



Third Quarterly Report 2013

KEG

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

* For identification purpose only



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 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 and nine months ended 30 September 2013, together with the unaudited comparative figures for the corresponding periods in 2012 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

| | Note | Unaudited Three months ended 30 September | | Unaudited Nine months ended 30 September | |
|---|------|---|------------------|--|------------------|
| | | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 |
| Turnover | 5 | 102,902 | 341,024 | 178,991 | 601,094 |
| Cost of goods sold | | (83,999) | (307,342) | (156,553) | (557,902) |
| Gross profit | | 18,903 | 33,682 | 22,438 | 43,192 |
| Other income | | 14,949 | 1,757 | 27,208 | 17,884 |
| Mining distribution costs | | (14,807) | (11,411) | (28,764) | (19,436) |
| Administrative and other operating expenses | | (12,295) | (17,020) | (42,678) | (58,177) |
| Profit/(loss) from operations | | 6,750 | 7,008 | (21,796) | (16,537) |
| Finance costs | 6 | — | (5,102) | (3,886) | (15,535) |
| Profit/(loss) before tax | | 6,750 | 1,906 | (25,682) | (32,072) |
| Income tax expense | 7 | — | — | — | — |
| Profit/(loss) for the period | | 6,750 | 1,906 | (25,682) | (32,072) |
| Attributable to: | | | | | |
| Owners of the Company | | 7,405 | 205 | (23,217) | (32,453) |
| Non-controlling interests | | (655) | 1,701 | (2,465) | 381 |
| | | 6,750 | 1,906 | (25,682) | (32,072) |
| Earnings/(loss) per share (HK Cents) | 9 | | | | |
| — basic | | 0.28 | 0.01 | (0.89) | (1.24) |
| — diluted | | N/A | N/A | N/A | N/A |

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

| | Unaudited Three months ended 30 September | | Unaudited Nine months ended 30 September | |
|--|---|------------------|--|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 |
| Profit/(loss) for the period | 6,750 | 1,906 | (25,682) | (32,072) |
| Other comprehensive income for the period, net of tax: Items that will be reclassified to profit or loss: | | | | |
| Exchange differences on translating foreign operations | (419) | 3,672 | (3,283) | 3,296 |
| Total comprehensive income for the period | 6,331 | 5,578 | (28,965) | (28,776) |
| Total comprehensive income attributable to: | | | | |
| Owners of the Company | 6,996 | 3,870 | (26,511) | (29,034) |
| Non-controlling interests | (665) | 1,708 | (2,454) | 258 |
| | 6,331 | 5,578 | (28,965) | (28,776) |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2013

| | Unaudited | | | | | | | | | |
|-----------------------------|---------------------------------------|------------------|--------------|----------------|---------------|----------------|------------------|----------------|---------------|----------------|
| | Attributable to owners of the Company | | | | | | | | | |
| | Share | | | | | | Non- | | | |
| | Share | Shares | Share | Foreign | Share- | Convertible | controlling | | Total | |
| capital | premium | award | currency | based | bonds | Accumulated | Total | interests | equity | |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| At 1 January 2012 | 26,120 | 1,175,425 | — | (8,561) | 29,494 | 103,802 | (504,400) | 821,880 | 35,333 | 857,213 |
| Total comprehensive income | | | | | | | | | | |
| for the period | — | — | — | 3,419 | — | — | (32,453) | (29,034) | 258 | (28,776) |
| Share options lapsed | — | — | — | — | (5,384) | — | 5,384 | — | — | — |
| Share-based payments | — | — | — | — | 949 | — | — | 949 | — | 949 |
| Issue of shares on exercise | | | | | | | | | | |
| of share options | 50 | 1,393 | — | — | (368) | — | — | 1,075 | — | 1,075 |
| Redemption of replacement | | | | | | | | | | |
| convertible bonds | — | — | — | — | — | (2,544) | — | (2,544) | — | (2,544) |
| Changes in equity for the | | | | | | | | | | |
| period | 50 | 1,393 | — | 3,419 | (4,803) | (2,544) | (27,069) | (29,554) | 258 | (29,296) |
| At 30 September 2012 | | | | | | | | | | |
| (unaudited) | 26,170 | 1,176,818 | — | (5,142) | 24,691 | 101,258 | (531,469) | 792,326 | 35,591 | 827,917 |
| 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) |
| Shares purchased for share | | | | | | | | | | |
| award scheme | — | — | (262) | — | — | — | — | (262) | — | (262) |
| Share options 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 | 26,170 | 1,176,818 | (262) | (5,248) | 13,941 | — | (584,792) | 626,627 | 25,905 | 652,532 |



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 ("IAS") 34 "Interim Financial Reporting" issued by International Accounting Standards Board ("IASB"), 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 2012 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 2012.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

During the nine months ended 30 September 2013, 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 2013. 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 nine months ended 30 September 2013 and the same period in last year. Except as stated below:

a. Amendments to IAS 1 "Presentation of Financial Statements"

Amendments to IAS 1 titled Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income and income statement. Under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an



income statement is renamed as a statement of profit or loss. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to IAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

b. IFRS 13 “Fair Value Measurement”

IFRS 13 “Fair Value Measurement” establishes a single source of guidance for all fair value measurements required or permitted by IFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of IFRS 13 only affects disclosures on fair value measurements in the consolidated financial statements. IFRS 13 has been applied prospectively.

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.

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.

Disclosures of level in fair value hierarchy at 30 September 2013:

| Description | Fair value measurements as at 30 September 2013 using: | | | Total |
|---|---|---------------------|---------------------|------------------|
| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | 2013 HK\$'000 |
| Recurring fair value measurements: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Listed securities in Hong Kong | 448 | — | — | 448 |
| Total recurring fair value measurements | 448 | — | — | 448 |



| Fair value measurements as at | | | | Total |
|-------------------------------|----------|----------|--|----------|
| 31 December 2012 using: | | | | |
| Level 1 | Level 2 | Level 3 | | 2012 |
| HK\$'000 | HK\$'000 | HK\$'000 | | HK\$'000 |

Description

Recurring fair value measurements:

Financial assets at fair value through profit or loss

| | | | | |
|--------------------------------|-------|---|---|-------|
| Listed securities in Hong Kong | 4,312 | — | — | 4,312 |
| Listed securities in Canada | 3,578 | — | — | 3,578 |

Total recurring fair value measurements

| | | | | |
|--|-------|---|---|-------|
| | 7,890 | — | — | 7,890 |
|--|-------|---|---|-------|

5. TURNOVER

| | Unaudited Three months ended 30 September | | Unaudited Nine months ended 30 September | |
|--|---|------------------|--|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 |
| Turnover | | | | |
| Sales of goods | | | | |
| — Production and exploitation of coal | 11,103 | 19,725 | 14,319 | 19,956 |
| — Provision of supply chain management services for mineral business | 91,799 | 321,299 | 164,672 | 581,138 |
| | 102,902 | 341,024 | 178,991 | 601,094 |

6. FINANCE COSTS

| | Unaudited Three months ended 30 September | | Unaudited Nine months ended 30 September | |
|---|---|------------------|--|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 |
| Interest on convertible bonds | — | 5,102 | 2,385 | 15,196 |
| Settlement expenses for redemption of replacement convertible bonds | — | — | 1,501 | — |
| Interest on loan from a former owner of a subsidiary | — | — | — | 339 |
| | — | 5,102 | 3,886 | 15,535 |

7. INCOME TAX EXPENSE

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 2013 (Nine months ended 30 September 2012: HK\$Nil).

9. EARNINGS/(LOSS) PER SHARE

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

The calculation of diluted earnings/(loss) per share is based on the profit/(loss) for the period attributable to owners of the Company, adjusted to reflect the interest on convertible bonds. 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 | |
|---|---|------------------|--|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 |
| Earnings/(loss) | | | | |
| Profit/(loss) for the purpose of calculating basic earnings/(loss) per share | 7,405 | 205 | (23,217) | (32,453) |
| Number of shares ('000) | | | | |
| Issued ordinary shares at the beginning of the period | 2,617,006 | 2,617,006 | 2,617,006 | 2,612,006 |
| Effect of exercise of options | — | — | — | 4,051 |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share | 2,617,006 | 2,617,006 | 2,617,006 | 2,616,057 |

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 2013 and 2012.



10. CONVERTIBLE BONDS

The maturity date of the convertible bonds ("Replacement Bonds") is 10 June 2013 ("Maturity Date"). The bondholders have the right to convert at any time from issue date up to Maturity Date into Shares at a fixed conversion price at HK\$0.70 per Share. The outstanding principal amount of the Replacement Bonds together with the accrued interest (if not paid by cash on redemption at maturity or upon acceleration) shall be automatically converted to Shares upon Maturity Date unless such conversion will result a holder of the Replacement Bonds and parties acting in concert with it, taken together, will directly or indirectly control or be interested in 30% or more of the voting rights in respect of the issued shares of the Company (or in such lower percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or the public float of the shares of the Company will fall below the minimum public float requirements stipulated under the GEM Listing Rules. Interest of 3.75 per cent per annum (compounded annually) is payable (i) in conversion shares on conversion; or (ii) in cash at maturity. The Company entitled to cancel and redeem in cash of any of the Replacement Bonds prior to the Maturity Date.

During the period, the Company had redeemed all remaining Replacement Bonds at the redemption amount equal to the aggregate principal amount of HK\$108,830,000 together with accrued interest of HK\$15,335,000.

11. SHARE CAPITAL

| | Unaudited as at 30 September 2013 HK\$'000 | Audited as at 31 December 2012 HK\$'000 |
|---|---|---|
| Authorised: | | |
| 10,000,000,000 ordinary shares of HK\$0.01 each | 100,000 | 100,000 |
| Issued and fully paid: | | |
| 2,617,005,700 (31 December 2012: 2,617,005,700) ordinary shares of HK\$0.01 each | 26,170 | 26,170 |



12. SEGMENT INFORMATION

The Group has two reportable segments which are exploitation of coal in Tajikistan and provide 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 2012.

| | Provision supply chain Management services for mineral business | Production and exploitation of coal in Tajikistan | Total |
|--|--|--|-------------------------|
| | HK\$'000 (unaudited) | HK\$'000 (unaudited) | HK\$'000 (unaudited) |
| For nine months ended 30 September 2013 | | | |
| Revenue from external customers | 164,672 | 14,319 | 178,991 |
| Segment profit/(loss) | 23,568 | (42,095) | (18,527) |
| As at 30 September 2013 | | | |
| Segment assets | 388,836 | 140,128 | 528,964 |
| Segment liabilities | 465 | 151,781 | 152,246 |



| | Provision supply chain Management services for Mineral business | Production and exploitation of coal in Tajikistan | Total |
|--|--|--|-------------------------|
| | HK\$'000 (unaudited) | HK\$'000 (unaudited) | HK\$'000 (unaudited) |
| For nine months ended 30 September 2012 | | | |
| Revenue from external customers | 581,138 | 19,956 | 601,094 |
| Segment profit/(loss) | 6,700 | (28,763) | (22,063) |
| As at 31 December 2012 | | | |
| Segment assets | 454,730 | 191,726 | 646,456 |
| Segment liabilities | 26,109 | 50,778 | 76,887 |

| | Unaudited Nine months ended 30 September | |
|--|---|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Reconciliations of segment profit or loss | | |
| Total profit or loss of reportable segments | (18,527) | (22,063) |
| Other profit or loss | (7,155) | (10,009) |
| Consolidated loss for the period | (25,682) | (32,072) |



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group currently own mining rights and interests in three mines in Tajikistan, including the Kaftar-Hona anthracite deposit, the Ziddi coal deposit and the Mienadu coal deposit, and the mining lease with right to mine the Eastern Zone of Fon Yagnob Coal Deposit in Tajikistan. In addition, the Group engages in provision of supply chain management services for mineral business.

For the nine months ended 30 September 2013 (“Period”), the Group generated its turnover of approximately HK\$179.0 million. The Group has two reportable segments, which are (i) provision of supply chain management services for mineral business, and (ii) production and exploitation of coal in Tajikistan. During the Period, the business segment for provision of supply chain management services generated turnover of approximately HK\$164.7 million, while the production and exploitation of coal in Tajikistan generated turnover of approximately HK\$14.3 million.

For the three months ended 30 September 2013, profit for the period was approximately HK\$6.8 million (2012: HK\$1.9 million); while for the nine months ended 30 September 2013, loss for the period was approximately HK\$25.7 million (2012: HK\$32.1 million).

The mining lease with right to mine the Eastern Zone of Fon Yagnob Coal Deposit, which was obtained at late 2012, started its contribution. Production started in 2013, delivering approximately 33,460 tonnes during the Period. During the Period, coal production from Zeddi was approximately 18,188 tonnes, while that from Mienadu was approximately 902 tonnes.

Termination of Acquisition of coal trading business in Inner Mongolia - 86% equity interest in Farton Group Limited (“the Acquisition”)

On 23 June 2013, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the Agreement pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares at the Consideration of HK\$50 million, which will be satisfied by the issue and allotment by the Company to the Vendor of the 250,000,000 Consideration Shares at HK\$0.2 each. In connection with the Acquisition, the Purchaser also agreed to inject an amount of HK\$50 million to Riseway for the Target Group’s future operation. As certain conditions precedent under the



Agreement cannot be fulfilled prior to the Long Stop Date, being 23 September 2013, the agreement was terminated accordingly.

Details of the announcement on termination of the Acquisition can be found in the related announcement dated 27 September 2013 on "<http://www.kaisunenergy.com>" under "Announcements" section.

OUTLOOK AND PROSPECTS

Coal price in Tajikistan remain stable, with demand coming from stable customers such as cement factories, textile factories. Tajikistan economy is not affected by the downturn of coal markets in other Asian countries. Weather, however, is a key factor to our production of coal and its logistic. Snow fell earlier than expected in 2013 and slowed down our development of new markets in other parts of Tajikistan other than Dushanbe.

During the meeting of Shanghai Cooperation Organisation held this September in Bishek, Xi Jinping, President of the People's Republic of China and President of Tajikistan held bilateral talks. After the meeting, intergovernmental agreement to build a gas pipeline from Turkmenistan into China through Tajikistan was signed in presence of the two presidents. It was reported that this pipeline will carry natural gas from the Turkmenistan's southern gas field through Afghanistan and Tajikistan into China's northeast Xinjiang-Uyghur Autonomous Region and the pipeline will be opened by the end of 2016. Implementation of the project will allow attraction of USD\$3 billion Chinese direct investment into the Tajik economy. Hence, the current economic and business environment between Tajikistan and China is highly favourable.

In order to capture opportunities arising from this favourable economic and business environment, the Group will utilize our resources in Tajikistan and China, in particular Xinjiang, to enhance forthcoming business development between Central Asia and China. With the synergistic effect created by the Group's coal production and our Xinjiang coal logistic business, the Group is well positioned to capture greater opportunities arising from this recent economic development.

The Group also continues to seek undervalue projects to acquire and develop while the coal market is still at the bottom of the price cycle in order to create more future upside. The Company's current strategy is to acquire near production coal mines, partnering with the larger companies/SOEs to reap rewards from developing these coal mines.



The Group's strategy continues to be actively looking for other appropriate investment opportunities in the resources sector. Announcement(s) will be published when appropriate.

FINANCIAL REVIEW

Turnover of the Group for the three months and nine months ended 30 September 2013 was approximately HK\$102.9 million and HK\$179.0 million respectively (for three months and nine months ended 30 September 2012: HK\$341.0 million and HK\$601.1 million).

Correspondingly, gross profit for the three months and nine months ended 30 September 2013 was approximately HK\$18.9 million and HK\$22.4 million respectively (for three months and nine months ended 30 September 2012: HK\$33.7 million and HK\$43.2 million).

The mining distribution costs of the Group for the three months and nine months ended 30 September 2013 was approximately HK\$14.8 million and HK\$28.8 million respectively (for three months and nine months ended 30 September 2012: HK\$11.4 million and HK\$19.4 million).

The administrative and other operating expenses of the Group for the three months and nine months ended 30 September 2013 was approximately HK\$12.3 million and HK\$42.7 million respectively (for three months and nine months ended 30 September 2012: HK\$17.0 million and HK\$58.2 million).

For nine months ended 30 September 2013, total finance cost amounted to approximately HK\$3.9 million (for three months and nine months ended 30 September 2012: HK\$5.1 million and HK\$15.5 million), representing an accrued interest payable on the Convertible Bonds upon the Bondholders redemption of Convertible Bonds and settlement expense for redemption of Convertible Bonds.



The Group recorded a loss of the total comprehensive income attributable to owners of the Company of approximately HK\$7.0 million and HK\$(26.5) million respectively (for three months and nine months ended 30 September 2012: HK\$3.9 million and HK\$(29.0) million) for the three months and nine months ended 30 September 2013.

LIQUIDITY AND FINANCIAL RESOURCE

As at 30 September 2013, the Group has a bank and cash balance of approximately HK\$120.8 million (as at 31 December 2012: HK\$200.4 million).

GEARING RATIO

The Group's gearing ratio, which represents the ratio of the Group's total liabilities over the Group's total asset, was 0.19 as at 30 September 2013 (as at 31 December 2012: 0.23).

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 2013, 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 2013, 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 2013 | |
|----------------------|------------------|------------------|---|-------------------|
| | | | Number of Shares | Underlying Shares |
| Chan Nap Kee, Joseph | Beneficial owner | 57,411,760 | 25,372,600 | 3.16% |
| Yang Yongcheng | Beneficial owner | 100,000 | 10,000,000 | 0.39% |
| Liew Swee Yean | Beneficial owner | 540,000 | 2,537,260 | 0.12% |
| Siu Siu Ling, Robert | Beneficial owner | 540,000 | 2,537,260 | 0.12% |
| Wong Yun Kuen | Beneficial owner | 2,000,000 | 2,537,260 | 0.17% |
| Anderson Brian Ralph | Beneficial owner | — | 2,537,260 | 0.10% |

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 2013, 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 2013, 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 2013 |
|---|--------------------------------------|------------------|--------------------------------------|-------------------------|--|
| <i>Substantial shareholders</i> | | | | | |
| Zhang Zhi Ping | Interest of a controlled corporation | 218,490,000 | — | 218,490,000 (Note 1) | 8.34% |
| Zhang Gaobo | Interest of a controlled corporation | 218,490,000 | — | 218,490,000 (Note 1) | 8.34% |
| Oriental Patron Financial Group Limited ("OPFGL") | Interest of a controlled corporation | 218,490,000 | — | 218,490,000 (Note 1) | 8.34% |
| Ottness Investments Limited ("OIL") | Interest of a controlled corporation | 132,110,000 | — | 132,110,000 (Note 1) | 5.04% |
| OP Financial Investments Limited ("OPFIL") | Interest of a controlled corporation | 132,110,000 | — | 132,110,000 (Note 1) | 5.04% |
| Profit Raider Investments Limited ("PRIL") | Beneficial owner | 132,110,000 | — | 132,110,000 (Note 1) | 5.04% |



Notes:

1. 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 ("PTHL"). PTHL 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 PTHL 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 2013, 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 OPTIONS

A share option scheme (the "Scheme") was adopted by the shareholders of the Company by way of written resolutions passed on 9 December 2003. The principal purpose of the Scheme is to enable the Group to grant options to subscribe for Shares to the eligible person as incentives or rewards for their contributions to the Group.

As at 30 September 2013, a total of 21,412,249 Shares, representing 0.80% of the existing issued share capital of the Group are available for issue in respect of the remaining options which may be granted under the Scheme.



Details of the Options granted under the Scheme during the period ended 30 September 2013 are as follows:

| | Date of Grant | Exercise Period | No. of Options | | | | |
|--|---------------|-----------------------|------------------------------|-------------------------|----------------------------|--------------------------|-----------------------------|
| | | | Outstanding as at 31/12/2012 | Grant during the Period | Exercise during the Period | Lapsed during the Period | Outstanding as at 30/9/2013 |
| <i>(Note 2)</i> | | | | | | | |
| Directors | | | | | | | |
| Chan Nap Kee, Joseph | 9/2/2010 | 9/2/2010–8/2/2013 | 20,056,750 | — | — | (20,056,750) | — |
| | 12/8/2011 | 12/8/2011–9/12/2013 | 25,372,600 | — | — | — | 25,372,600 |
| Yang Yongcheng | 12/8/2011 | 12/8/2011–9/12/2013 | 10,000,000 | — | — | — | 10,000,000 |
| Liew Swee Yean | 12/8/2011 | 12/8/2011–9/12/2013 | 2,537,260 | — | — | — | 2,537,260 |
| Siu Siu Ling, Robert | 12/8/2011 | 12/8/2011–9/12/2013 | 2,537,260 | — | — | — | 2,537,260 |
| Wong Yun Kuen | 12/8/2011 | 12/8/2011–9/12/2013 | 2,537,260 | — | — | — | 2,537,260 |
| Anderson Brian Ralph | 12/8/2011 | 12/8/2011–9/12/2013 | 2,537,260 | — | — | — | 2,537,260 |
| | | Sub-total | 65,578,390 | — | — | (20,056,750) | 45,521,640 |
| Employees in aggregate | | | | | | | |
| | 12/8/2011 | 12/8/2011–9/12/2013 | 10,000,000 | — | — | (10,000,000) | — |
| | 10/4/2012 | 10/4/2012–9/12/2013 | 15,000,000 | — | — | — | 15,000,000 |
| Other participants in aggregate | | | | | | | |
| | 18/10/2010 | 18/10/2010–17/10/2013 | 42,287,674 | — | — | — | 42,287,674 |
| | | | 132,866,064 | — | — | (30,056,750) | 102,809,314 |

Note:

- (1) These Options represent personal interest held by the relevant directors as beneficial owners.
- (2) 30,056,750 Options lapsed during the period under review.



4. 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 2013, based on the Company’s instructions, the trustee of the Share Award Scheme had purchased a total of 1,770,000 shares of the Company on the Stock Exchange at a total consideration of about HK\$263,000.

During the nine months ended 30 September 2013, no shares were awarded to any employee or director of the Company under the Share Award Scheme.

5. 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.



6. 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 primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the. It also reviews the effectiveness of the external and internal audit and conducts risk evaluation.

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

The audit committee provides 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, internal controls and risk evaluation. 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 unaudited quarterly results for the nine months ended 30 September 2013 have 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.



7. REMUNERATION COMMITTEE

The Company has established a Remuneration Committee (“RC”) with written terms of reference which deals clearly with its authorities and duties. The RC comprises three members, namely Dr. Wong Yun Kuen (chairman of RC), Mr. Anderson Brian Ralph and Mr. Chan Nap Kee, Joseph.

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

In order to comply with amendments to the GEM Listing Rules, on 30 March 2012, new terms of reference that supersedes previous terms of reference of the Remuneration 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”.

8. 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”. 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.



9. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the nine months ended 30 September 2013, 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 1,770,000 shares of the Company at a total consideration of about HK\$262,000.

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 2013. 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

In the opinion of the directors of the Company except for Code Provision A2.1 and A6.7, the Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules throughout the period ended 30 September 2013.

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.

During the period from 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 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 handle its latest development. In the meantime, Mr. Chan Nap Kee Joseph, our Chairman, took up the role of Acting Chief Executive Officer until the suitable person who will handle our latest development is selected. The Company will publish announcement on appointment of Chief Executive Officer when appropriate.

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 28 June 2013.

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

Hong Kong, 8 November 2013

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 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.