



# 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



### Interim 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 six months ended 30 June 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 SIX MONTHS ENDED 30 JUNE 2015

	Note	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
<b>Turnover</b>	4	<b>1,482</b>	9,505	<b>1,625</b>	10,362
Cost of goods sold		<b>(1,218)</b>	(9,264)	<b>(1,450)</b>	(9,305)
<b>Gross profit</b>		<b>264</b>	241	<b>175</b>	1,057
Other income		<b>1,789</b>	9,389	<b>3,410</b>	10,105
Mining distribution costs		<b>(4,816)</b>	(1,389)	<b>(8,070)</b>	(7,551)
Administrative and other operating expenses		<b>(16,097)</b>	(11,789)	<b>(25,176)</b>	(24,755)
<b>Loss from operations</b>		<b>(18,860)</b>	(3,548)	<b>(29,661)</b>	(21,144)
Impairment loss on intangible assets	10	<b>(9,479)</b>	(9,625)	<b>(9,479)</b>	(9,625)
<b>Loss before tax</b>		<b>(28,339)</b>	(13,173)	<b>(39,140)</b>	(30,769)
Income tax credit	5	<b>715</b>	931	<b>1,526</b>	931
<b>Loss for the period</b>	6	<b>(27,624)</b>	(12,242)	<b>(37,614)</b>	(29,838)
<b>Attributable to:</b>					
Owners of the Company		<b>(26,813)</b>	(7,812)	<b>(36,502)</b>	(24,996)
Non-controlling interests		<b>(811)</b>	(4,430)	<b>(1,112)</b>	(4,842)
		<b>(27,624)</b>	(12,242)	<b>(37,614)</b>	(29,838)
<b>Loss per share (HK Cents)</b>	8				
— Basic		<b>(0.89)</b>	(0.30)	<b>(1.30)</b>	(0.96)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
<b>Loss for the period</b>	<b>(27,624)</b>	(12,242)	<b>(37,614)</b>	(29,838)
<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>(63)</b>	(3,354)	<b>(1,943)</b>	(4,042)
<b>Total comprehensive income for the period</b>	<b>(27,687)</b>	(15,596)	<b>(39,557)</b>	(33,880)
<b>Attributable to:</b>				
Owners of the Company	<b>(27,752)</b>	(10,642)	<b>(40,379)</b>	(28,503)
Non-controlling interests	<b>65</b>	(4,954)	<b>822</b>	(5,377)
	<b>(27,687)</b>	(15,596)	<b>(39,557)</b>	(33,880)



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	<i>Note</i>	<b>Unaudited As at 30 June 2015 HK\$'000</b>	Audited As at 31 December 2014 HK\$'000
<b>Non-current assets</b>			
Fixed assets	9	<b>14,298</b>	17,032
Intangible assets	10	—	17,010
		<b>14,298</b>	34,042
<b>Current assets</b>			
Inventories		<b>3,243</b>	2,763
Trade and bills receivables	11	<b>34,257</b>	36,409
Deposits, prepayments and other receivables		<b>200,079</b>	189,861
Bank and cash balances		<b>147,061</b>	54,630
		<b>384,640</b>	283,663
<b>Current liabilities</b>			
Trade payables	12	<b>7,926</b>	7,974
Other payables and accruals		<b>12,004</b>	17,108
Current tax liabilities		<b>1,633</b>	1,857
		<b>21,563</b>	26,939
<b>Net current assets</b>		<b>363,077</b>	256,724
<b>Total assets less current liabilities</b>		<b>377,375</b>	290,766

	<i>Note</i>	<b>Unaudited As at 30 June 2015 HK\$'000</b>	Audited As at 31 December 2014 HK\$'000
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>28,177</b>	29,588
		<b>28,177</b>	29,588
<b>NET ASSETS</b>			
<b>Capital and reserves</b>			
Share capital	13	<b>37,684</b>	26,170
Reserves		<b>328,700</b>	253,016
Equity attributable to owners of the Company		<b>366,384</b>	279,186
Non-controlling interests		<b>(17,186)</b>	(18,008)
<b>TOTAL EQUITY</b>		<b>349,198</b>	261,178



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 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
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	—	—	—	(3,507)	(24,996)	(28,503)	(5,377)	(33,880)
Purchase of shares held under the share award scheme	—	—	(368)	—	—	(368)	—	(368)
Award of shares for the share award scheme	—	—	1,098	—	—	1,098	—	1,098
Changes in equity for the period	—	—	730	(3,507)	(24,996)	(27,773)	(5,377)	(33,150)
At 30 June 2014 (unaudited)	26,170	1,176,818	(474)	(11,923)	(740,565)	450,026	(4,271)	445,755
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	—	—	—	(3,877)	(36,502)	(40,379)	822	(39,557)
Purchase of shares held under the share award scheme	—	—	(201)	—	—	(201)	—	(201)
Issue of shares by way of placing	<b>11,514</b>	<b>122,989</b>	—	—	—	<b>134,503</b>	—	<b>134,503</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>116,264</b>	<b>(201)</b>	<b>(3,877)</b>	<b>(36,502)</b>	<b>87,198</b>	<b>822</b>	<b>88,020</b>
At 30 June 2015 (unaudited)	<b>37,684</b>	<b>1,293,082</b>	<b>(816)</b>	<b>(10,043)</b>	<b>(953,523)</b>	<b>366,384</b>	<b>(17,186)</b>	<b>349,198</b>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

### Unaudited Six months ended 30 June

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Net cash used in operating activities	<b>(33,923)</b>	(58,461)
Net cash generated from investing activities	<b>730</b>	87
Net cash generated from/(used in) financing activities	<b>127,577</b>	(368)
Net increase/(decrease) in cash and cash equivalents	<b>94,384</b>	(58,742)
Effect of foreign exchange rate changes	<b>(1,953)</b>	(434)
Cash and cash equivalents at beginning of period	<b>92,431</b> <b>54,630</b>	(59,176) 74,600
Cash and cash equivalents at end of period	<b>147,061</b>	15,424





## **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 34 "Interim Financial Reporting" 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 six months ended 30 June 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 six months ended 30 June 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. TURNOVER

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Turnover				
Sales of goods				
— Production and exploitation of coal	—	—	—	758
— Provision of supply chain management services for mineral business	—	9,145	—	9,145
— Mining and metallurgical machineries production	1,482	360	1,625	459
	1,482	9,505	1,625	10,362

#### 5. INCOME TAX CREDIT

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Current tax	—	—	—	—
Deferred tax	(715)	(931)	(1,526)	(931)
	(715)	(931)	(1,526)	(931)

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.

## 6. LOSS FOR THE PERIOD

The Group's loss for the period is arrived at after charging the following:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Directors' remuneration	1,292	1,291	2,583	2,586
Depreciation	859	1,826	1,772	4,163
Operating lease rentals in respect of land and buildings	444	293	706	565
Amortisation of intangible assets	2,860	1,847	6,103	3,724
Impairment loss on intangible asset	9,479	9,625	9,479	9,625
Staff costs (including directors' emoluments)				
Basic salaries, bonuses, allowances, and benefits in kind	4,200	5,978	8,310	11,822
Retirement benefits scheme contributions	66	61	133	119
Share-based payment	—	—	—	1,098

## 7. DIVIDENDS

The Directors do not recommend the payment of dividend for the six months ended 30 June 2015 (Six months ended 30 June 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 June</b>		<b>Unaudited Six months ended 30 June</b>	
	<b>2015 HK\$'000</b>	2014 HK\$'000	<b>2015 HK\$'000</b>	2014 HK\$'000
<b>Loss</b>				
Loss for the purpose of calculating basic loss per share	<b>(26,813)</b>	(7,812)	<b>(36,502)</b>	(24,996)
<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>412,956</b>	—	<b>207,619</b>	—
Effect of shares held for share award scheme	<b>(7,929)</b>	(1,090)	<b>(7,506)</b>	(2,324)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<b>3,022,033</b>	2,615,916	<b>2,817,119</b>	2,614,682

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

## 9. FIXED ASSETS

During the six months ended 30 June 2015, the Group acquired fixed assets of approximately HK\$482,000 (Six months ended 30 June 2014: HK\$311,000).



## 10. INTANGIBLE ASSETS

	<b>Mining rights</b> HK\$'000
<b>Cost</b>	
At 1 January 2015	177,969
Exchange differences	(27,113)
	<hr/>
At 30 June 2015 (Unaudited)	150,856
	<hr/>
<b>Accumulated amortisation and impairment</b>	
At 1 January 2015	160,959
Charge for the period	6,103
Impairment for the period	9,479
Exchange differences	(25,685)
	<hr/>
At 30 June 2015 (Unaudited)	150,856
	<hr/>
<b>Carrying amount</b>	
At 30 June 2015 (Unaudited)	—
	<hr/>
At 31 December 2014	17,010
	<hr/>

At 30 June 2015 and 31 December 2014, the Group's mining rights are the rights obtained by the Group for production and exploitation of three coal mines located in Tajikistan. The major content of the coal mine is anthracite and bituminous coal. The terms of the mining rights of these coal mines are from August 1997 to September 2018. The mining rights are stated at cost less accumulated amortisation and impairment losses over the term of the mining rights.

The Group carried out reviews of the recoverable amount of its mining rights in 2015, having regard to the change in market condition. These assets are used in the Group's Exploitation of coal and coal processing segment. The review led to the recognition of an impairment loss of HK\$9,479,000 for mining rights that have been recognized in profit or loss. The recoverable amount of the mining rights has been determined on the basis of their value in use using discounted cash flow method. The discount rate used was 22.4%. The discount rate used when the recoverable amount of these assets was previously estimated in 2014 was 22.4%.

## 11. TRADE AND BILLS RECEIVABLES

The credit terms of trade receivables are in accordance with specific payment schedules agreed with various customers. An ageing analysis of trade and bills receivables, based on the invoice date, and net of allowance, is as follows:

	<b>Unaudited as at 30 June 2015 HK\$'000</b>	Audited as at 31 December 2014 HK\$'000
0-30 days	<b>1,505</b>	1,053
31-60 days	<b>25</b>	2,171
61-90 days	<b>27</b>	977
Over 90 days	<b>32,700</b>	32,208
	<b>34,257</b>	36,409

## 12. TRADE PAYABLES

At 30 June 2015, the ageing analysis of trade payables based on the date of receipt of goods, is as follows:

	<b>Unaudited As at 30 June 2015 HK\$'000</b>	Audited As at 31 December 2014 HK\$'000
0-30 days	<b>275</b>	423
31-60 days	<b>122</b>	58
61-90 days	<b>111</b>	9
91-180 days	<b>34</b>	229
181-365 days	<b>1,129</b>	—
Over 365 days	<b>6,255</b>	7,255
	<b>7,926</b>	7,974

The carrying amounts of the Group's trade payables are denominated in RMB and TJS.



**13. SHARE CAPITAL**

	<b>Unaudited as at 30 June 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).

**14. CONTINGENT LIABILITIES**

As at 30 June 2015, the Group did not have any significant contingent liabilities (31 December 2014: HK\$Nil).

**15. LEASE COMMITMENTS**

As at 30 June 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>Unaudited as at 30 June 2015 HK\$'000</b>	Audited as at 31 December 2014 HK\$'000
Within one year	<b>1,034</b>	1,472
In the second to fifth years inclusive	<b>527</b>	832
	<b>1,561</b>	2,304

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average term of 1 to 2 years and rentals are fixed over the lease terms and do not include contingent rentals.

**16. 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 six months ended</b>				
<b>30 June 2015</b>				
<b>(unaudited)</b>				
Revenue from external customers	1,625	—	—	1,625
Segment loss	(1,618)	(5,599)	(27,695)	(34,912)
<b>As at 30 June 2015</b>				
<b>(unaudited)</b>				
Segment assets	13,194	200,320	9,689	223,203
Segment liabilities	(1,782)	(7,189)	(11,543)	(20,514)
	Mining and metallurgical machineries production in Shandong 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 six months ended</b>				
<b>30 June 2014</b>				
<b>(unaudited)</b>				
Revenue from external customers	459	9,145	758	10,362
Segment loss	(1,388)	(5,811)	(21,492)	(28,691)
<b>As at 31 December 2014</b>				
Segment assets	142,510	25,341	7,556	175,407
Segment liabilities	(1,728)	(12,811)	(541)	(15,080)

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
<hr/>		
<b>Reconciliations of segment profit or loss</b>		
Total profit or loss of reportable segments	<b>(34,912)</b>	(28,691)
Other profit or loss	<b>(2,702)</b>	(1,147)
Consolidated loss for the period	<b>(37,614)</b>	(29,838)



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The first half of 2015 (“Period”) was particularly exciting for the Group in terms of business opportunities and future development potential. After a few years of continuous coal market slump, the Group is finally presented with a once in a life time opportunity that could reinforce our Central Asia expert position in the market and create additional value for our shareholders. The “One Belt One Road” strategy (“OBOR”) — unveiled by Chinese President Xi Jinping in 2013 gained tremendous momentum late 2014 by announcing the plan to create a USD 40 billion Silk Road Fund. On 28 March of 2015, the OBOR development strategy is formally outlined in a framework issued by the National Development and Reform Commission. Many companies tried to seize the opportunity and associate themselves with OBOR related projects. However, many of them failed to realize that operating in OBOR countries takes more than just suitable projects. It takes years of hands on experience and struggle before one can succeed in the Silk Road. The Group is proud to say that we are one of the very few Hong Kong companies that was operating in the heart of the OBOR regions — namely Tajikistan of Central Asia, even way before the announcement of the OBOR strategy. Due to the Group’s deep OBOR roots we were able to get a huge head start while other companies tried to rustle up new projects just to follow the trend. The Group did not take that advantage for granted and we were constantly refining our OBOR strategies with our existing partners and business connections.

With our existing businesses in mind, management of the Group formulated a unique OBOR business strategy that showcases our strength while at the same time minimizes our capital expenditure. Understanding that OBOR projects are usually very large in scale, The Group is aiming to partner up with large state-owned enterprise (“SOE”) to jointly take on potential projects. While our SOE partners will undertake the task of handling day to day operation, the Group will leverage on our experience in OBOR countries to handle local government relationships, corporate management, providing financial advice, and future exit strategy and execution. To kick start this business strategy, The Group has taken the initiative and signed memorandum of understandings (“MOU”) with two very dependable partners in China National Technical Import and Export Corporation (“CNTIC”) and OJSC Tojiksodirobank (“TSB”) of Tajikistan.

China National Technical Import and Export Corporation is a large scale state-owned enterprise with main businesses in technology trade, project contracting and project management integrated service, and belongs to China General Technology (Group) Holding Ltd. Attaining Revenue of USD 25.7 billion, China General Technology (Group) Holding Ltd is on the US Fortune Global 500 list of 2014. OJSC Tojiksodirobank, established on March 1992, is one of the largest commercial banks in Tajikistan of Central Asia. The Group believes that these partners are tremendously important in our future cooperation because they are both experts in their respective fields. The Group is confident that with their help in project implementation and operation, new projects can be put on the right track in a very short time. The Group, will in turn, take care of all the local relationship and financial nuisance of the project to ensure smooth sailing in the future.

Even though the focus of the Group seemed to have shifted to OBOR related business development, management of the Group continued to give much of our attention to the Group's existing businesses. Therefore, while it seems our OBOR related activities has taken the spotlight but in fact both are moving forward in parallel and our strategic planning always has the Group's existing businesses in mind. As such, management of the Group decided it was best during the Period to take a conservative stance in our existing business and implemented measures such as reducing capital expenditures and stricter cost control.

The Group's Tajikistan mining operation was still going through preparation during the Period similar to the years before. Tajikistan coal demands, which historically makes up all of our coal sales which is denominated in Somoni, remains healthy and was largely not affected by the low worldwide coal demands. However, one of the factors beyond the Group's control is the rapid depreciation of the Tajik currency — the Somoni. The Group's income from coal sales will take a big hit when converted from the Somoni to Hong Kong Dollars while mining costs are mostly denominated in other currencies such as the Renminbi or US Dollars. Management of the Group decided it would be best to finish up preparation works as scheduled and move forward slowly and consider all external factors before ramping up production. Other businesses, such as our 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. Part of the appeal in moving forward with OBOR related projects is that it complements the Group's existing core businesses which is heavily affected by the mining market and hence, very reactive in nature.



## **OUTLOOK AND PROSPECTS**

For the rest of the year, management of the Group will focus on two things:

Continue to monitor our existing businesses and act accordingly to our existing development plans. Management of the Group does not see a quick turnaround in the coal industry so therefore our decisions will most likely remain conservative. Nonetheless, we are confident that we are capable of adapting to most changes that will likely occur in the near future.

Continue to move forward in our OBOR business development plan. Management of the Group will quickly establish joint task force with our MOU partners to find suitable projects that we can take on and ways we are able to progress. At the same time, continue to look for strong business partners and different OBOR related business 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 in close contacts with them. Our investing philosophy will mostly remain the same, in which the Group will put up initial capital and help on financial and local relationships while our SOE partners will take care of the day to day operation. Management of the Group is confident that, with our previous experience in Central Asia and other OBOR regions, we are able to bridge the gap and bring together companies in and out of OBOR.

## **FINANCIAL REVIEW**

Turnover of the Group for the period amounted to approximately HK\$1.6 million (for the period ended 30 June 2014: HK\$10.4 million). Turnover solely arose from mining and metallurgical machineries production in Shandong.

Gross profit from the Group's operations for the period was approximately HK\$0.2 million (for the period ended 30 June 2014: HK\$1.1 million).

For the period, the total administrative and other operating expenses from the Group's operations is approximately HK\$25.2 million (for the period ended 30 June 2014: HK\$24.8 million).

The Group recorded loss for the period of approximately HK\$(37.6) million (for the period ended 30 June 2014: HK\$(29.8) million).

The total comprehensive income attributable to owners of the Company for the period amounted to approximately HK\$(40.4) million (for the period ended 30 June 2014: HK\$(28.5) million).

## **LIQUIDITY AND FINANCIAL RESOURCE**

As at 30 June 2015, the Group has a bank and cash balances of approximately HK\$147.1 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 debts over the Group's total asset, was Nil as at 30 June 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 June 2015, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

## **HUMAN RESOURCES**

As at 30 June 2015, the Group had 83 (as at 31 December 2014: 78) staff in Hong Kong, the PRC and Tajikistan. The Group continues to employ, promote and reward its staff with reference to their performance and experience. In addition to their basic salaries, the Group's employees are also entitled to other fringe benefits such as provident fund. The management will continue to closely monitor the human resources requirements of the Group, and will also put emphasis on the staff quality. During the period, the Group had not experienced any significant labour disputes which led to the disruption of its normal business operations. The Directors consider the Group's relationship with its employees to be good.

The total staff costs, including Directors' emoluments, amounted to approximately HK\$8.4 million for the six months ended 30 June 2015 (Six months ended 30 June 2014: HK\$13.0 million).



## 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 June 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 June 2015</b>
Chan Nap Kee, Joseph	Beneficial owner	66,941,760	—	1.78%
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 June 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 June 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*

Name of Shareholders	Capacity and nature of interest	Number of shares	Number underlying Shares	Approximate percentage of the total issued Shares	
				Total Interest	as of at 30 June 2015
<i>(Note 3)</i>					
<i>Substantial shareholders</i>					
Zhang Zhi Ping	Interest of a controlled corporation	218,490,000	—	218,490,000	5.80%
				<i>(Note 1)</i>	
Zhang Gaobo	Interest of a controlled corporation	218,490,000	—	218,490,000	5.80%
				<i>(Note 1)</i>	
Oriental Patron Financial Group Limited ("OPFGL")	Interest of a controlled corporation	218,490,000	—	218,490,000	5.80%
				<i>(Note 1)</i>	





*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.

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 June 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 six months ended 30 June 2015, based on the Company's instructions, the trustee of the Share Award Scheme had purchased a total of 2,290,000 shares of the Company on the Stock Exchange at a total consideration of about HK\$200,566.

During the period ended 30 June 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 Audit Committee.

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 interim results for the six months ended 30 June 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 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 period ended 30 June 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 2,290,000 shares of the Company at a total consideration of about HK\$200,566.

## **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 six months ended 30 June 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 Board is committed to maintaining a high standard of corporate governance. The Board believes that sound and reasonable corporate practices are essential for the growth of the Group and for safeguarding and maximizing Shareholders interest.

The Company has adopted the code provisions (“Code Provision”) set out in the Corporate Governance Code (the “CG code”) contained in Appendix 15 to the GEM Listing Rules. The Company has complied with all applicable code provisions in the CG code throughout the 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 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, 11 August 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.*