



# 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

Third Quarterly Report **2015**



## **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 2015, together with the unaudited comparative figures for the corresponding periods in 2014 as follows:

## **UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

	Note	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
<b>Turnover</b>	5	<b>2,396</b>	25,037	<b>4,021</b>	35,399
Cost of goods sold		<b>(372)</b>	(9,955)	<b>(1,823)</b>	(18,991)
<b>Gross profit</b>		<b>2,024</b>	15,082	<b>2,198</b>	16,408
Other income		<b>5,135</b>	3,528	<b>8,546</b>	13,632
Mining distribution costs		<b>(564)</b>	(19,853)	<b>(8,634)</b>	(27,673)
Administrative and other operating expenses		<b>(8,351)</b>	(11,813)	<b>(33,527)</b>	(36,656)
<b>Loss from operations</b>		<b>(1,756)</b>	(13,056)	<b>(31,417)</b>	(34,289)
Impairment loss on intangible assets		<b>—</b>	—	<b>(9,479)</b>	(9,538)
<b>Loss before tax</b>		<b>(1,756)</b>	(13,056)	<b>(40,896)</b>	(43,827)
Income tax (expense)/credit	6	<b>(62)</b>	302	<b>1,464</b>	1,234
<b>Loss for the period</b>		<b>(1,818)</b>	(12,754)	<b>(39,432)</b>	(42,593)
<b>Attributable to:</b>					
Owners of the Company		<b>(1,741)</b>	(12,495)	<b>(38,243)</b>	(37,492)
Non-controlling interests		<b>(77)</b>	(259)	<b>(1,189)</b>	(5,101)
		<b>(1,818)</b>	(12,754)	<b>(39,432)</b>	(42,593)
<b>Loss per share (HK Cents)</b>	8				
Basic		<b>(0.05)</b>	(0.48)	<b>(1.22)</b>	(1.43)

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

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
<b>Loss for the period</b>	<b>(1,818)</b>	(12,754)	<b>(39,432)</b>	(42,593)
<b>Other comprehensive income for the period, net of tax:</b>				
<i>Items that may be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	<b>(1,486)</b>	3,321	<b>(3,429)</b>	(720)
<b>Total comprehensive income for the period</b>	<b>(3,304)</b>	(9,433)	<b>(42,861)</b>	(43,313)
<b>Attributable to:</b>				
Owners of the Company	<b>(3,564)</b>	(8,950)	<b>(43,943)</b>	(37,453)
Non-controlling interests	<b>260</b>	(483)	<b>1,082</b>	(5,860)
	<b>(3,304)</b>	(9,433)	<b>(42,861)</b>	(43,313)



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

	Unaudited							
	Attributable to owners of the Company							
	Share capital	Share premium	Shares held for share award scheme	Foreign currency translation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	26,170	1,176,818	(1,204)	(8,416)	(715,569)	477,799	1,106	478,905
Total comprehensive income for the period	—	—	—	38	(37,491)	(37,453)	(5,860)	(43,313)
Purchase of shares held under the share award scheme	—	—	(446)	—	—	(446)	—	(446)
Award of shares for the share award scheme	—	—	1,098	—	—	1,098	—	1,098
Changes in equity for the period	—	—	652	38	(37,491)	(36,801)	(5,860)	(42,661)
At 30 September 2014 (unaudited)	26,170	1,176,818	(552)	(8,378)	(753,060)	440,998	(4,754)	436,244
At 1 January 2015	<b>26,170</b>	<b>1,176,818</b>	<b>(615)</b>	<b>(6,166)</b>	<b>(917,021)</b>	<b>279,186</b>	<b>(18,008)</b>	<b>261,178</b>
Total comprehensive income for the period	—	—	—	(5,700)	(38,243)	(43,943)	1,082	(42,861)
Purchase of shares held under the share award scheme	—	—	(3,327)	—	—	(3,327)	—	(3,327)
Issue of shares by way of placing	<b>11,514</b>	<b>122,988</b>	—	—	—	<b>134,502</b>	—	<b>134,502</b>
Transaction costs attributable to issue of shares	—	(6,725)	—	—	—	(6,725)	—	(6,725)
Changes in equity for the period	<b>11,514</b>	<b>116,263</b>	<b>(3,327)</b>	<b>(5,700)</b>	<b>(38,243)</b>	<b>80,507</b>	<b>1,082</b>	<b>81,589</b>
At 30 September 2015 (unaudited)	<b>37,684</b>	<b>1,293,081</b>	<b>(3,942)</b>	<b>(11,866)</b>	<b>(955,264)</b>	<b>359,693</b>	<b>(16,926)</b>	<b>342,767</b>

## **NOTES TO CONDENSED FINANCIAL INFORMATION**

### **1. GENERAL INFORMATION**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Unit 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. The condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the Company's functional and presentation currency.

### **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

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

These condensed financial information should be read in conjunction with the 2014 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 2014.

### **3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

During the nine months ended 30 September 2015, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") that are relevant to its operations and effective for its accounting periods beginning on 1 January 2015. IFRSs comprise of International Financial Reporting Standards; International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the nine months ended 30 September 2015 and the same period in last year.

The Group has not applied new and revised IFRSs that have been issued but are not yet effective. 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.

#### 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 2015:

Description	Fair value measurements			Total 2015
	as at 30 September 2015 using:			
	Level 1	Level 2	Level 3	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Recurring fair value measurements:</b>				
Financial assets at fair value through profit or loss				
Listed securities in Hong Kong	10,966	—	—	10,966
<b>Total recurring fair value measurements</b>	<b>10,966</b>	<b>—</b>	<b>—</b>	<b>10,966</b>

Description	Fair value measurements			Total 2014 HK\$'000
	as at 31 December 2014 using:			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Recurring fair value measurements:</b>				
Financial assets at fair value through profit or loss	—	—	—	—
<b>Total recurring fair value measurements</b>	—	—	—	—

## 5. TURNOVER

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Turnover				
Sales of goods				
— Production and exploitation of coal	1,542	14,763	1,542	15,521
— Provision of supply chain management services for mineral business	—	10,085	—	19,230
— Mining and metallurgical machineries production	854	189	2,479	648
	<b>2,396</b>	25,037	<b>4,021</b>	35,399





**6. INCOME TAX (EXPENSE)/CREDIT**

	<b>Unaudited Three months ended 30 September</b>		<b>Unaudited Nine months ended 30 September</b>	
	<b>2015 HK\$'000</b>	2014 HK\$'000	<b>2015 HK\$'000</b>	2014 HK\$'000
Current tax	<b>20</b>	—	<b>20</b>	—
Deferred tax	<b>42</b>	(302)	<b>(1,484)</b>	(1,234)
	<b>62</b>	(302)	<b>(1,464)</b>	(1,234)

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

PRC Enterprise Income tax has been provided at a rate of 25% (2014: 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.

**7. DIVIDENDS**

The Directors do not recommend the payment of dividend for the nine months ended 30 September 2015 (Nine months ended 30 September 2014: HK\$Nil).

**8. LOSS PER SHARE**

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

The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period are used in the basic 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 loss per share are based on the following data:

	<b>Unaudited Three months ended 30 September</b>		<b>Unaudited Nine months ended 30 September</b>	
	<b>2015 HK\$'000</b>	2014 HK\$'000	<b>2015 HK\$'000</b>	2014 HK\$'000
Loss for the purpose of calculating basic loss per share	<b>(1,741)</b>	(12,495)	<b>(38,243)</b>	(37,492)
<b>Number of shares ('000)</b>				
Issued ordinary shares at the beginning of the period	<b>2,617,006</b>	2,617,006	<b>2,617,006</b>	2,617,006
Effect of shares issued by way of placing	<b>1,151,400</b>	—	<b>525,670</b>	—
Effect of shares held for share award scheme	<b>(26,808)</b>	(785)	<b>(14,966)</b>	(3,109)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<b>3,741,598</b>	2,616,221	<b>3,127,710</b>	2,613,897

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary sharing during the period ended 30 September 2015 and 2014.

## 9. SHARE CAPITAL

	<b>Unaudited as at 30 September 2015 HK\$'000</b>	Audited as at 31 December 2014 HK\$'000
<b>Authorised:</b>		
10,000,000,000 ordinary shares of HK\$0.01 each	<b>100,000</b>	100,000
<b>Issued and fully paid:</b>		
2,617,005,700 (31 December 2014: 2,617,005,700) ordinary shares of HK\$0.01 each	<b>26,170</b>	26,170
Issue of shares by way of placing ( <i>Note a</i> )	<b>11,514</b>	—
	<b>37,684</b>	26,170



Notes:

- (a) i On 7 May 2015, the Company allotted and issued 523,400,000 ordinary shares of HK\$0.01 each in the capital of the Company by way of placing at a placing price of HK\$0.089 per share. The Company raised approximately HK\$44,250,000 (net of expenses).
- ii On 17 June 2015, the Company allotted and issued 628,000,000 ordinary shares of HK\$0.01 each in the capital of the Company by way of placing at a placing price of HK\$0.14 per share. The Company raised approximately HK\$83,520,000 (net of expenses).

## 10. SEGMENT INFORMATION

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

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

The accounting policies of the operating segments are the same as those described in the Group's financial statements for the year ended 31 December 2014. 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.

	<b>Mining and metallurgical machineries production in Shandong HK\$'000</b>	<b>Provision of supply chain management services for mineral business HK\$'000</b>	<b>Production and exploitation of coal in Tajikistan HK\$'000</b>	<b>Total HK\$'000</b>
<b>For nine months ended</b>				
<b>30 September 2015 (unaudited)</b>				
Revenue from external customers	2,479	–	1,542	4,021
Segment loss	(1,908)	(9,670)	(28,584)	(40,162)
<b>As at 30 September 2015</b>				
<b>(unaudited)</b>				
Segment assets	11,186	173,733	12,353	197,272
Segment liabilities	(498)	(5,511)	(11,546)	(17,555)

	Shandong mining and metallurgical machineries production HK\$'000	Provision of supply chain management services for mineral business HK\$'000	Production and exploitation of coal in Tajikistan HK\$'000	Total HK\$'000
<b>For nine months ended</b>				
<b>30 September 2014 (unaudited)</b>				
Revenue from external customers	648	19,230	15,521	35,399
Segment loss	(2,212)	(7,620)	(34,617)	(44,449)
<b>As at 31 December 2014</b>				
<b>(unaudited)</b>				
Segment assets	142,510	25,341	7,556	175,407
Segment liabilities	(1,728)	(12,811)	(541)	(15,080)

**Unaudited**  
**Nine months ended**  
**30 September**

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
<b>Reconciliations of segment profit or loss</b>		
Total profit or loss of reportable segments	<b>(40,162)</b>	(44,449)
Other profit or loss	<b>730</b>	1,856
Consolidated loss for the period	<b>(39,432)</b>	(42,593)



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

Management of Kaisun Energy Group Limited (“the Group”) is delighted to let our shareholders know that we have achieved a milestone on 29 October 2015 by signing a conditional agreement with Tojiksodirobank (“TSB”) in a forum cohosted by the Group at the Hong Kong Polytechnic University. Attendees and speakers of this event included prestigious guests such as Tajik Ambassador to China and Shanghai Cooperation Corporation (“SCO”) Secretary General designate Mr. Rashid Alimov as well as Mr. John Tsang Chun-wah, GBM, JP, Financial Secretary of HKSAR. This conditional agreement signing marks the first ever Hong Kong — Central Asia cooperation in China’s Belt and Road Initiative (“B&R”). Central Asia being the core region of the “Belt” in the B&R.

The significance of this conditional agreement goes beyond the great business potential between the Group and TSB (TSB is one of the largest privately held commercial banks in Tajikistan of Central Asia). In recent months, there had been many discussions, media coverage, forums and speeches on how Hong Kong can participate in the B&R. With that said, many Hong Kong companies are able to recognize the massive potential but actually taking action is a totally different beast. Fortunately, management of the Group saw the potential in Central Asia and invested in Tajikistan back in 2011 before the B&R was made official by Chinese President Xi Jinping in 2013. With the experience and business connection we have accumulated over the years, the Group is able to become the frontrunner of the B&R and we believe we can be a role model to other Hong Kong companies that want to take advantage of this once in a lifetime opportunity.

Our conditional agreement with TSB is the second collaboration we have with the respectable establishment. The first being a MOU signed in June 2015 regarding establishing a multi-purpose trading platform in Tajikistan. Kaisun Energy and TSB collaboration is based on the following strategic reasoning:

- 1) Tajikistan is a natural resource and minerals rich country without a modern commodity trading platform.
- 2) Financial sector is one of Hong Kong’s greatest strength. Tajikistan can learn from one of the best when developing its financial sector.

- 3) Renminbi internationalization is one of most important agenda of the Belt and Road Initiative. Tajikistan, Central Asia as well as many “Belt” countries have to a certain extent been using RMB to settle their trade with their Chinese counterparts. It is our hope that through the collaboration with TSB we can standardize this practice starting with a trading platform in Tajikistan and go from there.

With that said, we have not forgotten our cooperation framework agreement with China National Technical Import and Export Corporation (“CNTIC”) — a wholly-owned subsidiary of the US Fortune 500 China General Technology (Group) Holding Ltd. We have been exploring business opportunities with the said Central Enterprise. The Group continues to aim to partner up with large state-owned enterprise (“SOE”) to jointly take on potential projects. Nonetheless, the Group aims to become more than a “super connector”, but instead use our experience and expertise to help our partners with hands on involvement whether it will be fund raising, handling government relationships, corporate management, and future exit strategy and execution.

While the Group is moving forward with the B&R business development, management of the Group continued to dedicate much of our attention to the Group’s existing businesses. Our existing business and B&R business development are always moving forward in parallel. However, since coal mining and mining related industry have been struggling in the recent years, the Group has shifted our attention from ramping up production to stricter cost control and reducing capital expenditure while retaining the necessary flexibility when opportunities arises. Part of the appeal of B&R business is that unlike our mining related business which is cyclical in nature, B&R related business will not be undermined by cyclical effects.

As previously stated in the Group’s interim report of 2015, the demand of coal in Tajikistan remains healthy and stable. The reason management of the Group decides to be more conservative in the production is because all of the Group coal sale is denominated in the rapidly depreciating Somoni (Jan 2015 USD1=TJS 5.3, Nov 2015 USD1=TJS 6.62, a depreciation of 25% over 11 months’ time) while our production costs are mostly denominated in other currencies such as Renminbi and US Dollars. The Group’s Shandong mining and metallurgical machineries production and supply chain management businesses have also been affected by the low demands in minerals and the current economic environment. Nonetheless, our Shangdong business is very flexible in nature and our modest scale actually helps us survive in this hostile environment while other large scale



operations are closing down due to high overhead costs. Likewise, it is to the discretion of the Group's management whether to take on supply chain management business so our exposure is minimized.

For the rest of the year, management of the Group will continue to monitor our existing business and act accordingly to our existing development plans. Management of the Group still do not see a quick turnaround in the coal industry, therefore our decisions will most likely remain conservative. We are, however, confident that we are capable of adapting to most changes that will likely occur.

Management of the Group is in the course of reorganising the business units to reflect the Group's business strategies and development in the B&R. The Group believes in leveraging our experience in the "Belt" countries initially in Central Asia in the sectors of energy and mining; logistic services; food and agriculture & financial market. This reorganisation is so structured to pave way to invite strategic equity investors to partner with us in order to transform each business unit into standalone operations. We currently have CNTIC as our industrial partner and TSB for strategic partnership in the financial sector. Our long term partner, Xinjiang Coal Geology Bureau with whom Kaisun is still maintaining close contact, will help us with our forthcoming development in the mining, energy and logistics sectors. The Group's long term and closer relationships with the aforementioned companies will help our group to invite more big corporations with expertise in their own field to come in to strengthen our businesses. These big corporations invited will then be able to leverage on the Group's experience in the Silk Road to achieve great success.

Management of the Group will continue to move forward in our B&R business development plan. Management of the Group have established joint task force with our B&R business development partners such as CNTIC and TSB. Collaborations, strategy formulation as well as feasibility studies reports on potential projects are currently in motion while we continue to look for other strong business partners and B&R opportunities. Also, due to the investment scale of most of these projects, the Group will likely need further fund raising and management of the Group have identified suitable and strong investors and will keep close contacts with them. Official announcements will be made regarding the next step of our investments or fund raising activities when appropriate.

## **FINANCIAL REVIEW**

Turnover of the Group for the period amounted to approximately HK\$4.0 million (for the period ended 30 September 2014: HK\$35.4 million). Turnover arose from Shandong mining and metallurgical machineries production and production and exploitation of coal in Tajikistan amounted to HK\$2.5 million and HK\$1.5 million respectively.

Gross profit from the Group's operations for the period was approximately HK\$2.2 million (for the period ended 30 September 2014: HK\$16.4 million).

For the period, the total administrative and other operating expenses from the Group's operations is approximately HK\$33.5 million (for the period ended 30 September 2014: HK\$36.7 million).

The Group recorded loss for the period of approximately HK\$(39.4) million (for the period ended 30 September 2014: HK\$(42.6) million).

The total comprehensive income attributable to owners of the Company for the period amounted to approximately HK\$(43.9) million (for the period ended 30 September 2014: HK\$(37.5) million).

## **LIQUIDITY AND FINANCIAL RESOURCE**

As at 30 September 2015, the Group has a bank and cash balances of approximately HK\$121.1 million (as at 31 December 2014: HK\$54.6 million).

## **GEARING RATIO**

The Group's gearing ratio, which represents the ratio of the Group's long term liabilities over the Group's total assets, was Nil as at 30 September 2015 (as at 31 December 2014: Nil).

## **FOREIGN EXCHANGE EXPOSURE**

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars, Renminbi ("RMB"), Sterling Pound, United States dollars and Tajik Somoni. As at 30 September 2015, 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 2015, 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*

<b>Name of Directors</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Number of Underlying Shares</b>	<b>Approximate percentage of the total issued Shares as at 30 September 2015</b>
Chan Nap Kee, Joseph	Beneficial owner	95,311,760	—	2.53%
Yang Yongcheng	Beneficial owner	100,000	—	0.00%
Liew Swee Yean	Beneficial owner	540,000	—	0.01%
Siu Siu Ling, Robert	Beneficial owner	540,000	—	0.01%
Wong Yun Kuen	Beneficial owner	2,000,000	—	0.05%

Save as disclosed above, as at 30 September 2015, 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 2015, 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*

<b>Name of Shareholders</b>	<b>Capacity and nature of interest</b>	<b>Number of shares</b>	<b>Number underlying Shares</b>	<b>Total Interest</b>	<b>Approximate percentage of the total issued Shares as of at 30 September 2015</b>
<i>Substantial shareholders</i>					
Zhang Zhi Ping	Interest of a controlled corporation	218,490,000	—	218,490,000 <i>(Note 1)</i>	5.80%
Zhang Gaobo	Interest of a controlled corporation	218,490,000	—	218,490,000 <i>(Note 1)</i>	5.80%
Oriental Patron Financial Group Limited ("OPFGL")	Interest of a controlled corporation	218,490,000	—	218,490,000 <i>(Note 1)</i>	5.80%

### *Notes:*

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

Of these 218,490,000 Shares, 86,380,000 Shares are held by Pacific Top Holding Limited ("PTHL"). PTHL is wholly owned by Oriental Patron Financial Services Group Limited ("OPFSG"), OPFSG is 95% held by OPFGL. Zhang Zhi Ping, Zhang Gaobo, OPFGL and OPFSG are deemed to be interested in the interests held by PTHL 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 2015, had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 & 3 of Part XV of the SFO.

### **3. SHARE AWARD SCHEME**

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

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

During the nine months ended 30 September 2015, based on the Company's instructions, the trustee of the Share Award Scheme had purchased a total of 34,610,000 shares of the Company on the Stock Exchange at a total consideration of about HK\$3,327,000.

During the period ended 30 September 2015, no shares were awarded to any employee or director of the Company under the Share Award Scheme.

### **4. DIRECTORS' INTEREST IN COMPETING BUSINESS**

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

## **5. AUDIT COMMITTEE**

The Company has established an audit committee (“AC”) on 9 December 2003 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The AC comprises four independent non-executive directors, namely Mr. Liew Swee Yean, Mr. Siu Siu Ling Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph and Mr. Liew Swee Yean is the chairman of the AC.

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

In order to comply with amendments to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, on 30 March 2012, new terms of reference that supersedes previous terms of reference of the AC were adopted. The new written terms of reference which describes its authorities and duties is available on the Company’s website [www.kaisunenergy.com](http://www.kaisunenergy.com) under “Investor Relations” section with heading of “Corporate Governance”.

The unaudited quarterly results for the nine months ended 30 September 2015 have been reviewed by the AC which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

## **6. REMUNERATION COMMITTEE**

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



The current RC comprised one executive director and two independent non-executive directors, namely Mr. Chan Nap Kee Joseph, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph. Dr. Wong Yun Kuen is the chairman of the RC.

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

In order to comply with amendments to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, on 30 March 2012, new terms of reference that supersedes previous terms of reference of the RC were adopted. The new written terms of reference which describes its authorities and duties is available on the Company's website [www.kaisunenergy.com](http://www.kaisunenergy.com) under "Investor Relations" section with heading of "Corporate Governance".

## **7. NOMINATION AND CORPORATE GOVERNANCE COMMITTEE**

On 30 March 2012, the Company established a Nomination and Corporate Governance Committee ("NC") with written terms of reference which deals clearly with its authorities and duties. The NC comprises three members, namely Mr. Siu Siu Ling Robert (chairman of the 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](http://www.kaisunenergy.com) under "Investor Relations" section with heading of "Corporate Governance".

## **8. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the nine months ended 30 September 2015, 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 34,610,000 shares of the Company at a total consideration of about HK\$3,327,000.

## **9. CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the nine months ended 30 September 2015. The Company has also made specific enquiry to all Directors and the Company was not aware of any noncompliance with the required standard of dealings under the GEM Listing Rules and its code of conduct regarding securities transactions by Directors.

## **10. CODE ON CORPORATE GOVERNANCE PRACTICE**

The 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 period ended 30 June 2015, 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 is considered that the board diversity is in place and therefore written policy is not required. Due to the amendment of the Listing Rules effective 1 September 2013, a board diversity policy (the "Board Diversity Policy") has been adopted in December 2013. The Board Diversity would be considered from a number of aspects, including but not limited to skills, experience, knowledge, expertise, culture, independence, age and gender.

Under Code Provision A6.7, independent non-executive directors and other non-executive directors should attend general meetings. Mr. Anderson Brian Ralph was unable to attend the annual general meeting of the Company held on 11 May 2015.

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

Hong Kong, 6 November 2015

*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.*

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