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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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.

FINANCIAL SUMMARY

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

RESULTS

	Year ended 31 December				Period ended 31 December
	2014	2013	2012	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**36,878**	266,188	583,154	62,680	59,619
Loss before tax	**(223,524)**	(200,837)	(177,356)	(1,059,773)	(24,784)
Income tax credit/(expense)	**3,715**	3,821	(828)	—	(3,454)
Less: Loss/(profit) attributable to non-controlling interests	**18,357**	29,080	3,983	12,062	(3,597)
Loss attributable to owners of the Company	**(201,452)**	(167,936)	(174,201)	(1,047,711)	(31,835)

ASSETS AND LIABILITIES

	As at 31 December				
	2014	2013	2012	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**317,706**	598,176	884,872	1,187,098	3,870,185
Total liabilities	**(56,528)**	(119,271)	(202,749)	(329,886)	(1,383,419)
Owners' funds	**279,186**	477,799	653,764	821,879	1,730,415

RESULTS

On behalf of the Board of Kaisun Energy Group Limited (the "Company") and its subsidiaries (collectively the "Group"), I am pleased to present the audited consolidated results for the year ended 31 December 2014 (the "Year"). The Group's consolidated turnover for the Year amounted to HK$36.9 million and total comprehensive income for the Year attributable to owners of the Company amounted to HK$(199.2) million.

BUSINESS REVIEW

For Kaisun Energy Group Limited, the fiscal year 2014 was challenging but also had its bright spots. The Group's coal mining business in Tajikistan encountered setbacks as Tajikistan was troubled by region instability and the depreciation of its local currency — the Tajikistan Somoni ("TJS"). Also, due to the global economic downturn and the demand for minerals did not improve during 2014, the Group's mineral supply chain service did not perform as well as the previous years. However, the Group's newly established machinery production business in Shandong progressed on schedule and successfully reached full production capacity in the fourth quarter of 2014. Last but not least, the Group entered a strategic cooperation framework agreement ("Cooperation Agreement") with China National Technical Import & Export Corporation ("CNTIC") — a wholly owned subsidiary to the US Fortune Global 500's China General Technology (Group) Holdings Ltd. Both of which were promising to the future development of the Group.

Tajikistan Coal Exploitation

The Group currently own mining rights and interests in two mines in Tajikistan, including the Kaftar-Hona anthracite deposit and the Zeddi coal deposit, and the mining lease with the right to mine the Eastern Zone of Fon Yagnob coal deposit in Tajikistan.

Similar to previous years, the first half of the year was devoted to preparation work prior to mining due to the extreme cold weather in the mountainous regions in Tajikistan. With years of experience under our belt, we were able to have preparation finish on time and we were ready to produce. However, the Group was presented with external factors that slowed down our operation and it was the rapid depreciation of the Tajikistan Somoni.

For the past few years, the decreasing demand in coal worldwide did not heavily affect the Group's coal exploitation business because Tajikistan was able to consume all of our production. Tajikistan was growing at a steady rate economically and our coal was always in demand. Therefore, the Group did not have to export and global coal prices was not much of a factor in regards to our operation. This is not to say that demand for coal was down in Tajikistan for the year of 2014. On the contrary, Tajikistan was most likely able to fully consume our coal even if the Group had decided to increase production. Yet, selling coal locally meant that our revenue stream was Somoni-denominated while most of our cost was RMB or USD-denominated. To put into perspective, on 1 Jan 2014, exchange rate for the Somoni against the RMB was 1.267 (TJS/RMB). It dropped by 7.7% (TJS/RMB = 1.17) by the end of 2014 and 14.1% by 20 March 2015 (TJS/RMB = 1.088). What this meant was that every tonne of coal the Group was to produce we had to take a substantial cut on our revenue just by converting it into RMB and HKD.

The depreciation of the Tajikistan Somoni is caused by the sanctions imposed by the western countries on Russia due to the conflict between Russia and Ukraine. Since Russia is one of the main trading partner with Tajikistan, this currency depreciation (or at the least, constant fluctuations) is likely to continue unless the conflict is resolved which the Group cannot foresee in the near future. Therefore, the Group has decided to take an even more conservative approach to the Tajikistan operation — both in the production and capital investment. This is also reflected in the mining right impairment of HK$18.9 million.

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 valuable addition and has started contributing to the Group since the 2nd quarter of 2014.

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.

The establishment and the development of the operation were quite smooth for year 2014. The operation went from trial production to full production capable, as well as obtaining all relevant licenses within a year. The growth for the last quarter of 2014 was strong to close out the year bringing in revenue HK$1.5 million to the Group compared to revenue HK$2.1 million for the whole year. Management of the Group believes that with a year of experience behind us, our machineries production business will continue to grow and positively contribute to the Group in the future.

Supply Chain Management Business

Due to the low worldwide demand in minerals and the current economic environment, the Group's supply chain management business did not perform as well as previous years, bringing in revenue of HK$16.2 million for the year of 2014.

Management of the Group decided to apply extra caution and to conduct extensive research before entering into business with our potential partners. Many of our potential deals in 2014 had margins that did not justify the risk the Group had to take on. Management of the Group decided it was best to be conservative than to make a decision it would later regret. However, the Group still maintains close contacts with its existing, previous and potential business partners and once there is a positive change in the economic climate, the Group expects supply chain management business to pick up its pace again in the future.

Strategic Cooperation Framework Agreement with CNTIC

The Group is especially thrilled about the prospect of this agreement with CNTIC — a wholly owned subsidiary to the US Fortune Global 500's China General Technology (Group) Holdings Ltd. In this framework, both parties will jointly explore opportunities in energy, electricity sectors, including infrastructure project and Engineering Procurement Construction (EPC) project located in countries along the Silk Road which includes Central Asia.

This agreement rides on the momentum of China's "One Belt, One Road" Strategy (Silk Road Economic Belt and 21st Century Maritime Silk Road) initiated by Chinese President Xi Jinping in 2013 and really picked up steam since late 2014. Through infrastructure construction, financial cooperation and capital investment from China and other participating countries, the "One Belt, One Road" strategy will help break the Chinese connectivity bottleneck as well as helping the economic growth of the partner countries along the Silk Road.

The Group believes the explosive development of "One Belt, One Road" strategy solidifies our decision of entering Central Asia. An emphasis of the development strategy is the connectivity between Central Asia and China as part of the Silk Road Economic Belt. China understood the potential of Central Asia and is now a taking an active stance to promote the importance of developing Central Asia to the world. With that said, the Group believes our experience in Central Asia, combined with CNTIC's operating capabilities, will make a great team going forward.

OUTLOOK AND PROSPECTS

Even though Tajikistan economy will continue to improve but it would be difficult for the Group and its coal exploitation business if its currency continues to fluctuate. It is quite difficult for anyone to predict when the Russia and Ukraine conflict will be resolved meaning it is difficult for the Group to predict when the constant fluctuation of the Tajikistan Somoni will come to an end. This will greatly affect our next mining season budgeting and ultimately our bottom line. Therefore, we will likely continue to take a conservative approach in terms of capital expenditure and production towards our mining operation in Tajikistan.

As for our machineries production business in Shandong, we will move onto the next stage of development which is to secure more contracts and business. However, much of that will still be at the mercy of when the mining industry will show signs of life once again. What the Group is capable of doing for the time being is to streamline cost further and be prepared for the future.

The same can be said for the Group's supply chain business. Until the mining industry once again improves we will need to take a more conservative approach entering into any contracts with potential partners. Nonetheless, the Group maintains a good relationship with all of our existing, previous, and potential partners.

Management of the Group realized that most of our operations are subject to the state of the mining industry which is very reactive. This is why we have decided to take a proactive stance in signing a Cooperation Agreement with CNTIC. With China's heavy push in the development of Central Asia through its "One Belt One Road" strategy, the Group knew it was the right time to expand our scope of business.

Management of the Group stands by its decision of entering Central Asia. We have witnessed its growth first hand and have shared its growing pains. The Group was aware of the potential of Central Asia but was not able to fully capitalize on it. However, we were able to develop a respectable business network and relationship with government officials. This is also why CNTIC was willing to partner with us moving forward and cooperate in larger scale infrastructure and energy projects in these up and coming regions. They have the operational proficiency but the Group is experienced in managing local relationships as well as harmonizing staff from various ethnic backgrounds which developing countries are much more sensitive to in today's business world. Developing countries welcome the capital investment but do not want overpowering influence from investors and Kaisun Energy is capable of bridging that gap. With that said, management of the Group hopes that by combining our experience and expertise, the Group and CNTIC can cooperate well together and build something that is profitable and long term.

FINANCIAL REVIEW

Turnover of the Group for the Year amounted to approximately HK$36.9 million (for the year ended 31 December 2013: HK$266.2 million). Turnover arising from the provision of supply chain management services for mineral business, production and exploitation of coal in Tajikistan and Shangdong mining and metallurgical machineries production amounted to HK$16.2 million, HK$18.5 million and HK$2.1 million respectively.

Gross loss from the Group's operations for the Year was approximately HK$(18.0) million (for the year ended 31 December 2013: HK$(33.2) million). Gross loss arising from production and exploitation of coal in Tajikistan amounted to HK$(18.9) million, gross profit from provision of supply chain management services for mineral business is approximately HK$0.2 million and gross profit from Shangdong mining and metallurgical machineries production is approximately HK$0.7 million.

For the Year, the total administrative and other operating expenses from the Group's operations is approximately HK$214.3 million (for the year ended 31 December 2013: HK$135.2 million).

The Group recorded loss for the Year of approximately HK$(219.8) million (for the year ended 31 December 2013: HK$(197.0) million).

The total comprehensive income attributable to owners of the Company for the Year amounted to approximately HK$(199.2) million (for the year ended 31 December 2013: HK$(174.4) million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group has bank and cash balances of approximately HK$54.6 million (as at 31 December 2013: HK$74.6 million).

FINAL DIVIDEND

In order to retain resources for the Group's business development, the Board does not recommend the payment of a final dividend for the Year (for the year ended 31 December 2013: HK$Nil).

GEARING RATIO

The Group's gearing ratio, which represents the ratio of the Group's total liabilities over the Group's total assets, was 0.18 as at 31 December 2014 (as at 31 December 2013: 0.20).

CAPITAL STRUCTURE

During the Year, the Company have not issue any new share.

FOREIGN EXCHANGE EXPOSURE

Majority of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars, Tajikistan Somoni ("TJS"), United States dollars and Renminbi ("RMB"). As at 31 December 2014, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

HUMAN RESOURCES

As at 31 December 2014, the Group had 78 (as at 31 December 2013: 157) staff in Hong Kong, China and Tajikistan. The Group continues to employ, promote and reward its staff with reference to their performance and experience. In addition to their basic salaries, the Group's employees are also entitled to other fringe benefits such as provident fund. The management will continue to closely monitor the human resources requirements of the Group, and will also put emphasis on the staff quality. During the Year, the Group had not experienced any significant labour disputes which led to the disruption of its normal business operations. The Directors consider the Group's relationship with its employees to be good.

The total staff costs, including Directors' emoluments, amounted to approximately HK$19.0 million (for the year ended 31 December 2013: HK$26.0 million) for the Year.

SEGMENT REPORT

The detailed segmental analysis are provided in note 11.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2014.

LITIGATION

As at 31 December 2014, the Group had no significant pending litigation.

AUDIT COMMITTEE

Composition of the Audit Committee

The Company established the audit committee ("Audit Committee") on 9 December 2003.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

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.

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

Role and Function of the Audit Committee

In order to comply with amendments to the 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 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 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 Audit Committee is provided with sufficient resources to discharge its responsibilities and is supported by the Finance Department of the Company. The Audit Committee is accountable to the Board.

Audit Committee Meetings

During the year ended 31 December 2014, the Audit Committee has held four meetings to review and supervise the financial reporting process and Audit Committee has reviewed the quarterly, interim and annual results and system of internal controls. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The Audit Committee also carried out and discharged its other duties as set out in the CG Code.

Attendance of each of the independent non-executive directors at the Audit Committee meetings during the year ended 31 December 2014 is set out as follows:

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

During the year under review, the Audit Committee had undertaken the following duties:

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

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

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

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

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

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

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

The Board, through the review of the Audit Committee, is satisfied that the Group has fully complied with the Code Provisions on internal controls as set forth in the CG Code for the year ended 31 December 2014.

The Group's financial statements for the year ended 31 December 2014 have been reviewed by the Audit Committee, who is of the opinion that such statements comply with applicable accounting standard and legal requirements, and that adequate disclosures have been made.

CORPORATE GOVERNANCE PRACTICES

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 ("Code Provision") set out in the Corporate Governance Code (the "CG code") contained in Appendix 15 to the GEM Listing Rules. The Company has complied with all applicable code provisions in the CG code throughout the FY2014, 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 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. Due to other commitment, Mr. Anderson Brian Ralph was unable to attend the annual general meeting of the Company held on 19 May 2014.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

The Board is pleased to announce the audited results of the Group for the year ended 31 December 2014 together with the audited Comparative figures for the year ended 31 December 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	Note	**2014** *HK$*	2013 *HK$*
Turnover	4	**36,878,233**	266,187,630
Cost of goods sold		**(54,886,091)**	(299,402,403)
Gross loss		**(18,007,858)**	(33,214,773)
Other income		**27,729,042**	44,923,570
Administrative and other operating expenses		**(214,365,392)**	(135,212,427)
Loss from operations		**(204,644,208)**	(123,503,630)
Finance costs		**—**	(3,885,965)
Impairment loss on intangible assets		**(18,879,916)**	(73,447,274)
Loss before tax		**(223,524,124)**	(200,836,869)
Income tax credit	5	**3,715,072**	3,821,050
Loss for the year	6	**(219,809,052)**	(197,015,819)
Attributable to:			
Owners of the Company		**(201,452,358)**	(167,935,709)
Non-controlling interests		**(18,356,694)**	(29,080,110)
		(219,809,052)	(197,015,819)
Loss per share (cents)			
Basic	8	**(7.71)**	(6.42)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014	2013
	HK$	*HK$*
Loss for the year	**(219,809,052)**	(197,015,819)
Other comprehensive income for the year, net of tax		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**1,492,668**	(6,450,719)
Total comprehensive income for the year	**(218,316,384)**	(203,466,538)
Attributable to:		
Owners of the Company	**(199,202,216)**	(174,396,941)
Non-controlling interests	**(19,114,168)**	(29,069,597)
	(218,316,384)	(203,466,538)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	2014 *HK$*	2013 *HK$*
Non-current assets			
Fixed assets		**17,032,319**	36,881,924
Goodwill		**—**	—
Intangible assets		**17,010,275**	59,170,432
Available-for-sale financial assets		**—**	70,814
		34,042,594	96,123,170
Current assets			
Inventories		**2,763,237**	2,750,581
Trade and bills receivables	9	**36,409,244**	74,894,114
Deposits, prepayments and other receivables		**189,860,858**	349,808,353
Bank and cash balances		**54,629,721**	74,600,238
		283,663,060	502,053,286
Current liabilities			
Trade payables	10	**7,973,597**	16,560,429
Other payables and accruals		**17,108,430**	67,305,436
Current tax liabilities		**1,857,198**	1,143,975
		26,939,225	85,009,840
Net current assets		**256,723,835**	417,043,446
Total assets less current liabilities		**290,766,429**	513,166,616
Non-current liabilities			
Deferred tax liabilities		**29,588,607**	34,261,182
		29,588,607	34,261,182
NET ASSETS		**261,177,822**	478,905,434
Capital and reserves			
Share capital		**26,170,057**	26,170,057
Reserves		**253,015,762**	451,629,206
Equity attributable to owners of the Company		**279,185,819**	477,799,263
Non-controlling interests		**(18,007,997)**	1,106,171
TOTAL EQUITY		**261,177,822**	478,905,434

NOTES

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Unit A, 13/F, Two Chinachem Plaza, 68 Connaught Road Central, Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND REQUIREMENTS

In the current year, 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 year beginning on 1 January 2014. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations.

(a) Application of new and revised IFRSs

The following standards have been adopted by the Group for the first time for the financial year beginning 1 January 2014:

Amendment to IAS 32, Offsetting financial assets and financial liabilities

This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group financial statements.

Amendment to IAS 36, Recoverable amount disclosures for non-financial assets

The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less costs of disposal is determined using a present value technique. The amendments do not have an impact on these consolidated financial statements as the recoverable amounts of assets or cash-generating units have been determined on the basis of their value in use.

Amendments to IFRS 2 (Annual Improvements to IFRSs 2010–2012 Cycle)

This amendment clarifies the definitions of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition". The amendment is applicable prospectively to share-based payment transactions for which the grant date is on or after 1 July 2014 and had no effect on the Group's consolidated financial statements.

Amendments to IFRS 3 (Annual Improvements to IFRSs 2010–2012 Cycle)

This amendment, applicable prospectively to business combinations for which the acquisition date is on or after 1 July 2014, requires any contingent consideration that is classified as an asset or a liability (i.e. non-equity) to be measured at fair value at each reporting date with changes in fair value recognised in profit or loss. It had no effect on the Group's consolidated financial statements.

Amendments to IFRS 13 (Annual Improvements to IFRSs 2010-2012 Cycle)

This amendment to the standard's basis for conclusions only clarifies that the ability to measure certain short-term receivables and payables on an undiscounted basis is retained.

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

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2014. 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 has assessed, 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.

List of New and revised IFRSs in issue but not yet effective

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[2]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

(c) New Hong Kong Companies Ordinance

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with all applicable IFRSs accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

4. TURNOVER

	2014	2013
	HK$	*HK$*
Sales of goods		
— Production and exploitation of coal	**18,528,522**	30,969,363
— Provision of supply chain management services for mineral business	**16,216,459**	235,218,267
— Mining and metallurgical machineries production	**2,133,252**	—
	36,878,233	266,187,630

5. INCOME TAX CREDIT

	2014	2013
	HK$	*HK$*
Current tax — Hong Kong profits tax		
Provision for the year	—	—
Underprovision for prior year	—	9,093
Tax reduction	—	(10,000)
Current tax — Overseas		
Provision for the year	**697,316**	872,605
Underprovision for prior years	**622,931**	—
Deferred tax	**(5,035,319)**	(4,692,748)
	(3,715,072)	(3,821,050)

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the years ended 31 December 2014 and 2013.

PRC Enterprise Income tax has been provided at a rate of 25% (2013: 25%).

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

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

	2014	2013
	HK$	*HK$*
Loss before tax	**(223,524,124)**	(200,836,869)
Tax at the domestic income tax rate of 16.5% (2013: 16.5%)	**(36,881,480)**	(33,138,083)
Tax effect of income that is not taxable	**(6,566,587)**	(2,897,942)
Tax effect of expenses that are not deductible	**19,463,554**	28,145,053
Tax effect of tax loss not recognised	**24,457,415**	8,087,661
Temporary difference not recognised	**25,596**	24,401
Under/(over)provision for current year	**3,803**	(73,197)
Tax reduction	—	(10,000)
Tax effect of utilisation of tax loss not previously recognised	—	(35,443)
Under provision for prior year	**622,931**	9,093
Effect of different tax rates of subsidiaries operating in other jurisdiction	**195,015**	760,155
Deferred tax	**(5,035,319)**	(4,692,748)
Income tax credit	**(3,715,072)**	(3,821,050)

6. LOSS FOR THE YEAR

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

	2014 *HK$*	2013 *HK$*
Auditor's remuneration		
Current	**2,500,000**	2,504,793
Under-provision for prior year	**150,000**	90,000
	2,650,000	2,594,793
Cost of inventories sold of supply chain management services for mineral business	**15,970,911**	221,322,501
Depreciation	**8,231,279**	11,885,131
Allowance of trade and bills receivables	**—**	1,534,806
Allowance for deposits paid	**98,321,696**	39,000,000
Bad debts written off	**39,961,665**	6,700,000
Amortisation of intangible assets	**20,141,276**	13,435,236
Fair value loss on financial assets at fair value through profit or loss (designated upon initial recognition)	**—**	447,735
Write off of fixed assets	**10,452,217**	6,288,207
Write off of obsolete inventories	**—**	123,436
Write off of prepayments and other receivables	**2,923,443**	—
Write off of available-for-sale financial assets	**68,637**	—
Waivers of other payables	**(6,866,220)**	—
Impairment loss on intangible assets	**18,879,916**	73,447,274
Loss on disposal of financial assets at fair value through profit or loss	**—**	41,326
Loss on disposal of fixed assets	**—**	4,094,081
Operating lease rentals in respect of land and buildings	**2,164,313**	2,642,423
Staff costs (including directors' emoluments		
Basic salaries, bonuses, allowances and benefits in kind	**18,816,581**	25,748,299
Retirement benefits scheme contributions	**247,476**	216,644
Net exchange loss/(gain)	**12,873,555**	(23,695,342)

7. DIVIDEND

No dividend has been paid or declared by the Company during the year (2013: HK$Nil).

8. LOSS PER SHARE

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

	2014 *HK$*	2013 *HK$*
Loss for the purpose of calculating basic loss per share	**(201,452,358)**	(167,935,709)

	2014	2013
Number of shares		
Issued ordinary shares at beginning of the year	**2,617,005,700**	2,617,005,700
Effect of shares held for share award scheme	**(3,379,096)**	(1,525,205)
Weighted average number of ordinary shares in issue less share held for share award scheme for the purpose of calculating basic loss per share	**2,613,626,604**	2,615,480,495

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary sharing during the two years ended 31 December 2014.

9. TRADE AND BILLS RECEIVABLES

	2014	2013
	HK$	*HK$*
Trade receivables	**36,347,521**	76,454,739
Bills receivables	**61,723**	—
Allowance for doubtful debts	**—**	(1,560,625)
	36,409,244	74,894,114

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

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

	2014	2013
	HK$	*HK$*
0–30 days	**1,053,000**	23,842,094
31–60 days	**2,170,933**	14,241,373
61–90 days	**977,569**	6,790,942
Over 90 days	**32,207,742**	30,019,705
	36,409,244	74,894,114

As at 31 December 2014, no allowance was made for estimated irrecoverable trade and bills receivables (2013: HK$1,560,625).

Reconciliation of allowance of trade and bills receivables:

	2014	2013
	HK$	*HK$*
At 1 January	**1,560,625**	208,824
Allowance for the year	**—**	1,534,806
Written off	**(1,403,692)**	(180,031)
Exchange differences	**(156,933)**	(2,974)
At 31 December	**—**	1,560,625

As of 31 December 2014, trade and bills receivables of HK$22,559,291 (2013: HK$30,558,218) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. An ageing analysis of these trade and bills receivables is as follows:

	2014	2013
	HK$	*HK$*
Up to 3 months	**303,903**	960,154
Over 3 months	**22,255,388**	29,598,064
	22,559,291	30,558,218

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

	2014	2013
	HK$	*HK$*
HK$	**22,255,388**	28,680,388
RMB	**11,043,090**	37,111,511
TJS	**3,110,766**	9,102,215
	36,409,244	74,894,114

10. TRADE PAYABLES

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

	2014	2013
	HK$	*HK$*
0–30 days	**422,847**	14,612,672
31–60 days	**58,406**	1,935,442
61–90 days	**8,604**	—
91–180 days	**7,483,740**	—
181–365 days	**—**	12,315
	7,973,597	16,560,429

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2014	2013
	HK$	*HK$*
RMB	**7,553,467**	12,901,503
TJS	**420,130**	3,658,926
	7,973,597	16,560,429

11. SEGMENT INFORMATION

The Group has three reportable segments which are production and exploitation of coal in Tajikistan, provision of supply chain management services for mineral business and mining and metallurgical machineries production in Shandong 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 notes to the financial statements. Segment profits or losses do not include dividend income and gains or losses from investments and derivative instruments. Segment assets do not include amounts due from related parties, investments and derivative instruments. Segment liabilities do not include convertible bonds and derivative instruments. Segment non-current assets do not include financial instruments and deferred tax assets.

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

	Provision of supply chain management services for mineral business	**Production and exploitation of coal in Tajikistan**	**Mining and metallurgical machineries production in Shandong**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
Year ended 31 December 2014				
Revenue from external customers	**16,216,459**	**18,528,522**	**2,133,252**	**36,878,233**
Segment loss	**(124,015,673)**	**(36,690,730)**	**(2,115,027)**	**(162,821,430)**
Interest revenue	**—**	**—**	**2,034**	**2,034**
Depreciation and amortisation	**192,248**	**40,447,503**	**148,752**	**40,788,503**
Income tax expense	**—**	**622,931**	**3,803**	**626,734**
Additions to segment non-current assets	**—**	**96,344**	**889,572**	**985,916**
As at 31 December 2014				
Segment assets	**142,509,622**	**25,341,244**	**7,556,430**	**175,407,296**
Segment liabilities	**1,727,965**	**12,811,068**	**541,095**	**15,080,128**

	Provision of supply chain management services for mineral business	Production and exploitation of coal in Tajikistan	Total
	HK$	*HK$*	*HK$*
Year ended 31 December 2013			
Revenue from external customers	235,218,267	30,969,363	266,187,630
Segment loss	(33,113,567)	(58,374,945)	(91,488,512)
Interest revenue	50,168	—	50,168
Depreciation and amortisation	1,495,864	23,608,909	25,104,773
Income tax expense	580,654	291,044	871,698
Additions to segment non-current assets	9,000	1,375,356	1,384,356
As at 31 December 2013			
Segment assets	374,224,482	168,148,413	542,372,895
Segment liabilities	14,278,204	11,362,569	25,640,773

Reconciliations of segment revenue and profit or loss from continuing operations:

	2014 HK$	2013 HK$
Revenue		
Total revenue of reportable segments	**36,878,233**	266,187,630
Consolidated revenue from continuing operations	**36,878,233**	266,187,630
Profit or loss		
Total profit or loss of reportable segments	**(178,734,686)**	(91,488,512)
Impairment loss on intangible assets	**(18,879,916)**	(73,447,274)
Deferred tax	**5,035,319**	4,692,748
Unallocated corporate income	**17,658,842**	21,582,584
Unallocated corporate expense	**(48,603,683)**	(58,355,365)
Consolidated loss before tax from continuing operations	**(223,524,124)**	(197,015,819)

Reconciliations of segment assets and liabilities:

	2014 HK$	2013 HK$
Assets		
Total assets of reportable segments	**175,407,296**	542,372,895
Available-for-sale financial assets	**—**	70,814
Unallocated corporate assets	**142,298,358**	55,732,747
Consolidated total assets	**317,705,654**	598,176,456
Liabilities		
Total liabilities of reportable segments	**15,080,128**	25,640,773
Deferred tax liabilities	**29,588,607**	34,261,182
Unallocated corporate liabilities	**11,859,097**	59,369,067
Consolidated total liabilities	**56,527,832**	119,271,022

Geographical information:

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

Revenue

	2014 *HK$*	2013 *HK$*
Tajikistan	**18,528,522**	30,969,363
The PRC except Hong Kong	**18,349,711**	162,345,790
Brunei	**—**	72,872,477
Consolidated total	**36,878,233**	266,187,630

Non-current assets

	2014	2013
	HK$	*HK$*
Hong Kong	**195,623**	389,353
Tajikistan	**27,895,053**	88,726,813
The PRC except Hong Kong	**5,951,918**	7,007,004
Consolidated total	**34,042,594**	96,123,170

Revenue from major customers:

	2014	2013
	HK$	*HK$*
Provision of supply chain management services for mineral business		
Customer a	**—**	50,904,060
Customer b	**—**	91,799,184
Customer c	**16,216,459**	39,308,160

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

Hong Kong, 25 March 2015

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

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

* *for identification purpose only*