Shalehu Coalfield, Yining Coalfield, Turpan Coalfield and Dannanhu Coalfield. The main coal products in Xinjiang are long-flame coal, gas coal, fat and coking coal.

(sources: Xinjiang coal trading centre)



新疆煤炭交易中心 XINJIANG COAL EXCHANGECENTRE		煤炭市场信息-3月29日			
疆内市场					
原产地区/产地	产品名称	产品规格	价格(含税)	涨跌	价格类型
哈密煤	精煤1号	A5.5, B≤10, S0.5, Y28, Q6300	320		坑口价
哈密煤	精煤2号	A5.5, B≤10, S0.5, Y28, Q6200	470		车板价
哈密煤	精煤3号	A10, B≤10, S0.8, Y28, Q6400	305		坑口价
哈密托因于站	精煤3号	A10, B≤10, S0.8, Y28, Q6400	310		车板价
伊州区	喷吹煤	A6, B≤14, S0.5, Y28-32, Q6040	361		车板价
伊州区	化工用煤	A10, B≤14, S0.5, Y28-32, Q5700	361		车板价
伊州区	洗选煤	A18.5, B≤14, S0.5, Y28-32, Q5000	271		车板价
伊州区	长焰煤	A<20, B<15, Y<40, Q5500	240		到厂价
伊吾县	新焰煤	A6.5-5.5, B18-20, S3≤0.5, Y60-50, Q5100-5300	105		坑口价
托克逊黑山矿(老)	沫煤	A<10, B≤10, S≤0.8, Y20-30, Q4800-7000	320		坑口价
托克逊黑山露天矿	沫煤	A<10, B≤10, S≤0.8, Y20-30, Q4200-6300	235		坑口价
托克逊煤业站	沫煤	A<10, B≤10, S≤0.8, Y20-25, Q4200-6300	320		车板价
托克逊西田矿	沫煤	A<10, B≤7, S≤1.0, Y20-25, Q4200-6300	310		坑口价
库车勒	块煤	A8, B≤10, Y28-42, C85	650		坑口价
库车	块煤	A8, B≤10, Y28-40, C85	720		坑口价
库车	沫煤	A7, B<7, S0.5, Y28-40, BCS5, C85	560		坑口价
库车	沫煤	A≤20, B≤5, S<1, Y20-30, Q4200-6300	370		坑口价
拜城	1/2焦煤	A6, B2.5, S<1.0, B≤25, Q≤60	750		坑口价
拜城	二精冶金焦	A<13, B<8, S≤0.8, C28>25, FC28-85	2050		到厂价
拜城	二精冶金焦	A<13, B<8, S≤0.8, C28>25, FC28-84	1900		到厂价
阿克苏	喷吹煤	A<12, B<8, Y<28, Q5000-5500	430		出厂价

联系电话: 0991-8189920/8289928

Shandong Kailai has completed the acquisition of Xinjiang Turban Xingliang Mining Co., Ltd (“Xinliang Mining”) on 8th February 2017, and Xingliang Mining is a wholly owned subsidiary of Shandong Kailai. Xingliang Coal mine is located in QiQuanHu town, Turpan, which falls into one of the major coalfield areas in Xinjiang, Tuha coalfield area. Moreover, Tuha coalfield area is located in an area which is a vital production base for chemical processing of coal and has geographical advantage in coking coal industry. According to Xinjiang coal prices index for 2018 first quarter, we anticipated that the coal unit price would not less than RMB300/tons after production begin.

(sources: Xinjiang coal trading centre)



Agricultural Investment and Development

The group is committed to offering professional guidance and services for Cheung Lee in terms of corporate governance, internal control, and financial report that further standardize the financial and tax systems. Regarding production and marketing, the group has been liaising with Mainland governmental agencies and suitable enterprises, and continue its search for more vegetable planting bases with Hong Kong standards for supply of vegetables to Hong Kong; on the other hand, promoting the high-quality agricultural goods from China to Hong Kong via the networks established by Cheung Lee for years.



Spring ploughing and seeding in 2018

Traditional Economic Business Unit (“TEBU”) Development Plan for Q2 2018

In the first quarter of 2018, our traditional economic business continued the good momentum since last year, and our main objectives in the second quarter include:

1. *Shandong Mining and Metallurgical Machineries Production*

- Deliver the final goods the contracts we have signed in the first quarter
- After delivering the goods, we follow the trail on the use of products from customers and strengthen long-term cooperation with them



- Explore new market

2. Supply Chain Management Business in Shandong

- Launch the construction of the second phase of the logistic centre
- Expand the scale of coal trade and begin the implementation of the long-term coal purchase and sales agreement signed in 2017

3. Xinjiang Coal Exploration

- Launch the comprehensive construction of underground work of Xingliang mine by the middle of 2nd quarter 2018
- Implement the planning requirements outlined by Turpan authority in its 13th Five-Year plan in relation to coal resource in Qiquanhu Lake-town where the coal mine is located and work on the compilation geological report, feasibility study report and environmental impact assessment report, in order to increase the Xingliang mine reserves

4. Agricultural Investment and Development

- Continuing financing activities for Cheung Lee
- Promote and sell high-quality agricultural goods recommended by mainland partners to HK market
- Look for more strategic investors
- Put more emphasis on spurring online to offline (O2O) sales mode

5. Planned Issuance of “The Belt and Road” Bond

- The fund raised from planned issuance of the bond is to facilitate projects investment and acquisition in the traditional economy area on the Belt and Road countries and regions



6. Supply Chain Management Business in Mongolia

- “Choir Project”, the Mongolia railway logistic project deal is expected to be completed during the second quarter of 2018. The group believes this acquisition would benefit entire supply chain management business in the future

II. NEW ECONOMY BUSINESS UNIT (“NEBU”)

The New Economy Business Unit (“NEBU”) is a wholly-owned subsidiary of the Group that specializes in new-economy related business operations and development. For a comprehensive and detailed explanation of the formation of the unit and what it has achieved, please refer to the 2017 annual report of the Group. But in short, NEBU aims to find opportunities in industries that are Belt and Road related, asset-light and have great potential to bring our investors a great return. After more than a year of development and making relevant adjustments to the business unit, NEBU currently has two core businesses — namely the eSports business and events & consultancy business. We also have three supporting units aimed at helping NEBU projects’ future exit, procurement and general administrative capital needs. Please see the following diagram of the NEBU portfolio:



Management of NEBU would like to draw a closer look to the recent development of our core businesses in this write-up.

1. eSports Business

Management of NEBU set out 3 main goals at the beginning of the year for its business development in eSports:

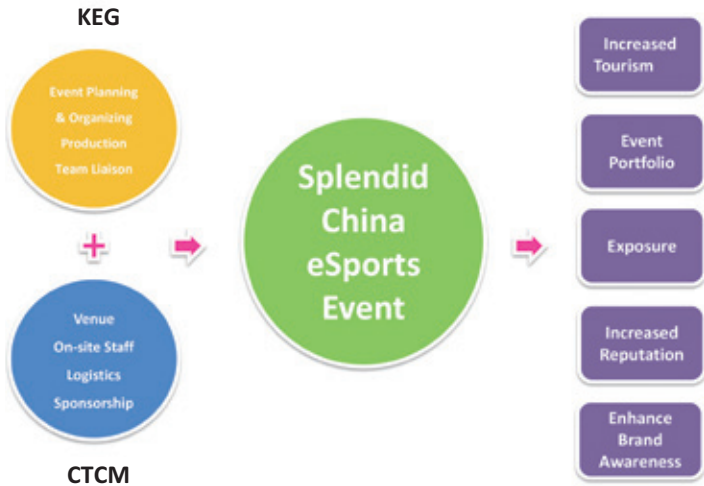
- i) Complete the eSports unit's search for equity partners;
- ii) Host the first joint eSports competition event with our strategic partner — China Travel Cultural Media Hong Kong Limited ("CTCM"), a subsidiary of the China Travel Services Holdings (Hong Kong) Limited ("CTS", HKEx: 308);
- iii) Host the second international eSports event, Girl Gamer, in order to further build up the event's recognition.



Management of NEBU is pleased to say that all of the above is on track and our eSports unit has basically secured enough strategic equity partners as of date of this report. These strategic equity partners will not only provide capital resources, but will also provide their connections on which we hope we can leverage to find more strategic eSports event partners and advertisement clients.



eSports-events wise, the first eSports event with our strategic cooperation partner CTCM, is scheduled to take place before the end of 2nd Quarter of fiscal 2018. CTCM will provide a theme park location under the CTS brand to host the event, and will also leverage on their existing logistics network and social platform resources to give support to the event through promotion and providing on-site assistance.



▲ *Diagram showing the event’s cooperation structure between KEG and CTCM*

Last but not least, given the success of our first Girl Gamer event last September held in Macau SAR garnering over 10 million audience (including views, hits, foot traffic, forward, media coverage, etc.), NEBU would like to build on the success of this event and host the second Girl Gamer during the 3rd Quarter of this fiscal year in a brand new location outside of the Group’s current Belt and Road operations. We look forward to seeing this bold move strengthening the Girl Gamer brand awareness among more people from more countries, as well as expanding the Group’s Belt and Road operating map.



2. Events & Consultancy Business

As for the events & consultancy business, NEBU has been performing a comprehensive review on its operations and has discovered the following:

- i) Extensive business opportunities — while we are excited about the favourable external environment, our business is heading towards becoming more of a value-added service provider. Since our previous operating model simply involves executing instructions, some of the current staff are not yet fully-equipped to handle the expanding business opportunities brought about by the transition. To capture such expanding business opportunities, 3 sub-divisions were established within the company to focus on different types of businesses to ensure their effective and efficient operation.
- ii) Capital injection — even though the business is currently in profits, in order to ensure sustainable growth, the events & consultancy company will need to bring in more competent persons. Also, after weighing contributions from NEBU and our equity partner in the company, it was agreed by all parties that NEBU shall take on a more prominent role in order to truly represent the current situation. What this means is NEBU plans to provide further equity to the business unit for its expansion needs, and will also take on a controlling role in terms of management. This equity restructuring is on-going and all parties hope that this arrangement will promote this business to a higher level.
- iii) Belt and Road businesses — given the vast experience of the Group and of our events business equity partner in the Belt and Road, taking on related business remains one of the primary focus of the events company. There are 2 notable events that NEBU would like to introduce to our investors:
 - (1) The Belt and Road International Food Expo (“BRIFE”, please refer to <https://brifexpo.com/> for more details) to be held in late June, and



- (2) The second Belt & Road Innovation and Development Forum to be held in the 4th Quarter of 2018.

The Events and Consultancy company was able to secure these two established projects based on our connections and experience in the Belt and Road, and we hope there will be more coming down the road.



▲ Past and upcoming events



3. Supporting Units

All three of NEBU's supporting units have been operating smoothly and have not had substantial changes since our Annual Report 2017 was published. The procurement unit has been helping NEBU to secure event equipment for a sports event to be held in early May; Xin Ying preference shares investment continues to provide NEBU with regular administrative expense support; NEBU is also in contact with Sturgeon Capital on a regular basis about our Belt and Road portfolio development, and Sturgeon Capital will provide support to NEBU whenever our projects need to look for new equity partners or to exit.

With that said, management team of the NEBU is closely monitoring these supporting units to seek rooms of improvement and also for any opportunities that can bring them to the next level.

III. HONG KONG-LISTED SECURITIES TRADING

As at 31 March 2018, the fair value of listed investment and unlisted investment were HK\$157,374,000 and HK\$18,500,000 respectively. The cost of listed investment was HK\$68,167,000.

During the three months ended 31 March 2018, fair value gain on listed securities was HK\$42,862,000, gain on disposal of listed securities was HK\$108,000 and dividend income from Xinying Financial was HK\$180,000.

IV. CENTRAL ASIA BUSINESS UNIT

Coal Mining in Tajikistan

The annual snow and winter was just past and in the first quarter, workers needed to clean off snow. We started preparatory work as usual during this time of the year so that mining can start in the second quarter. With the recovery of the Tajikistan economy, coal will be in demand, hence providing a ready market for coal when produced.



Finance Lease Business in Central Asia

As Belt and Road is advancing, Central Asian region is speeding up infrastructure development, creating more requirement for finance, hence expanding the market for our Central Asia Finance Lease. We hope to look for opportunities to further develop our Finance Lease business.

Financial Review

Revenue of the Group for the period amounted to approximately HK\$12.1 million (2017: HK\$50.2 million). Revenue arising from the provision of supply chain management services for mineral business, Shandong mining and metallurgical machineries production and provision of logistics services for mineral business amounted to approximately HK\$10.6 million, HK\$257,000 and HK\$1.3 million respectively.

The Group's gross profit for the period was approximately HK\$669,000 (2017: HK\$2.5 million). Gross profit arising from the provision of supply chain management services for mineral business was approximately HK\$531,000 and from Shandong mining and metallurgical machineries production was approximately HK\$138,000.

For the period, the gain on disposal of financial assets at fair value through profit or loss was approximately HK\$108,000 (2017: HK\$364,000). The fair value gain on financial assets at fair value through profit or loss was HK\$43.9 million (2017: HK\$24.0 million).

As listed securities investment is one of the principal activities and normal course of business of the Group, the income from listed securities investment for the period was separately reflected as "Gain on disposal of financial assets at fair value through profit or loss" and "Fair value gain/loss on financial assets at fair value through profit or loss". Hence the columns of comparable figures of the unaudited condensed consolidated statement of profit or loss for the three months ended 31 March 2017 on P.2 in the Quarterly Report were restated to reflect such changes.

For the period, the total administrative and other operating expenses from the Group's operations was approximately HK\$16.3 million (2017: HK\$10.5 million).

For the period, profit from operations was approximately HK\$33.3 million (2017: HK\$16.7 million).



The Group recorded profit for the period of approximately HK\$23.2 million (2017: HK\$12.1 million).

The total comprehensive income attributable to owners of the Company for the period amounted to approximately HK\$32.8 million (2017: HK\$12.6 million).

As at 31 March 2018, the Group has cash balance of approximately HK\$3.6 million held in securities brokers. The fair value of listed securities amounted to approximately HK\$157.4 million.

As at 31 March 2018, the Group held financial assets at fair value through profit or loss of approximately HK\$157.4 million, wholly comprised of listed investment in securities listed in Hong Kong. The details of financial assets at fair value through profit or loss are set out as follow:

Company Name	Number of shares held as at 31 March 2018	% of share-holding as at 31 March 2018	Unrealized gain/(loss) on fair value change for the year ended 31 March 2018	Dividends received for the year ended 31 March 2018 HK\$	Fair value as at		% of the Group's net assets as at 31 March 2018	Investment cost HK\$	Reasons for fair value loss
					31 March 2018 HK\$	31 December 2017 HK\$			
Hong Kong Listed Securities									
EJE (Hong Kong) Holdings Limited (8101) (Note 1)	110,000,000	3.80	31,240,000	—	39,050,000	7,810,000	7.6	7,775,000	—
OP Financial Investments Limited (1140) (Note 2)	36,612,000	1.94	13,546,440	—	115,327,800	102,181,680	22.5	53,764,520	—
Sau San Tong Holdings Limited (8200) (Note 3)	42,000,000	0.77	(378,000)	—	2,268,000	2,646,000	0.4	5,600,000	Drop in Share price
Larry Jewelry International Co. Limited (8351) (Note 4)	2,600,000	0.08	(546,000)	—	728,000	1,274,000	0.1	1,027,000	Drop in Share price
Total			43,862,440	—	157,373,800	113,911,680	30.6	68,166,520	



Notes:

1. EJE (Hong Kong) Holdings Limited (Formerly known as Jia Meng Holdings Limited) (HKEx: 8101) — The principal activity of ELE (Hong Kong) Holdings Limited is investment holding. The principal activities of the ELE (Hong Kong) Holdings Limited's subsidiaries are: (i) The design, manufacture and sales of mattress and soft bed products; (ii) property investment; (iii) securities investment; and (iv) the provision of property management and property agency services.
2. 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 OP Financial 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.
3. 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.
4. Larry Jewelry International Co. Limited (HKEx: 8351) — The principal activities of Larry Jewelry International Co. Limited are design and retailing of jewelry products and sales of Chinese pharmaceutical products, dried seafood, health products and foodstuffs ("pharmaceutical and health food products").



As at 31 March 2018, the Group held available-for-sale financial assets of approximately HK\$18.5 million, wholly comprised of unlisted equity securities in Hong Kong and United Kingdom. The details of available-for-sale financial assets are set out as follow:

Company Name	Number of	% of	% of the	Investment cost	
	shares held as at 31 March 2018	share-holding as at 31 March 2018	Group's net assets as at 31 March 2018	31 March 2018 HK\$	31 December 2017 HK\$
Cheung Lee Farming Corporation (Note 1)	270	2.7	0.53	2,700,000	2,700,000
Sturgeon Capital Limited (Note 2)	24,999	10.0	1.52	7,800,000	7,800,000
Xin Ying Holdings Limited (Note 3)	8,000,000	N/A	1.56	8,000,000	8,000,000
			3.61	18,500,000	18,500,000

Notes:

- Cheung Lee Farming Corporation incorporated under the laws of the British Virgin Islands with limited liability. The principal activities of the company together with its subsidiaries are engaged in the business of production and distribution of pollution-free vegetables.
- Sturgeon Capital Limited is an independent alternative investment manager specializing in frontier and emerging markets. Sturgeon Capital manages the Sturgeon Central Asia fund, a multi-strategy investment fund focused on Central Asia and the surrounding region. The Sturgeon Capital management team have been investing in the region since 2005 and is made up of industry professionals with diverse professional background of regional and industry specific experience.
- The principal activity of Xin Ying Holdings Limited ("Xin Ying") is investment holding. Xin Ying's subsidiaries combine the development of financial globalization and internet information technology innovation mean to provide innovative and efficient financing, assessment, consulting management, interconnection, financial e-commerce and more professional financial services for domestic enterprises and individual customers in PRC. Xin Ying's subsidiaries hold two types of credit license — 融資性擔保機構經營許可證 and 深圳市小額貸款業務資格.



Liquidity and Financial Resource

As at 31 March 2018, the Group has a bank and cash balance of approximately HK\$23.0 million (as at 31 December 2017: HK\$26.0 million).

Gearing Ratio

The Group's gearing ratio, which represents the ratio of the Group's long term debts over the Group's total asset, was Nil as at 31 March 2018 (as at 31 December 2017: Nil).

Foreign Exchange Exposure

Majority of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars, Renminbi ("RMB"), United States dollars and Tajik Somoni ("TJS"). As at 31 March 2018, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

Rights Issue and Use of Proceeds

On 16 January 2017, the Company allotted and issued 1,884,202,850 Rights Shares under Rights Issue on the basis of one Rights Share for every two Shares at the subscription price of HK\$0.048 per Rights Share. The Company raised approximately HK\$85,425,000 (net of expenses). The net proceeds will be applied as per the manner set out in the announcement of the Company dated 1 December 2016.

For the 14 months up to 31 March 2018, approximately HK\$62.4 million had been used as intended, including approximately: (i) HK\$12.5 million used from expansion of mining and metallurgical machineries production and supply chain management services for mineral business; (ii) HK\$22.1 million used for business or investment opportunities in countries and regions covered by the "Belt & Road" initiatives of the PRC government; (iii) HK\$27.8 million used for general working capital.



The Company intends to use the remaining proceeds, including (i) approximately HK\$8.9 million for expansion of mining and metallurgical machineries production, and supply chain management services for mineral business, (ii) approximately HK\$7.9 million for business or investment opportunities in countries and regions covered by the “Belt and Road” initiatives of the PRC government and (iii) approximately HK\$6.2 million for the Group’s general working capital, as intended.

OTHER INFORMATION

1. DIRECTORS’ INTERESTS IN THE SHARES OF THE COMPANY

The interests of the directors in the Shares of the Company were as follow:

Name of Directors	Capacity	Number of shares as at 31 March 2018	Approximate percentage of the total issued shares
Chan Nap Kee, Joseph	Beneficial owner	164,963,298 <i>(Note 1)</i>	28.61%
Yang Yongcheng	Beneficial owner	1,615,000 <i>(Note 2)</i>	0.28%
Liew Swee Yean	Beneficial owner	204,000 <i>(Note 3)</i>	0.04%
Siu Siu Ling, Robert	Beneficial owner	204,000 <i>(Note 3)</i>	0.04%
Wong Yun Kuen	Beneficial owner	525,000 <i>(Note 3)</i>	0.09%
Anderson Brian Ralph	Beneficial owner	150,000 <i>(Note 3)</i>	0.03%



Save as disclosed above, as at 31 March 2018, none of the directors of the Company had any interest or short position in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Ordinance) which is required to be notified to the Company and the Stock Exchange pursuant to divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or any interests required to be entered in the register maintained in accordance with Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors.

Notes:

1. After allotment of rights shares on 16 January 2017 and share consolidation of 10 shares into 1 share became effective on 16 February 2017, the total number of shares beneficially owned by Mr. Chan Nap Kee, Joseph ("Mr. Chan") was 160,212,298. Of these, 2,004,000 shares were shares awarded to Mr. Chan as Director on 30 December 2015 under Share Award Scheme 2013. In addition, 2,750,000 shares were purchased by Mr. Chan Nap Kee, Joseph on the market from 29 March to 31 December 2017. Hence total number of shares owned by Mr. Chan was 161,882,298 as at 31 December 2017.

On 22 March 2018, 3,081,000 shares were shares awarded to Mr. Chan as Director under the Share Award Scheme 2016. Hence, the total no. of shares owned by Mr. Chan was 164,963,298.

2. Of these, 400,000 shares were shares awarded to Mr. Yang Yongcheng as Director on 30 December 2015 under the Share Award Scheme 2013. On 22 March 2018, 1,000,000 shares were shares awarded to Mr. Yang as Director under the Share Award Scheme 2016. Hence, the total no. of shares owned by Mr. Yang was 1,615,000.
3. Of these, 150,000 shares were shares awarded to each of Mr. Liew Swee Yean, Mr. Siu Siu Ling, Robert and Mr. Anderson Brian Ralph as Director on 30 December 2015 under the Share Award Scheme 2013.



2. INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN SHARES OF THE COMPANY

As at 31 March 2018, so far as is known to the Directors of the Company, the persons (not being a Director of the Company) who had an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Long positions in Shares and underlying Shares

Name of Shareholders	Capacity and nature of interest	Number of shares	Approximate percentage of the total issued shares as at 31 March 2018
Mr. Chan Nap Kee, Joseph	Beneficial Owner	164,963,298	28.61%
Ms. Yeung Po Yee, Bonita	Interest of spouse (<i>Note 1</i>)	164,963,298	28.61%
Mr. Zhang Xiongfeng	Beneficial Owner	59,120,000	10.25%
Ms. Wu Mingqin	Interest of spouse (<i>Note 2</i>)	59,120,000	10.25%

Notes:

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



Save as disclosed above, the Directors were not aware of any other person (other than the directors and the chief executives of the Company) who, as at 31 March 2018, had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 & 3 of Part XV of the SFO.

3. SHARED-BASED COMPENSATION SCHEME

The Company operates Share Award Scheme 2016 for the purpose of assisting in recruiting, retaining and motivating key staff members. Eligible participants of the schemes include the Company's directors (including independent non-executive directors) and other employees of the Group.

I. Share Award Scheme 2016

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

Grant of Award shares pursuant to the Share Award Scheme 2016 – by purchased shares to 2 Directors

On 22 March 2018, the Board granted award of an aggregate of 4,081,000 Shares to two Directors, 3,081,000 to Mr. Chan Nap Kee, Joseph and 1,000,000 shares to Mr. Yang Yongcheng under the 2016 Share Award Scheme, by using Shares purchased by the Trustee on the market ("Purchased Shares").



Source of 4,081,000 Purchased Shares used for grant of award shares

The 2,011,000 Award Shares were derived from 20,110,000 shares of the Company (which has been consolidated into 2,011,000 Shares following the Share Consolidation) purchased by the Trustee on the market in accordance with the Company's instructions pursuant to the Share Award Scheme 2013 during the year ended 31 December 2016 ("Purchased Shares from past share award scheme").

Following the expiry of the Share Award Scheme 2013 and the adoption of the Share Award Scheme 2016, by mutual agreement between the Company and the Trustee, all the Purchased Shares in Share Award Scheme 2013, that was 2,011,000 shares, were transferred to the trust fund for the purpose of the trust for Share Award Scheme 2016.

2,070,000 Award Shares were purchased by the Trustee on the market in accordance with the Company's instructions pursuant to the Share Award Scheme 2016 during the year ended 31 December 2017 ("Purchased Shares"). Together with the 2,011,000 Purchased Shares transferred from Share Award Scheme 2013, the total number of shares for grant of award shares was 4,081,000.

For further details, please refer to the Company's announcement dated 22 March 2018 on grant of award shares pursuant to the Share Award Scheme 2016 to the two Directors.

As the trustee of the Share Award Scheme 2016 had not purchased any shares of the Company during the 3 months ended 31 March 2018, and as all Purchased shares in the Share Award Scheme 2016, which was 4,081,000 shares, were granted to the two Directors on 22 March 2018 as stated above, hence, there would be no shares left in the Share Award Scheme 2016 after completion of grant of shares to the Directors as stated above.



4. DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or their respective associates (as defined in GEM Listing Rules) had any interests in any business which compete or may compete with the Group or any other conflicts of interest with the Group.

5. AUDIT COMMITTEE

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

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

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

The Group's financial statements for the three months ended 31 March 2018 have been reviewed by the AC, who is of the opinion that such statements comply with applicable accounting standard and legal requirements, and that adequate disclosures have been made.

Written terms of reference which describes its authorities and duties is available on the Company's website www.kaisunenergy.com under "Investor Relations" section with heading of "Corporate Governance".

6. REMUNERATION COMMITTEE

The Company established the Remuneration Committee ("RC") with written terms of reference that sets out the authorities and duties of the committee. The RC comprised one executive director and two independent non-executive



directors, namely Mr. Chan Nap Kee Joseph, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph. Dr. Wong Yun Kuen is the chairman of the Remuneration Committee.

The primary duties of the RC is to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management.

Written terms of reference which describes its authorities and duties is available on the Company's website www.kaisunenergy.com under "Investor Relations" section with heading of "Corporate Governance".

7. NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

The Company established a Nomination and Corporate Governance Committee ("NC") with written terms of reference which deals clearly with its authorities and duties. The NC comprises three members, namely Mr. Siu Siu Ling (chairman of NC), Mr. Liew Swee Yean and Mr. Chan Nap Kee, Joseph.

The primary duties of the NC is to make recommendations to the Board on appointment or reappointment of Directors, and to develop and review Group's policies and practices on corporate governance and to make recommendations to the Board.

Written terms of reference were adopted in compliance with the GEM Listing Rules, and is available on the Company's website www.kaisunenergy.com under "Investor Relations" section with heading of "Corporate Governance".

8. MANDATORY PROVIDENT FUND COMMITTEE

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



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

9. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the three months ended 31 March 2018, neither the Company nor any of its subsidiaries had purchased or sold any of its listed securities, and no shares were purchased by the trustee of the Share Award Scheme 2016 pursuant to the terms of the rules and trust deed of the Share Award Scheme 2016.

10. CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the nine months ended 30 September 2017. The Company has also made specific enquiry to all Directors and the Company was not aware of any noncompliance with the required standard of dealings under the GEM Listing Rules and its code of conduct regarding securities transactions by Directors.

11. CODE ON CORPORATE GOVERNANCE PRACTICE

The Board is committed to maintain good standard of corporate governance practices and procedures. Except for the deviations described below, the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG code") contained in Appendix 15 to the GEM Listing Rules throughout the period ended 30 September 2017 under review.

The Code Provision A.2.1 stipulates that the role of chairman and chief executive officer should be separated and should not be performed by the same individual. From 2 November 2010 to 26 October 2016, Mr. Chan Nap Kee, Joseph, chairman, took up the role of acting chief executive officer and he was



redesignated to Chief Executive Officer with effect from 26 October 2016. As Mr. Chan is both Chairman and Chief Executive Officer, Code Provision A.2.1 has been deviated.

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

12. REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL EFFECTIVENESS

The Board has conducted a review of the effectiveness of the Group's risk management and internal control systems for the three months ended 31 March 2018, covering material financial, operational and compliance controls, and considered that the Group's risk management and internal control systems are effective and adequate.

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

Hong Kong, 4 May 2018



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

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

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

