

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

# KAISUN ENERGY GROUP LIMITED

## 凱順能源集團有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code : 8203

\* For identification purpose only

# 2011

## Third Quarterly Report



## **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.*

## HIGHLIGHTS

- Turnover of the Group for the three months and nine months ended 30 September 2011 from continuing operations and non-current assets held for sale was approximately HK\$38.3 million and HK\$61.0 million respectively (three months and nine months ended 31 December 2010: HK\$38.2 million and HK\$59.6 million).
- The Group recorded total comprehensive income for the three months and nine months ended 30 September 2011 of approximately HK\$14.6 million and HK\$62.5 million respectively (three months and nine months ended 31 December 2010: HK\$30.0 million and HK\$44.4 million). During the three months and nine months ended 30 September 2011, the Group recorded other comprehensive income, net of tax of approximately HK\$28.2 million and HK\$98.3 million respectively from the exchange differences on translating foreign operations, which offset the loss for the three months and nine months ended 30 September 2011 of approximately HK\$(13.6) million and HK\$(35.8) million respectively (three months and nine months ended 31 December 2010: HK\$(12.7) million and HK\$(28.2) million).
- Total comprehensive income attributable to owners of the Company for the three months and nine months ended 30 September 2011 amounted to approximately HK\$2.2 million and HK\$28.1 million respectively (three months and nine months ended 31 December 2010: HK\$15.0 million and HK\$19.0 million).
- Basic loss per share of the Group for the three months and nine months ended 30 September 2011 amounted to approximately HK cent 0.58 and HK cent 1.57 respectively (three months and nine months ended 31 December 2010: HK cent 0.70 and HK cent 1.52).

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 2011, together with the unaudited comparative figures for the three months ended 30 September 2011 and the audited comparative figures for the nine months ended 31 December 2010 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the nine months ended 30 September 2011

	Note	Unaudited	Unaudited	Unaudited	Audited
		30 September 2011 HK\$'000	31 December 2010 HK\$'000	30 September 2011 HK\$'000	31 December 2010 HK\$'000
<b>Turnover</b>	4	3,922	—	4,067	—
Cost of goods sold		(4,614)	—	(9,463)	—
<b>Gross loss</b>		(692)	—	(5,396)	—
Other income		581	158	1,015	401
Administrative and other operating expenses		(11,104)	(15,011)	(22,777)	(24,384)
<b>Loss from operations</b>		(11,215)	(14,853)	(27,158)	(23,983)
Finance costs	5	(5,449)	(5,103)	(15,836)	(16,245)
<b>Loss before tax</b>		(16,664)	(19,956)	(42,994)	(40,228)
Income tax	6	—	—	—	—
<b>Loss for the period from continuing operations</b>		(16,664)	(19,956)	(42,994)	(40,228)
<b>Non-current assets held for sale</b>					
Profit for the period from non-current assets held for sale	7	3,039	7,237	7,197	11,990
<b>Loss for the period</b>		(13,625)	(12,719)	(35,797)	(28,238)
<b>Attributable to:</b>					
Owners of the Company					
Loss from continuing operations		(16,885)	(19,956)	(42,744)	(40,228)
Profit from non-current assets held for sale		2,127	5,066	5,038	8,393
Loss attributable to owners of the Company		(14,758)	(14,890)	(37,706)	(31,835)
Non-controlling interests					
Profit/(loss) from continuing operations		221	—	(250)	—
Profit from non-current assets held for sale		912	2,171	2,159	3,597
Profit attributable to non-controlling interests		1,133	2,171	1,909	3,597
		(13,625)	(12,719)	(35,797)	(28,238)

	Note	Unaudited	Unaudited	Unaudited	Audited
		Three months ended	31 December	Nine months ended	31 December
		30 September	2010	30 September	2010
		2011	2010	2011	2010
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Loss per share (cents)</b>	9				
For continuing operations and non-current assets held for sale					
— basic		(0.58)	(0.70)	(1.57)	(1.52)
— diluted		(0.32)	(0.40)	(0.78)	(0.64)
For continuing operations					
— basic		(0.67)	(0.94)	(1.77)	(1.92)
— diluted		(0.39)	(0.61)	(0.95)	(0.99)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2011

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September 2011 HK\$'000	31 December 2010 HK\$'000	30 September 2011 HK\$'000	31 December 2010 HK\$'000
<b>Loss for the period</b>	<b>(13,625)</b>	(12,719)	<b>(35,797)</b>	(28,238)
Other comprehensive income for the period, net of tax				
Exchange differences on translating foreign operations	<b>28,182</b>	42,742	<b>98,254</b>	72,593
<b>Total comprehensive income for the period</b>	<b>14,557</b>	30,023	<b>62,457</b>	44,355
<b>Attributable to:</b>				
Owners of the Company	<b>2,154</b>	15,021	<b>28,101</b>	18,979
Non-controlling interests	<b>12,403</b>	15,002	<b>34,356</b>	25,376
	<b>14,557</b>	30,023	<b>62,457</b>	44,355

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2011

	Attributable to owners of the Company								
	Share capital	Share premium	Foreign currency translation reserve	Share-based payment reserve	Convertible bonds reserve	Retained profits	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 April 2010	20,057	889,427	3,265	22,244	138,553	568,855	1,642,401	730,975	2,373,376
Total comprehensive income for the period	—	—	50,814	—	—	(31,835)	18,979	25,376	44,355
Share-based payments	—	—	—	9,501	—	—	9,501	—	9,501
Share options forfeited	—	—	—	(2,381)	—	2,381	—	—	—
Issue of shares for replacement convertible bonds converted	1,069	91,877	—	—	(34,751)	—	58,195	—	58,195
Issue of shares on exercise of share options	18	1,876	—	(555)	—	—	1,339	—	1,339
Changes in equity for the period	1,087	93,753	50,814	6,565	(34,751)	(29,454)	88,014	25,376	113,390
At 31 December 2010 (audited) and 1 January 2011	21,144	983,180	54,079	28,809	103,802	539,401	1,730,415	756,351	2,486,766
Total comprehensive income for the period	—	—	65,807	—	—	(37,706)	28,101	34,356	62,457
Share-based payments	—	—	—	10,251	—	—	10,251	—	10,251
Share options forfeited	—	—	—	(3,467)	—	3,467	—	—	—
Arising on acquisition of subsidiaries	4,229	171,265	—	—	—	—	175,494	—	175,494
Changes in equity for the period	4,229	171,265	65,807	6,784	—	(34,239)	213,846	34,356	248,202
At 30 September 2011 (unaudited)	25,373	1,154,445	119,886	35,593	103,802	505,162	1,944,261	790,707	2,734,968

## 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 5/F., 31C-D Wyndham 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").

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group's financial statements for the year ending 31 December 2011 will be the first set annual financial statements that comply with International Financial Reporting Standards ("IFRSs"). The Group has applied International Financial Reporting Standards ("IFRS") 1 in preparing these condensed consolidated financial information.

These condensed financial information have been prepared in accordance with International Accounting Standards ("IAS") 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 2010 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 nine months period ended 31 December 2010.

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

During the nine months ended 30 September 2011, the Group has adopted all the new and revised IFRSs issued by the IASB that are relevant to its operations and effective for its accounting year beginning on 1 January 2011. IFRSs comprise of IFRS; IAS; 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 current period and prior years.

The Group has not applied the 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. TURNOVER

	Unaudited	Unaudited	Unaudited	Audited
	Three months ended		Nine months ended	
	30 September 2011 HK\$'000	31 December 2010 HK\$'000	30 September 2011 HK\$'000	31 December 2010 HK\$'000
Turnover				
Sales of goods	38,280	38,233	60,963	59,619
Representing:				
Continuing operations	3,922	—	4,067	—
Non-current assets held for sale	34,358	38,233	56,896	59,619
	38,280	38,233	60,963	59,619

#### 5. FINANCE COSTS

	Unaudited	Unaudited	Unaudited	Audited
	Three months ended		Nine months ended	
	30 September 2011 HK\$'000	31 December 2010 HK\$'000	30 September 2011 HK\$'000	31 December 2010 HK\$'000
Interest on bank loans and overdrafts	6,214	5,186	17,224	15,945
Amount capitalized	(6,214)	(5,186)	(17,224)	(15,945)
	—	—	—	—
Interest on convertible bonds	(5,102)	(5,103)	(15,140)	(16,245)
Interest on loan from a former owner of a subsidiary	(347)	—	(696)	—
	(5,449)	(5,103)	(15,836)	(16,245)
Representing:				
Continuing operations	(5,449)	(5,103)	(15,836)	(16,245)
Non-current assets held for sale	—	0	—	—
	(5,449)	(5,103)	(15,836)	(16,245)

## 6. INCOME TAX EXPENSE

	Unaudited	Unaudited	Unaudited	Audited
	Three months ended		Nine months ended	
	30 September	31 December	30 September	31 December
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Income tax expense				
Current tax — PRC enterprise income tax	(10)	(3,206)	(1,436)	(3,454)
Representing:				
Continuing operations	—	—	—	—
Non-current assets held for sale	(10)	(3,206)	(1,436)	(3,454)
	(10)	(3,206)	(1,436)	(3,454)

No provision for profits tax in the British Virgin Islands, Cayman Islands, Tajikistan and Hong Kong is required as the Group has no assessable profit arising in or derived from these jurisdictions for the relevant periods.

Pursuant to relevant laws and regulations in the People's Republic of China (the "PRC"), the tax rate applicable to the subsidiary in the PRC was 25%.

## 7. NON-CURRENT ASSETS HELD FOR SALE

	Unaudited Three months ended		Unaudited Nine months ended	
	30 September 2011 HK\$'000	31 December 2010 HK\$'000	30 September 2011 HK\$'000	31 December 2010 HK\$'000
<b>Turnover</b>	<b>34,358</b>	38,233	<b>56,896</b>	59,619
Cost of goods sold	<b>(25,011)</b>	(19,777)	<b>(31,864)</b>	(30,766)
<b>Gross profit</b>	<b>9,347</b>	18,456	<b>25,032</b>	28,853
Other income	<b>194</b>	163	<b>198</b>	409
Selling and distribution costs	<b>(11)</b>	(109)	<b>(142)</b>	(121)
Administrative and other operating expenses	<b>(6,481)</b>	(8,067)	<b>(16,455)</b>	(13,697)
<b>Profit from operations</b>	<b>3,049</b>	10,443	<b>8,633</b>	15,444
Finance costs	—	—	—	—
<b>Profit before tax</b>	<b>3,049</b>	10,443	<b>8,633</b>	15,444
Income tax	<b>(10)</b>	(3,206)	<b>(1,436)</b>	(3,454)
<b>Profit for the period</b>	<b>3,039</b>	7,237	<b>7,197</b>	11,990

## 8. DIVIDEND

The Directors do not recommend the payment of dividend for the nine months ended 30 September 2011 (Nine months ended 31 December 2010: HK\$Nil).

## 9. LOSS PER SHARE

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

	Unaudited Three months ended	Unaudited ended	Unaudited Nine months ended	Audited
	30 September 2011 HK\$'000	31 December 2010 HK\$'000	30 September 2011 HK\$'000	31 December 2010 HK\$'000
<b>Continuing operations and non-current assets held for sale:</b>				
Loss for the purpose of calculating basic loss per share	(14,758)	(14,890)	(37,706)	(31,835)
Net finance costs saving on conversion of replacement convertible bonds outstanding	5,102	5,103	15,140	16,245
Loss for the purpose of calculating diluted loss per share	(9,656)	(9,787)	(22,566)	(15,590)
<b>Continuing operations:</b>				
Loss for the purpose of calculating basic loss per share	(16,885)	(19,956)	(42,744)	(40,228)
Net finance costs saving on conversion of replacement convertible bonds outstanding	5,102	5,103	15,140	16,245
Loss for the purpose of calculating diluted loss per share	(11,783)	(14,853)	(27,604)	(23,983)
<b>Number of shares (in '000)</b>				
Issued ordinary shares at beginning of the period	2,537,261	2,114,384	2,114,384	2,005,675
Effect of shares issued arising on acquisition of subsidiaries	—	—	294,310	—
Effect of conversion of replacement convertible bonds	—	—	—	86,476
Effect of exercise of options	—	—	—	1,249
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	2,537,261	2,114,384	2,408,694	2,093,400
Effect of dilutive potential ordinary shares arising from share options outstanding	135,267	7,781	135,267	7,781
Effect of dilutive potential ordinary shares arising from replacement convertible bonds outstanding	357,410	331,199	357,410	331,199
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	3,029,938	2,453,364	2,901,371	2,432,380

### **From non-current assets held for sale**

Basic and diluted profit per share from the non-current assets held for sale are HK cent 0.20 and HK cent 0.17 respectively (Nine months ended 31 December 2010: HK cent 0.40 and HK cent 0.35 respectively) for the nine months ended 30 September 2011, based on the profit for the period from non-current assets held for sale attributable to the owners of the Company of HK\$5.0 million (Nine months ended 31 December 2010: HK\$8.4 million) and the denominator used is the same as that detailed in the table above for basic and diluted loss per share.

## **10. CONVERTIBLE BONDS**

During the year ended 31 March 2010, all convertible bonds were converted to ordinary shares of the Company (the "Shares") by the bondholders and the replacement convertible bonds (the "Replacement Bonds") amounting to HK\$516,052,428 with the face value of HK\$426,680,000 were issued to the bondholders to satisfy the conversion cap payment.

The maturity date of the 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 has no right to require the early cancellation or redemption of any of the Replacement Bonds prior to the Maturity Date.

At 30 September 2011, the outstanding Replacement Bonds have face value of HK\$217,660,000 and there are maximum of approximately 357,410,000 new Shares that can be converted into Shares.

## 11. SHARE CAPITAL

	<b>Unaudited</b>	Audited
	<b>as at</b>	as at
	<b>30 September</b>	31 December
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.01 each	<b>100,000</b>	100,000
Issued and fully paid:		
2,537,260,500 (31 December 2010: 2,114,383,750) ordinary shares of HK\$0.01 each	<b>25,373</b>	21,144

On 15 March 2011 a wholly owned subsidiary of the Company entered a share sale and purchase agreement with an independent third party to acquire the entire issued share capital in Saddleback Mining Limited ("Acquisition"). Part of the consideration of the Acquisition was satisfied by allotting and issuing of 422,876,750 ordinary shares of the Company to the vendor. On 25 March 2011, the Company issued 422,876,750 ordinary shares of HK\$0.01 each at the then market value of HK\$0.415 each resulting a premium of HK\$0.405 per share.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW


The Group generated its turnover of approximately HK\$38.3 million and HK\$61.0 million from continuing operations and non-current assets held for sale for the three months and nine months ended 30 September 2011 respectively.

Turnover for the three months ended 30 September 2011 from Mengxi Minerals was approximately HK\$34.4 million, which was slightly lower than the turnover of approximately HK\$38.2 million for the three months ended 31 December 2010. As disposal of Mengxi Minerals will be completed shortly, results of Mengxi Minerals were classified as “non-current assets held for sale” according to International Financial Reporting Standards (“IFRS”), with details of its results stated in note 7 of this third quarter results announcement.

The Group generated its turnover of approximately HK\$3.9 million and HK\$4.1 million from the sale of coal from the Tajikistan operation for the three months and nine months ended 30 September 2011. After disposal of Mengxi Minerals, the Tajikistan operation becomes the sole continuing operation of the Group. Background, plans and other details of the Tajikistan operation were stated in the Company’s circular dated 6 October 2011 (“the Circular”).

### **VERY SUBSTANTIAL DISPOSAL – EQUITY TRANSFER AGREEMENT ON SALE OF EQUITY INTEREST IN MENGXI MINERALS – OBTAINING SHAREHOLDERS APPROVAL IN EXTRAORDINARY GENERAL MEETING DATED 24 OCTOBER 2011 (“EGM”)**

On 15 June 2011 Joy Harvest Holdings Limited (“Vendor”), the wholly owned subsidiary of the Company and Otog Banner Xin Ya Coking Coal Co. Ltd. (“Purchaser”) entered into the Equity Transfer Agreement pursuant to which the Vendor had conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase 70% of the registered capital in Mengxi Minerals (being the Equity Interest) at a cash Consideration of RMB810 million (equivalent to approximately HK\$976 million), (“Equity Transfer Agreement”) details of which were disclosed in the Company’s announcement dated 18 July 2011, and the Circular.



During EGM, the effective resolution of the Equity Transfer Agreement was duly passed as ordinary resolution by way of poll, with 100% of voting shares (*Note 1*) voted in favour of the Equity Transfer Agreement, fulfilling condition (c) as stated in page 9 of the Circular, being one of the conditions precedent for completion of the Equity Transfer.

The Company is currently taking other necessary steps to fulfill other conditions required for completion of the Equity Transfer (“Completion”), details of which were explained in page 9 and 10 of the Circular.

As stated in page 10 of the Circular, Completion shall take place on the date when all conditions precedent have been fulfilled. On Completion, the Company will publish an announcement.

*Note 1.* voting shares were based on the total number of shares held by the Independent Shareholders who voted at the EGM in person or by proxy.

## **OUTLOOK AND PROSPECTS**


As discussed in our interim report 2011, in light of the changing business environment and current business standing of the Company, the Board is prudent and not rushing into decision that could effectively constrain our operation, capital wise and business wise in the next few years. The proceeds from the disposal of the Company’s equity interest in Mengxi Minerals may be used on our mining project in Tajikistan to accelerate its development and production progress or any other investment opportunities that matches the scale of our Company and fits in our Company’s development in the energy and resources sector.

The Group’s strategy continues to be actively looking for other appropriate investment opportunities in the energy and 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 2011 from continuing operations and non-current assets held for sale was approximately HK\$38.3 million and HK\$61.0 million respectively (three months and nine months ended 31 December 2010: HK\$38.2 million and HK\$59.6 million).





Correspondingly, gross profit of the Group for the three months and nine months ended 30 September 2011 from continuing operations and non-current assets held for sale was approximately HK\$8.7 million and HK\$19.6 million respectively (three months and nine months ended 31 December 2010: HK\$18.5 million and HK\$28.9 million). The Group recorded gross loss from continuing operations of approximately HK\$5.4 million for the nine months ended 30 September 2011, attributable from amortisation of mining rights in the Group's Tajikistan operation.

The administrative and other operating expenses of the Group for the three months and nine months ended 30 September 2011 from continuing operations and non-current assets held for sale was approximately HK\$17.6 million and HK\$39.2 million respectively (three months and nine months ended 31 December 2010: HK\$23.1 million and HK\$38.1 million).

The finance costs of the Group for the three months and nine months ended 30 September 2011 from continuing operations and non-current assets held for sale was approximately HK\$5.4 million and HK\$15.8 million respectively (three months and nine months ended 31 December 2010: HK\$5.1 million and HK\$16.2 million).

The Group recorded total comprehensive income for the three months and nine months ended 30 September 2011 of approximately HK\$14.6 million and HK\$62.5 million respectively (three months and nine months ended 31 December 2010: HK\$30.0 million and HK\$44.4 million). During the three months and nine months ended 30 September 2011, the Group recorded other comprehensive income, net of tax of approximately HK\$28.2 million and HK\$98.3 million respectively from the exchange differences on translating foreign operations, which offset the loss for the three months and nine months ended 30 September 2011 of approximately HK\$(13.6) million and HK\$(35.8) million respectively (three months and nine months ended 31 December 2010: HK\$(12.7) million and HK\$(28.2) million).

Total comprehensive income attributable to owners of the Company for the three months and nine months ended 30 September 2011 amounted to approximately HK\$2.2 million and HK\$28.1 million respectively (three months and nine months ended 31 December 2010: HK\$15.0 million and HK\$19.0 million).

## **LIQUIDITY AND FINANCIAL RESOURCE**

As at 30 September 2011, the Group has bank and cash balance of approximately HK\$334 million (as at 31 December 2010: HK\$242 million). This balance include a deposit received from the Purchaser of Mengxi Minerals amounting RMB220 million.

In May 2009, Mengxi Minerals, a subsidiary of the Group, obtained a RMB300 million bank loan with an effective term of 89 months to provide partial funding to construct the underground mine and the beneficiation plant. The balance of capital expenditure requirement will be funded from cashflow generated from our open pit operation and internal resources of the Group. The loan was secured by the Mining License and 100% equity capital of Mengxi Minerals.

## **GEARING RATIO**

The Group's gearing ratio, which represents the ratio of the Group's total liabilities over the Group's total assets, was 0.41 as at 30 September 2011 (as at 31 December 2010: 0.36).

## **FOREIGN EXCHANGE EXPOSURE**

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars, Renminbi ("RMB"), Sterling Pound and Tajik Somoni. As at 30 September 2011, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

## **CAPITAL STRUCTURE**

On 25 March 2011, the Company increased its issued share capital from 2,114,383,750 shares to 2,537,260,500 shares as a result of the issuance of 422,876,750 consideration shares pursuant to the share sale and purchase agreement regarding acquisition of Saddleback Mining Limited as disclosed in the Company's announcement dated 15 March 2011.

## 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 2011, 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	Number of underlying Shares	Approximate percentage of the total issued Shares as at 30 September 2011
				(Note)
Chan Nap Kee, Joseph	Beneficial owner	20,420,000	50,354,350	2.79%
Chow Pok Yu, Augustine	Beneficial owner	990,000	30,297,600	1.23%
Yang Yongcheng	Beneficial owner	100,000	14,925,000	0.59%
Li Hong	Beneficial owner	—	28,373,600	1.12%
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	—	3,737,260	0.15%

*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 2011, 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 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests 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 2011
<i>Substantial shareholders</i>					
Zhang Zhi Ping	Interest of controlled corporations	215,640,000	357,410,000	573,050,000 (Note 1)	22.59%
Zhang Gaobo	Interest of controlled corporations	215,640,000	357,410,000	573,050,000 (Note 1)	22.59%

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 2011
Oriental Patron Financial Group Limited ("OPFGL")	Interest of controlled corporations	215,640,000	357,410,000	573,050,000 (Note 1)	22.59%
OP Financial Investments Limited ("OPFIL")	Interest of a controlled corporation	129,260,000	234,190,000	363,450,000 (Note 1)	14.32%
Profit Raider Investments Limited ("PRIL")	Beneficial owner	129,260,000	234,190,000	363,450,000 (Note 1)	14.32%
Saddleback Corporation Limited	Beneficial owner	422,876,750	—	422,876,750	16.67%
<i>Other persons who had interests in the Shares and underlying Shares</i>					
Oriental Patron Financial Services Group Limited ("OPFSGL")	Interest of a controlled corporation	86,380,000	123,220,000	209,600,000 (Note 1)	8.26%
Pacific Top Holding Limited ("PTHL")	Beneficial owner	86,380,000	123,220,000	209,600,000 (Note 1)	8.26%
GEM Global Yield Fund Limited ("GEM Global")	Beneficial owner/ Interest of a controlled corporation	230,000,000	791,000,000	1,021,000,000 (Note 2)	40.24%

*Notes:*


1. OPFGL holds 215,640,000 Shares and 357,410,000 underlying Shares. OPFGL is 51% owned by Zhang Zhi Ping and is 49% owned by Zhang Gaobo.

Of these 215,640,000 Shares and 357,410,000 underlying Shares of the Company, 86,380,000 Shares and 123,220,000 underlying Shares are held by PTHL. PTHL is wholly owned by OPFSGGL, OPFSGGL is 95% held by OPFGL. Zhang Zhi Ping, Zhang Gaobo, OPFGL and OPFSGGL are deemed to be interested in the interests held by PTHL under the SFO.

Of these 215,640,000 Shares and 357,410,000 underlying Shares, 129,260,000 Shares and 234,190,000 underlying Shares are held by PRIL. PRIL is wholly owned by OPFIL, OPFIL is 42.07% held by Ottness Investments Limited ("OIL"). Zhang Zhi Ping, Zhang Gaobo, OPFGL, OIL and OPFIL are deemed to be interested in the interests held by PRIL under the SFO.

2. These 1,021,000,000 Shares and underlying Shares represent the aggregate of: (i) the 230,000,000 Shares held by Grand Pacific Source Limited ("Grand Pacific"), which was a wholly-owned subsidiary of GEM Global; and (ii) 170,000,000 underlying Shares held by Grand Pacific and 621,000,000 underlying Shares held by GEM Global. Accordingly, GEM Global is deemed to be interested in those Shares and underlying Shares held by Grand Pacific under the SFO.

The Directors are unable to ascertain the interests of GEM Global as at the Latest Practicable Date, and confirm whether the interests of GEM Global as at the Latest Practicable Date, have been accurately shown. The interest of GEM Global as shown was disclosed in the corporate substantial notice of GEM Global filed on 3 April 2008 and recorded in the register of substantial shareholders maintained by the Company under Section 336 of the SFO. As set out in the Company's announcement dated 3 June 2008, the Company received default notification from GEM Global in relation to HK\$540 million Placing Convertible Bonds (as defined in such announcement). Theoretically, the interests of GEM Global should have decreased and updated corporate substantial notice should have been filed with the Company and the Stock Exchange by GEM Global as a result of such default. In addition to the default of the Placing Convertible Bonds mentioned above, as set out in the Company's announcements dated 3 June 2008 and 11 June 2008, on 10 June 2008, 230 million Consideration Shares (as defined in such announcements) were allotted and issued to Grand Pacific, the entire equity interests of which were acquired by Glimmer Stone Investments Limited ("Glimmer") from GEM Global on the same day, and 60 million Consideration Shares were transferred from Grand Pacific to GEM Global as consideration for such acquisition. Theoretically, the interests of GEM Global



should have decreased and updated corporate substantial notice should have been filed with the Company and the Stock Exchange by GEM Global as a result of the acquisition of Grand Pacific by Glimmer mentioned above. The Company has not received any updated corporate substantial notice of GEM Global after 3 April 2008. However, the Directors cannot exclude the possibility that GEM Global may have acquired or disposed of any interests in shares or underlying shares of the Company after the above announcements.

The Directors are also unable to ascertain the shareholding of GEM Global from the register of members of the Company as the information contained therein may not reflect the actual beneficial shareholdings of the shareholders (i.e. the registered shareholders may be have trustee or holding some shares of the Company on behalf of the others and this kind of interest is not required to be disclosed under the SFO).

3. The long positions in underlying Shares mentioned above represent the interests held by such Bondholders as at the 30 September 2011 in the convertible bonds in the principal amount of HK\$217,660,000 convertible into 329,660,000 new Shares issued by the Company on and subject to the terms of the Variation Agreement.

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 2011, 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 the 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 ("Options") to the eligible person as incentives or rewards for their contributions to the Group.

As at 30 September 2011, a total of 218,655,014 Shares, representing 8.62% of the existing issued share capital of the Group are available for issue in respect of the remaining options which have been granted under the Scheme.

Details of the Options granted under the Scheme during the period ended 30 September 2011 are as follows:

	Date of Grant	Exercise Period	No. of Option				Outstanding as at 30/9/2011
			Outstanding as at 1/1/2011	Grant during the Period	Exercise during the Period	Lapsed during the Period	
<b>Directors</b>							
Chan Nap Kee, Joseph	8/1/2009	8/1/2009–7/1/2012	4,925,000	—	—	—	4,925,000
	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
Chow Pok Yu, Augustine	8/1/2009	8/1/2009–7/1/2012	4,925,000	—	—	—	4,925,000
	12/8/2011	12/8/2011–9/12/2013	—	25,372,600	—	—	25,372,600
Yang Yongcheng	11/8/2009	11/8/2009–10/8/2012	4,925,000	—	—	—	4,925,000
	12/8/2011	12/8/2011–9/12/2013	—	10,000,000	—	—	10,000,000
Li Hong	18/11/2009	18/11/2009–17/11/2012	3,000,000	—	—	—	3,000,000
	12/8/2011	12/8/2011–9/12/2013	—	25,372,600	—	—	25,372,600
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	11/8/2009	11/8/2009–10/8/2012	1,200,000	—	—	—	1,200,000
	12/8/2011	12/8/2011–9/12/2013	—	2,537,260	—	—	2,537,260
		Sub-total	39,031,750	96,266,840	—	—	135,298,590
Employees in aggregate	11/8/2009	11/8/2009–10/8/2012	3,337,500	—	—	(1,268,750)	2,068,750
	12/8/2011	12/8/2011–9/12/2013	—	23,500,000	—	—	23,500,000
Other participants in aggregate	19/2/2008	19/2/2008–18/2/2011	500,000	—	—	(500,000)	—
	24/6/2008	24/6/2008–23/6/2008	7,700,000	—	—	(7,700,000)	—
	18/10/2010	18/10/2010–17/10/2013	42,287,674	—	—	—	42,287,674
	12/8/2011	12/8/2011–9/12/2013	—	15,500,000	—	—	15,500,000
			92,856,924	135,266,840	—	(9,468,750)	218,655,014

*Note:* These Options represent personal interest held by the relevant directors as beneficial owners.



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

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

#### **5. AUDIT COMMITTEE**

The Company has established an audit committee on 9 December 2003 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The written terms of reference which describe the authority and duties of the audit committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

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 quarter results for the nine months ended 30 September 2011 have been reviewed by the audit committee which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

## **6. PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company has not redeemed any of its shares during the nine months ended 30 September 2011. Neither the Company nor any of its subsidiaries has purchased or sold any of the Shares during the nine months ended 30 September 2011.

## **7. 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 2011. The Company has also made specific enquiry to all directors and the Company was not aware of any non-compliance with the required standard of dealings under the GEM Listing Rules and its code of conduct regarding securities transactions by directors.

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

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 nine months ended 30 September 2011.

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 announcement, 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.

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

Hong Kong, 7 November 2011

*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 four executive directors of the Company are Mr. CHAN Nap Kee Joseph, Dr. CHOW Pok Yu Augustine, Mr. YANG Yongcheng and Mr. LI Hong 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.*