



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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

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.

* for identification purpose only

The board of directors (the “Board” or the “Directors”) of Kaisun Energy Group Limited (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (collectively, the “Group”) for the three months and nine months ended 30 September 2014, together with the unaudited comparative figures for the corresponding periods in 2013 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 30 September 2014

	Note	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Turnover	5	25,037	102,902	35,399	178,991
Cost of goods sold		(9,955)	(83,999)	(18,991)	(156,553)
Gross profit		15,082	18,903	16,408	22,438
Other income		3,528	14,949	13,632	27,208
Mining distribution costs		(19,853)	(14,807)	(27,673)	(28,764)
Administrative and other operating expenses		(11,813)	(12,295)	(36,656)	(42,678)
(Loss)/Profit from operations		(13,056)	6,750	(34,289)	(21,796)
Finance costs	6	—	—	—	(3,886)
Impairment loss on intangible assets		—	—	(9,538)	—
(Loss)/Profit before tax		(13,056)	6,750	(43,827)	(25,682)
Income tax credit	7	302	—	1,234	—
(Loss)/Profit for the period		(12,754)	6,750	(42,593)	(25,682)
Attributable to:					
Owners of the Company		(12,495)	7,405	(37,492)	(23,217)
Non-controlling interests		(259)	(655)	(5,101)	(2,465)
		(12,754)	6,750	(42,593)	(25,682)
(Loss)/Earnings per share (HK Cents)	9				
Basic		(0.48)	0.28	(1.43)	(0.89)

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

For the nine months ended 30 September 2014

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/Profit for the period	(12,754)	6,750	(42,593)	(25,682)
Other comprehensive income for the period, net of tax:				
<i>Items that may be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	<u>3,321</u>	(419)	<u>(720)</u>	(3,283)
Total comprehensive income for the period	<u>(9,433)</u>	<u>6,331</u>	<u>(43,313)</u>	<u>(28,965)</u>
Attributable to:				
Owners of the Company	<u>(8,950)</u>	6,996	<u>(37,453)</u>	(26,511)
Non-controlling interests	<u>(483)</u>	(665)	<u>(5,860)</u>	(2,454)
	<u>(9,433)</u>	<u>6,331</u>	<u>(43,313)</u>	<u>(28,965)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2014

	Unaudited									
	Attributable to owners of the Company									
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Shares held for share award scheme <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Share- based payment reserve <i>HK\$'000</i>	Convertible bonds reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2013	26,170	1,176,818	—	(1,955)	24,954	101,256	(673,479)	653,764	28,359	682,123
Total comprehensive income for the period	—	—	—	(3,293)	—	—	(23,218)	(26,511)	(2,454)	(28,965)
Purchase of shares held under the share award scheme	—	—	(262)	—	—	—	—	(262)	—	(262)
Share options forfeited and lapsed	—	—	—	—	(11,013)	—	11,013	—	—	—
Transfer	—	—	—	—	—	(100,892)	100,892	—	—	—
Redemption of replacement convertible bonds	—	—	—	—	—	(364)	—	(364)	—	(364)
Changes in equity for the period	—	—	(262)	(3,293)	(11,013)	(101,256)	88,687	(27,137)	(2,454)	(29,591)
At 30 September 2013 (unaudited)	26,170	1,176,818	(262)	(5,248)	13,941	—	(584,792)	626,627	25,905	652,532
At 1 January 2014	26,170	1,176,818	(1,204)	(8,416)	—	—	(715,569)	477,799	1,106	478,905
Total comprehensive income for the period	—	—	—	38	—	—	(37,491)	(37,453)	(5,860)	(43,313)
Purchase of shares held under the share award scheme	—	—	(446)	—	—	—	—	(446)	—	(446)
Award of shares for the share award scheme	—	—	1,098	—	—	—	—	1,098	—	1,098
Changes in equity for the period	—	—	652	38	—	—	(37,491)	(36,801)	(5,860)	(42,661)
At 30 September 2014 (unaudited)	26,170	1,176,818	(552)	(8,378)	—	—	(753,060)	440,998	(4,754)	436,244

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 21/F., Chun Wo Commercial Centre, 23–29 Wing Wo Street, 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").

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group's condensed financial information have been prepared in accordance with International Accounting Standard issued by International Accounting Standards Board, and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules").

These condensed financial information should be read in conjunction with the 2013 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 statements for the year ended 31 December 2013.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

During the nine months ended 30 September 2014, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") that are relevant to its operations and effective for its accounting periods beginning on 1 January 2014. IFRSs comprise of International Financial Reporting Standards; International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the nine months ended 30 September 2014 and the same period in last year.

The Group has not applied new IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new IFRSs but is not yet in a position to state whether these new IFRSs would have a material impact on its results of operations and financial position.

4. FAIR VALUE MEASUREMENTS

Except for available-for-sale financial assets, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

5. TURNOVER

	Unaudited		Unaudited	
	Three months ended 30 September 2014 HK\$'000	2013 HK\$'000	Nine months ended 30 September 2014 HK\$'000	2013 HK\$'000
Turnover				
Sales of goods				
— Production and exploitation of coal in Tajikistan	14,763	11,103	15,521	14,319
— Provision of supply chain management services for mineral business	10,085	91,799	19,230	164,672
— Shandong mining and metallurgical machineries production	189	—	648	—
	<u>25,037</u>	<u>102,902</u>	<u>35,399</u>	<u>178,991</u>

6. FINANCE COSTS

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on convertible bonds	—	—	—	2,385
Settlement expenses for redemption of replacement convertible bonds	—	—	—	1,501
	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,886</u>

7. INCOME TAX CREDIT

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax	—	—	—	—
Deferred tax	(302)	—	(1,234)	—
	<u>(302)</u>	<u>—</u>	<u>(1,234)</u>	<u>—</u>

No provision for profit tax in the British Virgin Islands, Cayman Islands, United Kingdom, Tajikistan, the People's Republic of China (the "PRC") or Hong Kong is required as the Group has no assessable profit arising in or derived from these jurisdictions for the relevant periods.

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.

Pursuant to relevant laws and regulations in the PRC and Tajikistan, the tax rate applicable to the subsidiary in the PRC and Tajikistan was 25% respectively.

8. DIVIDENDS

The Directors do not recommend the payment of dividend for the nine months ended 30 September 2014 (Nine months ended 30 September 2013: HK\$Nil).

9. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the earnings/(loss) for the period attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the period.

The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period are used in the basic earnings/(loss) per share calculation, and the weighted average number ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
(Loss)/Profit for the purpose of calculating basic (loss)/earnings per share	<u>(12,495)</u>	<u>7,405</u>	<u>(37,492)</u>	<u>(23,217)</u>
Number of shares ('000)				
Issued ordinary shares at the beginning of the period	2,617,006	2,617,006	2,617,006	2,617,006
Effect of shares held for share award scheme	<u>(785)</u>	<u>—</u>	<u>(3,109)</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	<u>2,616,221</u>	<u>2,617,006</u>	<u>2,613,897</u>	<u>2,617,006</u>

No diluted earnings/(loss) per share are presented as the Company did not have any dilutive potential ordinary sharing during the period ended 30 September 2014 and 2013.

10. SHARE CAPITAL

	Unaudited as at 30 September 2014 HK\$'000	Audited as at 31 December 2013 HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
2,617,005,700 (31 December 2013: 2,617,005,700) ordinary shares of HK\$0.01 each	<u>26,170</u>	<u>26,170</u>

11. SEGMENT INFORMATION

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

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

The accounting policies of the operating segments are the same as those described in the Group's financial statements for the year ended 31 December 2013.

	Shandong mining and metallurgical machineries production <i>HK\$'000</i>	Provision of supply chain management services for mineral business <i>HK\$'000</i>	Production and exploitation of coal in Tajikistan <i>HK\$'000</i>	Total <i>HK\$'000</i>
For nine months ended 30 September 2014				
(unaudited)				
Revenue from external customers	648	19,230	15,521	35,399
Segment loss	(2,212)	(7,620)	(34,617)	(44,449)
As at 30 September 2014 (unaudited)				
Segment assets	8,199	328,243	102,950	439,392
Segment liabilities	(809)	(10,714)	(13,747)	(25,270)
		Provision of supply chain management services for mineral business <i>HK\$'000</i>	Production and exploitation of coal in Tajikistan <i>HK\$'000</i>	Total <i>HK\$'000</i>
For nine months ended 30 September 2013				
(unaudited)				
Revenue from external customers		164,672	14,319	178,991
Segment profit/(loss)		23,568	(42,095)	(18,527)
As at 31 December 2013				
Segment assets		374,224	168,148	542,372
Segment liabilities		(14,278)	(11,363)	(25,641)
			Unaudited	
			Nine months ended	
			30 September	
			2014	2013
			<i>HK\$'000</i>	<i>HK\$'000</i>
Reconciliations of segment profit or loss				
Total profit or loss of reportable segments			(44,449)	(18,527)
Other profit or loss			1,856	(7,155)
Consolidated loss for the period			(42,593)	(25,682)

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

July to September of 2014 (“Third Quarter”) has been a period of continuing effort to monitor and to fine tune our operating strategy. Future operation direction will be based on the adjustments made in this year and so far in the first 9 months of 2014 (“Period”), most of the changes made are to the management’s satisfaction. Management of the Group believes these changes will lay a very solid foundation and will bring about success to the Group in the future.

Tajikistan Coal Exploitation

With preparatory work out of the way, production in Tajikistan has begun bringing in about HK\$14.7 million turnover to the Group in the Third Quarter. Nonetheless, our approach to the Group’s Tajikistan coal exploitation business remains to be conservative given reasons explained in our interim report such as regional instability. However, the results shown in Third Quarter demonstrate that the Group has been using its resources on hand efficiently and the momentum should carry on through to the next quarter. Management of the Group will continue to closely monitor the coal exploitation business and decide on the need of any action or adjustments.

Shandong Mining and Metallurgical Machineries Production

Tengzhou Kaiyuan Industrial Co. Ltd (“Tengzhou Kaiyuan”) is a joint venture of the Company’s subsidiary (70% shareholder) and the local Government Owned Enterprise Tengzhou Liyuan Mining Company (“Tengzhou Liyuan”) (30% shareholder). Tengzhou Kaiyuan has been a recent addition to the Group and has stated contributing to the Group since earlier this year.

Tengzhou Kaiyuan business includes design and production of mining and metallurgical machineries, as well as the equipment installation. The leading products can be generally classified into four categories: overhead man-riding devices, hydraulic and pneumatic lever devices, valve devices and belt transmission devices.

Tengzhou Kaiyuan continues to steadily progress itself towards full production while taking and fulfilling more orders from clients in the Third Quarter. This operation has contributed HK\$648,000 to the Group during the Period. The Group expects this operation to continue to grow at a respectable pace while bringing in regular revenue that will be able to provide support the Group.

Supply Chain Management Business

The Group’s supply chain management business has brought in just over HK\$10 million in the Third Quarter (HK\$19 million during the Period). This revenue is generated from business with the same partner back in June. Management of the Group is always on watch for any potential supply chain business that offers good returns with manageable risks. Upon reviewing all potential candidates, management of the Group will decide on picking up more supply chain management business or staying put for the rest of the year.

Business Outlook

In the last three months, management of the Group is still carrying out the strategies previously set in place, which was to:

- 1) Without spending a great deal of capital, the Group will focus its effort to gain cash flow for the future from current scale mining in Tajikistan.

- 2) Develop Tengzhou Kaiyuan into full production ready
- 3) Screen for potential supply chain management business partners
- 4) Look for business opportunities to further strengthen the foundation and income stream makeup of the Group.

For the next few months until the end of the fiscal year, all of these will remain the Group's objective while making adjustments and tweaks along the way. Due to the ongoing regional instability in Tajikistan, the Group will not further commit any capital expenditure for the remaining weeks of the mining season (until early November 2014) in Tajikistan. There will be around a half year before the next mining season begins and the Group will, formulate and decide on a strategy moving forward based on the state of the economy and regional stability. The Group does remain hopeful in regards to the future growth of the Tajik economy as Chinese President Xi Jinping visited Tajikistan back in September for the Shanghai Cooperation Organization (SCO) summit providing massive support and promising large scale investments to Tajikistan (no less than USD 6 billion over the next 3 years). Nonetheless, the ultimate goal is to lay a strong foundation and to provide the Group with the greatest chance to succeed in the near future.

Financial Review

Turnover of the Group for the nine months ended 30 September 2014 was approximately HK\$35.4 million (same period 2013: HK\$179.0 million). This drop in turnover was anticipated as the Group took a more conservative approach in its supply chain management business. To continue the theme of reducing unnecessary costs in order to make the Group more efficient, administrative and other operating expense (Period: HK\$36.7 million) remains to be an improvement over the same period last year (HK\$42.7 million).

The Group's loss of the total comprehensive income attributable to owners of the Company was HK\$(37.5) million for the nine months ended 30 September 2014 (Previous same period: HK\$(26.5) million). The difference was mainly due to the margin for the supply chain business being higher for the same period 2013. Administrative and other operating expenses, as we see from above, is still being kept at a lower level which is in line with the Group's objectives.

Liquidity and Financial Resource

As at 30 September 2014, the Group has a bank and cash balances of approximately HK\$4.9 million (as at 31 December 2013: HK\$74.6 million).

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 30 September 2014 (as at 31 December 2013: Nil).

Foreign Exchange Exposure

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars, Renminbi ("RMB"), Sterling Pound, United States dollars and Tajik Somoni. As at 30 September 2014, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

OTHER INFORMATION

1. Directors' and Chief Executives' Interests and Short Positions in the shares, underlying shares and debentures of the Company or any associated corporations

As at 30 September 2014, the interests and short positions of the directors and the chief executives in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were 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 the securities transactions by the directors are as follows:

Long position in Shares and underlying Shares

Name of Directors	Capacity	Number of Shares	Approximate percentage of the total issued Shares as at 30 September 2014	
			Number of Underlying Shares (Note)	
Chan Nap Kee, Joseph	Beneficial owner	66,941,760	—	2.56%
Yang Yongcheng	Beneficial owner	100,000	—	0.00%
Liew Swee Yean	Beneficial owner	540,000	—	0.02%
Siu Siu Ling, Robert	Beneficial owner	540,000	—	0.02%
Wong Yun Kuen	Beneficial owner	2,000,000	—	0.08%

Note: The long position in the underlying Shares mentioned above represent the Shares to be issued and allotted upon the exercise in full of the options granted by the Company to the above mentioned directors pursuant to the share option scheme.

Save as disclosed above, as at 30 September 2014, none of the directors or chief executive of the Company had any interest or short position in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Ordinance) which is required to be notified to the Company and the Stock Exchange pursuant to divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or any interests required to be entered in the register maintained in accordance with Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors.

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

- (a) As at the 30 September 2014, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interest disclosed above in respect of the directors, the following shareholders had notified the Company of relevant interests and short positions in the Shares and underlying Shares:

Long positions in Shares and underlying Shares

Name of Shareholders	Capacity and nature of interest	Number of shares	Number underlying Shares (Note 3)	Total Interest	Approximate percentage of the total issued Shares as of at 30 September 2014
<i>Substantial shareholders</i>					
Zhang Zhi Ping	Interest of a controlled corporation	218,490,000	—	218,490,000 (Note 1)	8.35%
Zhang Gaobo	Interest of a controlled corporation	218,490,000	—	218,490,000 (Note 1)	8.35%
Oriental Patron Financial Group Limited (“OPFGL”)	Interest of a controlled corporation	218,490,000	—	218,490,000 (Note 1)	8.35%
Ottness Investments Limited (“OIL”)	Interest of a controlled corporation	132,110,000	—	132,110,000 (Note 1)	5.05%
OP Financial Investments Limited (“OPFIL”)	Interest of a controlled corporation	132,110,000	—	132,110,000 (Note 1)	5.05%
Profit Raider Investments Limited (“PRIL”)	Beneficial owner	132,110,000	—	132,110,000 (Note 1)	5.05%

Notes:

- OPFGL holds 218,490,000 Shares. OPFGL is 51% owned by Zhang Zhi Ping and is 49% owned by Zhang Gaobo.

Of these 218,490,000 Shares, 86,380,000 Shares are held by Pacific Top Holding Limited (“PHTL”). PHTL is wholly owned by Oriental Patron Financial Services Group Limited (“OPFSGL”), OPFSGL is 95% held by OPFGL. Zhang Zhi Ping, Zhang Gaobo, OPFGL and OPFSGL are deemed to be interested in the interests held by PHTL under the SFO.

Of these 218,490,000 Shares, 132,110,000 Shares are held by PRIL. PRIL is wholly owned by OPFIL, OPFIL is 35.05% held by OIL. Zhang Zhi Ping, Zhang Gaobo, OPFGL, OIL and OPFIL are deemed to be interested in the interests held by PRIL under the SFO.

Save as disclosed above, the Directors were not aware of any other person (other than the directors and the chief executives of the Company) who, as at 30 September 2014, 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. Share Award Scheme

The Company adopted the Share Award Scheme on 10 May 2013 (the “Adoption Date”). The purpose of the Scheme is to recognise the contributions by certain Employees and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. Unless terminated earlier by the Board, the Share Award Scheme operates for three years commencing on the Adoption Date. The Committee shall not make any further award of Awarded Shares which will result in the aggregate nominal value of the Shares awarded under the Scheme exceeding ten per cent of the issued share capital of the Company at the time of such Award.

Please refer to the announcement of the Company dated 10 May 2013 for details of the Share Award Scheme.

During the nine months ended 30 September 2014, based on the Company’s instructions, the trustee of the Share Award Scheme had purchased a total of 4,150,000 shares of the Company on the Stock Exchange at a total consideration of about HK\$446,655.

On 22 January 2014, 9,000,000 shares were awarded to three employees of the Company under the Share Award Scheme.

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 has established an audit committee on 9 December 2003 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The audit committee 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 audit committee.

The primary duties of the audit committee 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 in 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.

In order to comply with amendments to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, 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 unaudited quarterly results for the nine months ended 30 September 2014 have been reviewed by the audit committee which 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.

6. Remuneration Committee

The Company established the Remuneration Committee (“RC”) in March 2006. On 30 March 2012, for more effective functioning of the board, there was a redesignation of Director’s role and function in order to comply with the amendments to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited effective on 1 April 2012.

The current 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 RC.

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

In order to comply with amendments to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, on 30 March 2012, new terms of reference that supersedes previous terms of reference of the RC 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”.

7. Nomination and Corporate Governance Committee

On 30 March 2012, 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 Robert (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. Purchase, Sale or Redemption of Listed Securities

During the nine months ended 30 September 2014, neither the Company nor any of its subsidiaries has purchased or sold any of its listed securities, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 4,150,000 shares of the Company at a total consideration of about HK\$446,655 and 9,000,000 shares were awarded to three employees of the Company under the Share Award Scheme in January 2014.

9. 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 2014. 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.

10. Code on Corporate Governance Practice

The Board is committed to maintaining a high standard of corporate governance. The Board believes that sound and reasonable corporate practices are essential for the growth of the Group and for safeguarding and maximizing Shareholders interest.

The Company has adopted the code provisions set out in the Corporate Governance Code (the “CG code”) contained in Appendix 14 to the Listing Rules. The Company has complied with all applicable code provisions in the CG code throughout the period ended 30 September 2014, except for the following deviations:

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. Since 2 November 2010 to the date of this report, Mr. Chan Nap Kee Joseph, chairman, took up the role of acting chief executive officer as well, which deviates from Code Provision A2.1. As the Company is developing its business in energy and resources sector and has recently acquired coal mining assets outside China, the Remuneration Committee is searching for the right person to take up the role of Chief Executive Officer to carry out the strategic plans and policies as established by the board of directors. In the meantime, Mr. Chan Nap Kee Joseph, our Chairman, took up the role of Acting Chief Executive Officer until the suitable person is selected. The Company will publish announcement on appointment of Chief Executive Officer when appropriate.

The CG 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.

Under Code Provision A6.7, independent non-executive directors and other non-executive directors should attend general meetings. Mr. Anderson Brian Ralph was unable to attend the annual general meeting of the Company held on 19 May 2014.

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

Hong Kong, 7 November 2014

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 three executive directors of the Company are Mr. CHAN Nap Kee Joseph, Dr. CHOW Pok Yu Augustine and Mr. YANG Yongcheng and four independent non-executive directors of the Company are Mr. LIEW Swee Yean, Mr. SIU Siu Ling Robert, Dr. WONG Yun Kuen and Mr. ANDERSON Brian Ralph.

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