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

First Quarterly Report **2014**

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached that 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 that 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 at 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 ended 31 March 2014, together with the unaudited comparative figures for the corresponding period in 2013 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE THREE MONTHS ENDED 31 MARCH 2014

	Note	**Unaudited Three months ended 31 March 2014 HK$'000**	2013 HK$'000
Turnover	5	**857**	41,428
Cost of goods sold		**(41)**	(39,261)
Gross profit		**816**	2,167
Other income		**716**	4,556
Mining distribution costs		**(6,162)**	(6,463)
Administrative and other operating expenses		**(12,966)**	(14,534)
Loss from operations		**(17,596)**	(14,274)
Finance costs	6	**—**	(3,886)
Loss before tax		**(17,596)**	(18,160)
Income tax expense	7	**—**	—
Loss for the period		**(17,596)**	(18,160)
Attributable to:`			
Owners of the Company		**(17,184)**	(17,717)
Non-controlling interests		**(412)**	(443)
		(17,596)	(18,160)
Loss per share (HK Cents)			
— Basic		**(0.66)**	(0.68)

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

FOR THE THREE MONTHS ENDED 31 MARCH 2014

	Unaudited Three months ended 31 March	
	2014	2013
	HK$'000	HK$'000
Loss for the period	**(17,596)**	(18,160)
Other comprehensive income for the period, net of tax		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of currency from foreign operations	**(688)**	(3,208)
Total comprehensive income for the period	**(18,284)**	(21,368)
Attributable to:		
Owners of the Company	**(17,861)**	(20,925)
Non-controlling interests	**(423)**	(443)
	(18,284)	(21,368)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2014

	Unaudited									
	Attributable to owners of the Company									
	Share capital	Shares held under share award scheme	Share premium	Foreign currency translation reserve	Share-based payment reserve	Convertible bonds 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$'000	HK$'000
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	—	—	—	(3,208)	—	—	(17,717)	(20,925)	(443)	(21,368)
Share options lapsed	—	—	—	—	(10,277)	—	10,277	—	—	—
Redemption of convertible bonds	—	—	—	—	—	(101,256)	100,892	(364)	—	(364)
Changes in equity for the period	—	—	—	(3,208)	(10,277)	(101,256)	93,452	(21,289)	(443)	(21,732)
At 31 March 2013 (unaudited)	26,170	—	1,176,818	(5,163)	14,677	—	(580,027)	632,475	27,916	660,391
At 1 January 2014	**26,170**	**(1,204)**	**1,176,818**	**(8,416)**	**–**	**–**	**(715,569)**	**477,799**	**1,106**	**478,905**
Total comprehensive income for the period	**–**	**–**	**–**	**(677)**	**–**	**–**	**(17,184)**	**(17,861)**	**(423)**	**(18,284)**
Purchase of shares held under the share award scheme	**–**	**(90)**	**–**	**–**	**–**	**–**	**–**	**(90)**	**–**	**(90)**
Award of shares for the share award scheme	**–**	**1,098**	**–**	**–**	**–**	**–**	**–**	**1,098**	**–**	**1,098**
Changes in equity for the period	**–**	**1,008**	**–**	**(677)**	**–**	**–**	**(17,184)**	**(16,853)**	**(423)**	**(17,276)**
At 31 March 2014 (unaudited)	**26,170**	**(196)**	**1,176,818**	**(9,093)**	**–**	**–**	**(732,753)**	**460,946**	**683**	**461,629**

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 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") 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 2013 annual financial statements. The accounting policies and methods of computation used in preparation of these condensed financial information are consistent with those used in the annual financial statements for the year ended 31 December 2013.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

During the three months ended 31 March 2014, 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 2014. 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 three months ended 31 March 2014 and the same period in last year.

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

4. FAIR VALUE MEASUREMENTS

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

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.

There is no Group's financial asset and financial liability that is needed to be disclosed at 31 March 2014.

5. TURNOVER

	Unaudited Three months ended 31 March	
	2014	2013
	HK$'000	HK$'000
Turnover		
Sales of goods		
— Production and exploitation of coal in Tajikistan	**764**	1,992
— Provision of supply chain management services for mineral business	**–**	39,436
— Shandong mining and metallurgical machineries production	**93**	—
	857	41,428

6. FINANCIAL COSTS

	Unaudited Three months ended 31 March	
	2014	2013
	HK$'000	HK$'000
Interest on convertible bonds	**–**	2,385
Settlement expenses for redemption of replacement convertible bonds	**–**	1,501
	–	3,886

7. INCOME TAX EXPENSE

	Unaudited Three months ended 31 March	
	2014	2013
	HK$'000	HK$'000
Income tax expenses		
Current tax	**–**	—

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 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 three months ended 31 March 2014 (three months ended 31 March 2013: HK$Nil).

9. 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:

	Unaudited Three months ended 31 March	
	2014 **HK$'000**	2013 HK$'000
Loss for the purpose of calculating basic loss per share	**(17,184)**	(17,717)
Number of shares ('000)		
Issued ordinary shares at the beginning of the period	**2,617,006**	2,617,006
Effect of shares held for share award scheme	**(3,288)**	—
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**2,613,718**	2,617,006

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary sharing during the period ended 31 March 2014 and 2013.

10. SHARE CAPITAL

	Unaudited as at 31 March 2014 HK$'000	Audited as at 31 December 2013 HK$'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 2013: 2,617,005,700) Ordinary shares of HK$0.01 each	**26,170**	26,170

11. SEGMENT INFORMATION

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

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

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

	Shandong mining and metallurgical machineries production HK$'000 (unaudited)	**Provision of supply chain management services for mineral business** HK$'000 (unaudited)	**Production and exploitation of coal in Tajikistan** HK$'000 (unaudited)	**Total** HK$'000 (unaudited)
For three months ended 31 March 2014				
Revenue from external customers	93	—	764	857
Segment (loss)	(555)	(2,768)	(10,533)	(13,856)
As at 31 March 2014				
Segment assets	15,210	290,977	148,355	454,542
Segment liabilities	(704)	(232)	(98,312)	(99,248)

	Provision of supply chain management services for mineral business HK$'000 (unaudited)	Production and exploitation of coal in Tajikistan HK$'000 (unaudited)	Total HK$'000 (unaudited)
For three months ended 31 March 2013			
Revenue from external customers	39,436	1,992	41,428
Segment profit/(loss)	334	(14,589)	(14,255)
As at 31 December 2013			
Segment assets	374,224	168,148	542,372
Segment liabilities	(14,278)	(11,363)	(25,641)

	Unaudited Three months ended 31 March	
	2014 **HK$'000**	2013 HK$'000
Reconciliations of segment profit or loss		
Total profit or loss of reportable segments	**(13,856)**	(14,255)
Other profit or loss	**(3,740)**	(3,905)
Consolidated loss for the period	**(17,596)**	(18,160)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is currently engaged in three main businesses and they are exploitation of coal in Tajikistan, production of mining and metallurgical machineries and parts in Shandong, and provision of supply chain management services for mineral business ("supply chain management business"). Turnover generated from the main businesses for the Group amounts to HK$857,000 for the three months ended 31 March 2014 ("Period"). The slow start is expected and anticipated by management of the Group due to the nature of our operating location and forecasted economic conditions. It is expected once mining season resumes in Tajikistan and business in Shandong is fully operational, they will have a major positive impact on the Group.

TAJIKISTAN COAL EXPLOITATION

Currently, the Group owns three mining rights (Kaftar Hona anthracite deposit, Ziddi and Mienadu coal deposits) and one mining lease (Eastern Zone of Fon Yagnob coal deposit) in Tajikistan. Due to the location and altitude of the former three mines, mining is not possible given the annual heavy snow but preparation work is being carried out as usual during this time of year in order to gear up for the mining season which is about a month away. Fon Yagnob coal deposit on the other hand is producing as normal providing the Group with the necessary working capital for the other three mines. Also, as the Group is more familiar with operating in Tajikistan, we are utilizing our resources more efficiently including local workers and office administrations. Therefore, the Group is able to produce and perform preparatory work at an even higher level using less staff than before. As we enter mining season, the Group is confident that our mining business in Tajikistan will have a positive impact on our financial performance. The Group has already taken all necessary steps to ensure this outcome.

SHANDONG MINING AND METALLURGICAL MACHINERIES PRODUCTION

Tengzhou Kaiyuan Industrial Co. Ltd ("Tengzhou Kaiyuan") is a recent addition to the Group. It is a joint venture of the Company's subsidiary (70% shareholder) and the local Government Owned Enterprise Tengzhou Liyuan Mining Company ("Tengzhou Liyuan") (30% shareholder).

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

The establishment of Tengzhou Kaiyuan was very smooth and efficient as a result of the collective effort from local government owned Tengzhou Liyuan and the management of the Group. Since formation, Tengzhou Kaiyuan already has 25-30 regular clients leveraging connections from the local government owned enterprise. Machineries parts are already being produced during the Period to satisfy some of its regular clients and once the business is fully operational it will be a significant contributor to the Group.

SUPPLY CHAIN MANAGEMENT BUSINESS

For the past couple years, supply chain management business has been a main revenue source for the Group. During the period, the Group has held back on any supply chain management business with our regular business partners because management has foreseen a slowdown in the Chinese economy which could negatively impact the profit margin of our service. As such, Management of the Group applied extra cautiousness when it came to our supply chain management business and only intended to carry out business with minimal risk and optimal returns. Upon reviewing all available options, the Group has decided it is best to hold on to our existing capital and wait for more suitable opportunities to arise.

The lack of supply chain management business during the Period does not mean the Group will cease all related services in the future but instead, the Group will screen projects more conservatively putting the Group in the position to generate meaningful revenue while holding risks to a minimum. Economic climate will also be an important consideration factor in which the management will formulate strategies based on updated economic data as well as professional expertise and experience.

LOOKING BACK ON THE FIRST QUARTER OF 2014

The first quarter of 2014 was similar to our recent operating years. Slow start has been caused by the heavy winter snow in Tajikistan. Management of the Group, in turn has introduced businesses that would fill this winter gap. For the past couple years, it was the success in our supply chain management business that gradually became the main revenue source for the winter and eventually, the entire financial year. During this period, management of the Group decided it was best to hold a more conservative approach to the service foreseeing an economic slowdown in China. Also, by having paid off all the outstanding convertible bonds in year 2013, management of the Group is allowed even greater flexibility in making conservative decisions or taking on new opportunities.

Nonetheless, the Group continues to look for businesses to fill this void left by the halt in supply chain management business and in the process, has found a local government owned enterprise Tengzhou Liyuan located in Shandong. The Group's cooperation with Tengzhou Liyuan has turned into a joint-venture filled with potential in Tengzhou Kaiyuan - a business which is less affected by the overall economic conditions of China. With Tengzhou Liyuan's backing and connections, management of the Group believes that it will become a very stable source of revenue to the Group in the foreseeable future.

BUSINESS OUTLOOK

Finishing up the preparatory work in Tajikistan and getting Tengzhou Kaiyuan into full production are the main operational focus of the Group in the near future. Full scale mining works will continue as usual in Tajikistan when the snow clears and mining season begins. Management of our Tajikistan office will continue to investigate ways to have a more cost effective production process.

Tengzhou Kaiyuan, on the other hand already had a successful trial production run in the first quarter of 2014 and will be ready for full production within a short period of time. With the help from our local Tengzhou partners, management of the Group believes the operation will be productive, efficient and cost effective. Current goal of Tengzhou Kaiyuan is to fulfill orders from its regular clients while looking for more potential clients in the process.

Management of the Group are still in close talks with our previous business partners in the supply chain management business. This allows the Group to react quickly and take advantage of any opportunities as they arise. Projects with different time frame and size will be evaluated against economic data and only the options that fit the Group's business scope and core values will be considered.

FINANCIAL REVIEW

By closely following the strategy formulated in late 2013 by the Management of the Group, the Group was able to achieve two of its main goals financially in the first quarter of 2014. These two goals were to reduce administration costs and the loss of the Group. Other components of the financial performance were also in line with the Group's strategy for year 2014.

Turnover of the Group for the three months ended 31 March 2014 was approximately HK$0.9 million (same period 2013: HK$41.4 million). This drop in turnover was anticipated as the Group took a more conservative approach in its supply chain management business which was the main revenue source during winter of 2013 when mining was not possible in Tajikistan for most of our mines.

Gross profit from the Group's operations for the Period was approximately HK$0.8 million (same period 2013: HK$2.2 million). This includes the income from the small scale mining in the winter from Tajikistan and the recently established operation of production of mining and metallurgical machineries in Tengzhou, Shandong.

For the three months ended 31 March 2014, the total administrative and other operating expenses amounted to approximately HK$13.0 million which is an improvement over the same period last year (HK$14.5 million). This is much more impressive given the fact that one whole new operation was added to the Group in Tengzhou, a place where the Group has never operated in. Also, the Group was able to produce similar tonnage from the small scale mining in Tajikistan during winter. At the end, management of the Group was pleased to see the results of our strategies.

With reduced administrative cost, the Group was also able to reduce the loss of the total comprehensive income attributable to owners of the Company to HK$(17.9) million for the three months ended 31 March 2014 from the previous same period of HK$(20.9) million.

LIQUIDITY AND FINANCIAL RESOURCE

As at 31 March 2014, the Group has a bank and cash balance of approximately HK$31.0 million (as at 31 December 2013: HK$74.6 million).

GEARING RATIO

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

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 ("TJS"). As at 31 March 2014, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

OTHER INFORMATION

1. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 March 2014, the interest 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** *(Note)*	**Approximate percentage of the total issued Shares as at 31 March 2014**
Chan Nap Kee, Joseph	Beneficial owner	66,941,760	—	2.56%
Yang Yongcheng	Beneficial owner	100,000	—	0.00%
Liew Swee Yean	Beneficial owner	540,000	—	0.02%
Siu Siu Ling, Robert	Beneficial owner	540,000	—	0.02%
Wong Yun Kuen	Beneficial owner	2,000,000	—	0.08%

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

Save as disclosed above, as at 31 March 2014, none of the directors or chief executive of the Company had any interest or short position in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Ordinance) which is required to be notified to the Company and the Stock Exchange pursuant to divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or any interests required to be entered in the register maintained in accordance with Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors.

2. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

(a) As at the 31 March 2014, the register of substantial shareholders maintained by the company pursuant to Section 336 of the SFO shows that other than the interest disclosed above in respect of the directors, the following shareholders had notified the Company of relevant interests and short positions in the Shares and underlying Shares:

Long positions in Shares and underlying Shares

Name of Shareholders	Capacity and nature of interest	Number of shares	Number underlying Shares	Total Interest	Approximate percentage of the total issued Shares as of at 31 March 2014
Substantial shareholders					
Zhang Zhi Ping	Interest of a controlled corporation	218,490,000	—	218,490,000 *(Note 1)*	8.35%
Zhang Gaobo	Interest of a controlled corporation	218,490,000	—	218,490,000 *(Note 1)*	8.35%
Oriental Patron Financial Group Limited ("OPFGL")	Interest of a controlled corporation	218,490,000	—	218,490,000 *(Note 1)*	8.35%
Ottness Investments Limited ("OIL")	Interest of a controlled corporation	132,110,000	—	132,110,000 *(Note 1)*	5.05%
OP Financial Investments Limited ("OPFIL")	Interest of a controlled corporation	132,110,000	—	132,110,000 *(Note 1)*	5.05%
Profit Raider Investments Limited ("PRIL")	Beneficial owner	132,110,000	—	132,110,000 *(Note 1)*	5.05%

Notes:

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 31 March 2014, had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 & 3 of Part XV of the SFO.

3. SHARE AWARD SCHEME

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

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

During the three months ended 31 March 2014, based on the Company's instructions, the trustee of the Share Award Scheme had purchased a total of 780,000 shares of the Company on the Stock Exchange at a total consideration of about HK$90,400.

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

4. DIRECTORS' INTEREST IN COMPETING BUSINESS

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

5. AUDIT COMMITTEE

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

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

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

The unaudited quarterly results for the three months ended 31 March 2014 have been reviewed by the audit committee which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

6. REMUNERATION COMMITTEE

The Company established the Remuneration Committee 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 Remuneration Committee 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 Remuneration Committee.

The primary duties of the Remuneration Committee is 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 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".

7. NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

On 30 March 2012, the Company established a Nomination and Corporate Governance Committee ("NC") with written terms of reference which deals clearly with its authorities and duties. The NC comprises three members, namely Mr. Siu Siu Ling Robert (chairman of NC), Mr. Liew Swee Yean and Mr. Chan Nap Kee Joseph.

The primary duties of the NC is to make recommendations to the Board on appointment or reappointment of Directors, and to develop and review Group's policies and practices on corporate governance and to make recommendations to the Board.

Written terms of reference were adopted in compliance with the GEM Listing Rules, and is available on the Company's website www.kaisunenergy.com under "Investor Relations" section with heading of "Corporate Governance".

8. PURCHASE, SALE OR REDEMPTION OF SHARES

During the period ended 31 March 2014, neither the Company nor any of its subsidiaries has purchased or sold any of its listed securities, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 780,000 Shares of the Company at a total consideration of about HK$90,400 and 9,000,000 shares were awarded to three employees of the Company under the Share Award Scheme in January 2014.

9. CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting that the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the three months ended 31 March 2014. 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.

10. CODE ON CORPORATE GOVERNANCE PRACTICE

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

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG code") contained in Appendix 14 to the Listing Rules. The Company has complied with all applicable code provisions in the CG code throughout the period ended 31 March 2014, except for the following deviations:

The Code Provision A2.1 stipulates that the role of chairman and chief executive officer should be separated and should not be performed by the same individual. Since 2 November 2010 to the date of this report, Mr. Chan Nap Kee Joseph, chairman, took up the role of acting chief executive officer as well, which deviates from Code Provision A2.1. As the Company is developing its business in energy and resources sector and has recently acquired coal mining assets outside China, the Remuneration Committee is searching for the right person to take up the role of Chief Executive Officer to carry out the strategic plans and policies as established by the board of directors. In the meantime, Mr. Chan Nap Kee Joseph, our Chairman, took up the role of Acting Chief Executive Officer until the suitable person is selected. The Company will publish announcement on appointment of Chief Executive Officer when appropriate.

The CG Code provision A.5.6 stipulates that the nomination committee (or the board) should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report. The Nomination and Corporate Governance Committee of the Company (the "Nomination Committee") would review the board composition from time to time and it considered that the board diversity is in place and therefore written policy is not required. Due to the amendment of the Listing Rules effective 1 September 2013, a board diversity policy (the "Board Diversity Policy") has been adopted in December 2013. The Board Diversity would be considered from a number of aspects, including but not limited to skills, experience, knowledge, expertise, culture, independence, age and gender.

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

Hong Kong, 9 May 2014

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.