



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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE PERIOD ENDED 31 DECEMBER 2010

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This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* *For identification purpose only*

HIGHLIGHTS

- Turnover of the Group for the nine months period ended 31 December 2010 (the “Period”) from continuing and discontinued operations amounted to approximately HK\$59.6 million (for the year ended 31 March 2010: HK\$62.8 million). Compared to last year, the significant increase in turnover in continuing operations represents mainly the increase in turnover generated from the sale of coal.
- The Group recorded total comprehensive income for the Period of approximately HK\$44.4 million (for the year ended 31 March 2010: HK\$453.6 million). During the Period, the Group recorded exchange differences on translating foreign operations of approximately HK\$72.6 million (for the year ended 31 March 2010: HK\$4.9 million), which offset the loss for the Period of approximately HK\$(28.2) million (profit for the year ended 31 March 2010: HK\$448.7 million).
- Excluding the non-recurrent item of HK\$750 million on completion of the acquisition of the 21% equity interests in Inner Mongolia Mengxi Minerals Limited which contributed to the significant increase in last year profit, the Group recorded a significant reduction in non-recurrent loss this Period when compared to last year. This improvement is mainly attributable to increase in production and sale of coal in the current reporting period and the decrease of finance costs comprising (i) last year fair value loss on derivative component of convertible bonds of HK\$207 million was an one off item and (ii) interest on convertible bonds decreased by HK\$13.5 million this period.
- Loss per share of the Group for the Period from continuing and discontinued operations amounted to approximately HK cent 1.52 (for the year ended 31 March 2010: earnings per share HK cents 29.94)

FINANCIAL HIGHLIGHTS

A summary of the results and of the assets and liabilities of the Group for each of the last five financial years/period is set out as below:

RESULTS

	Period ended		Year ended 31 March			
	31 December		2010	2009	2008	2007
	2010	2010	2009	2008	2007	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Turnover	59,619	62,806	51,087	304,630	299,298	
(Loss)/profit before tax	(24,784)	449,624	8,785	70,635	15,943	
Income tax expense	(3,454)	(941)	(23)	(531)	(69)	
Less: (Profit)/loss attributable to non-controlling interests	(3,597)	4,010	(53)	(993)	—	
(Loss)/profit attributable to owners of the Company	(31,835)	452,693	8,709	69,111	15,874	

ASSETS AND LIABILITIES

	As at		As at 31 March			
	31 December		2010	2009	2008	2007
	2010	2010	2009	2008	2007	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Total assets	3,870,185	3,764,298	1,040,403	152,005	143,168	
Total liabilities	(1,383,419)	(1,390,922)	(721,207)	(11,691)	(87,551)	
Owners' funds	1,730,415	1,642,401	279,489	127,962	55,617	

RESULTS

On behalf of the Board of Kaisun Energy Group Limited (the “Company”) and its subsidiaries (collectively the “Group”), I am pleased to present the audited consolidated results for the nine months period ended 31 December 2010 (the “Period”). The Group’s consolidated turnover for the Period was amounting HK\$59.6 million and total comprehensive income for the Period attributable to owner of the Company was amounting HK\$44.4 million.

This annual results covers nine months’ operations from 1 April 2010 to 31 December 2010. All historical comparative figures for items in consolidated income statement and consolidated statement of comprehensive income are stated for the year ended 31 March 2010 and all historical comparative figures for items in consolidated statement of financial position are stated at 31 March 2010.

BUSINESS REVIEW

To align the financial year end date of the Company's principal operating subsidiary, which mainly situated in the People's Republic of China, and thereby facilitating the preparation of the consolidated financial statements of the Company and its subsidiaries, the financial year end date of the Company has been changed from 31 March to 31 December on 9 November 2010. Hence, the current reporting period is a 9 month period from 1 April 2010 to 31 December 2010.

During the reporting period, the Group generated its turnover from the sale of coking coal and thermal coal from Inner Mongolia, amounting to approximately HK\$59.6 million for the nine months ended 31 December 2010, an improvement over the approximately HK\$21.4 million for the six months ended 30 September 2010. In April, the Group's open pit operation was interrupted because of a government imposed cessation on coal mining and related construction activities in Inner Mongolia caused by the flooding incident in the Lou Tou Mountain Coal Mine (駱駝山煤礦). The Group's progress on the underground mine construction was similarly affected. To compensate for the loss of construction time, the Group had advanced the purchase of coal excavators for leasing to construction contractors for accelerating the progress of tunneling work. In August, extraction of coal was temporarily stopped because of the 12th Inner Mongolia Autonomous Region Games. After this, production and construction activities had resumed to the normal level.

Completion of disposal of Long Capital

On 30 June 2010, the Group disposed of its remaining 14.57% interest in Long Capital Development Limited ("Long Capital"), details of which were discussed in the Company's announcement dated 30 June 2010. As the Group's business strategy is to reposition itself as an integrated coke producer in the PRC, after the disposal of its remaining 14.57% interest in Long Capital, the Group was no longer involved in the business of providing beauty and repairs services to motor vehicles. From 1 July 2010 onwards, coal becomes the sole business operation of the Group.

Merger of Mengxi Minerals and Mengxi Chemical, Dissolution of Mengxi Chemical

On 10 August 2010, Mengxi Minerals^(note 1) (as purchaser) and Mengxi Chemical^(note 2) (as vendor), each an indirect 70% subsidiary of the Company, entered into the Agreement for a group restructuring exercise involving the merger of Mengxi Minerals and Mengxi Chemical ("Merger") by the transfer of all assets, liabilities, businesses and employees of Mengxi Chemical to Mengxi Minerals at nil consideration ("Transfer"). Mengxi Chemical shall be dissolved upon completion of the Merger.

The principal business of Mengxi Chemical was the washing and choosing of mine run coal, the processing of coking coal and coke and their related coal by-products. The principal business of Mengxi Minerals is the sale of coal, the building of early stage infrastructure for exploitation of sagger, washing and choosing of mine run coal and processing of coke.

Each of Mengxi Minerals and Mengxi Chemical is a joint venture vehicle which is 70% indirectly owned by the Company and 30% by Mengxi HT^(note 3). As Mengxi Minerals and Mengxi Chemical have the same shareholding structure, the Board considered that the Merger would enable the Group to streamline the corporate structure to facilitate integration of resources and unify the platform for sales of coal and washing and choosing of mine run coal by the Group. Cost savings for the Group can be achieved accordingly.

The acquisition and disposal of the assets, liabilities, businesses and employees of Mengxi Chemical under the Transfer were part and parcel of the entire group restructuring exercise. Since all assets, liabilities, businesses and employees of Mengxi Chemical were transferred to Mengxi Minerals at nil consideration, no gain or loss to the Group resulted from the Merger.

The transfer of all assets, liabilities, businesses and employees of Mengxi Chemical to Mengxi Minerals under the Merger was completed on 25 August 2010. Mengxi Chemical was dissolved on 12 September 2010 upon completion of the necessary filings and obtaining of the relevant approvals in the PRC.

- note:*
1. Mengxi Minerals: 內蒙古蒙西礦業有限公司 (Inner Mongolia Mengxi Minerals Co., Ltd.)
 2. Mengxi Chemical: 鄂爾多斯市啟杰蒙西煤化有限公司 (Ordos GEM Coal & Chemical Co., Ltd.)
 3. Mengxi HT: 內蒙古蒙西高新技術集團有限公司 (Inner Mongolia Gaoxing High Tech Limited).

Mengxi Minerals completed construction of Office Building and Staff Quarters

During the reporting period, Mengxi Minerals had attained a milestone on completion of the construction of its Office Building and Staff Quarters. On 13 October 2010, a ceremony celebrating the completion of construction of the Office Building and Staff Quarters of Mengxi Minerals was held. As a respected company in Inner Mongolia, over 100 attendees comprising important local officials from Inner Mongolia Government Departments and business partners attended this ceremony.

The successful completion of construction of these two buildings reflected that Mengxi Minerals is proceeding well on its implementation of constructing the planned infrastructure. This in turn reflects Kaisun Energy's successful effort to steer our controlling subsidiary into a producing operation.

BUSINESS OUTLOOK

Construction of the Group's 1.5 mtpa beneficiation plant is progressing and is targeted for completion in 2011.

The Group's coking coal mine, located in the district of Qian Li Gou (千里溝) in Ordos, 35 kilometers from Wuhai, Inner Mongolia. Wuhai is one of the main areas that produces coking coal and coke in Inner Mongolia, with approximately 20 million tonnes of annual raw coking coal production. The Group's mine is one of the thirteen mines in the district. The majority of these mines are not in production because they cannot meet the current minimum 0.6 mtpa production quota in Ordos. The Group's coking coal mine, being the largest in the district and the only one owned by a listed company, is favorably supported by the local government and the Group is regarded as having the financial resources and technical capability to acquire and consolidate the other small coking coal mines in the district for commencing production in future.

Capital expenditures for the construction of the underground mine, which are anticipated to be around RMB480 million, are being satisfied by the Group's internal resources together with a RMB300 million loan provided by the China Construction Bank (the "Bank").

Cooperation Agreement with Xinjiang Bureau

On 21 January 2011, the Company and Xinjiang Uygur Autonomous Region Coal Geology Bureau ("Xinjiang Coal Bureau") (新疆維吾爾自治區煤田地質局) entered into a 3 year strategic cooperation framework agreement (the "Cooperation Agreement") which enables the parties to develop a close and strategic cooperation relationship to explore the coal mining industry.

Leveraging Kaisun's proven operating model and Xinjiang Bureau's expertise in exploration, the partnership will cooperatively explore and develop mining resources both in and outside China. Details of the Cooperation Agreement were disclosed in the Company's announcement dated 21 January 2011.

Increase of Coal Resource

In December 2010, geological drilling work was conducted by a team of mining consultants on mining areas. Based on their verification works of JORC standards of estimation and their exploration works, the Inner Mongolian Kulihuoshatu Coal Mine is estimated to have a total resource of approximately 130.85 million tonnes, an increase of approximately 32% from the previously estimated total resource of approximately 99.6 million tonnes (note: PRC coal resource standard).

PROSPECTS

A coal industry outlook for the year 2011 published by an investment bank continues to be optimistic. Implementation of economic revitalization programs in China will provide the coal industry with a boost upwards from the emission reduction pressure which hampered the industry output during the second half of year 2010. Supply and demand are projected to be "balanced or tight" in China due to industrial growth and a "higher than expected increase in the market price of coal". A reliable indicator for the China market is Australian and Japanese coking coal which has been projected at USD225 per tonne in 2011.

The Group's strategy continues to be 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 Period from continuing operations and discontinued operations amounted to approximately HK\$59.6 million and nil respectively (for the year ended 31 March 2010: continuing operations: HK\$14.4 million, discontinued operations: HK\$48.4 million). During the Period, the significant increase in turnover from continuing operations was generated by the sale of coal. The turnover of approximately HK\$48.4 million from discontinued operations for the year ended 31 March 2010 mainly resulted from the business operation of providing beauty and repairs services to motor vehicles, which was completely disposed by the Group on 30 June 2010.

Gross profit from the Group's continuing and discontinued operations for the Period was approximately HK\$28.9 million (for the year ended 31 March 2010: HK\$45.7 million).

For the Period, the total administrative and other operating expenses from the Group's continuing operations totaled HK\$38.1 million (for the year ended 31 March 2010: HK\$51.2 million).

For the Period, total finance costs from the Group's continuing operations amounted to HK\$16.2 million (for the year ended 31 March 2010: HK\$236.8 million), finance costs for the Period represented an accrued interest payable on the Convertible Bonds upon the Bondholders redemption of Convertible Bonds.

The Group recorded loss for the Period of approximately HK\$28.2 million (profit for the year ended 31 March 2010: HK\$448.7 million). During the Period, exchange differences on translating foreign operations of approximately HK\$72.6 million could offset the loss for the Period of approximately HK\$28.2 million, hence the Group recorded total comprehensive income for the Period of approximately HK\$44.4 million (for the year ended 31 March 2010: HK\$453.6 million).

The total comprehensive income attributable to owners of the Company for the Period amounted to approximately HK\$19.0 million (for the year ended 31 March 2010: HK\$456.2 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, the Group has a bank and cash balance of approximately HK\$242.4 million (as at 31 March 2010: HK\$439.7 million).

In May 2009, Mengxi Minerals, a subsidiary company of the Group, secured 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 Shares of Mengxi Minerals.

FINAL DIVIDEND

In order to retain resources for the Group's business development, the Board does not recommend the payment of a final dividend for the Period (for the year ended 31 March 2010: HK\$Nil).

GEARING RATIO

The Group's gearing ratio, which represents the ratio of the Group's total liabilities over the Group's total assets, was 0.36 as at 31 December 2010 (as at 31 March 2010: 0.37).

CAPITAL STRUCTURE

During the Period, the Company has received conversion notices from the Bondholders regarding the conversion of a principal amount of HK\$72,870,000 of the Replacement Bonds into 106,900,000 new Shares. Upon completion of the conversion exercise during the Period, the outstanding principal of the Replacement Bonds amounted to HK\$217,660,000 and a maximum of approximately 357,410,000 new Shares can be converted on the maturity date.

During the Period, the Company received exercise notices from the grantees regarding the exercise of share option of conversion into 1,808,750 new Shares.

FOREIGN EXCHANGE EXPOSURE

Majority of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars and Renminbi ("RMB"). As at 31 December 2010, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

INCOME TAX

Details of the treatment of the Group's income tax expense for the Period are set out in note 6.

HUMAN RESOURCES

As at 31 December 2010, the Group had 67 (as at 31 March 2010: 67) staff in Hong Kong and China. 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\$7.3 million (for the year ended 31 March 2010: HK\$54.8 million) for the Period.

SEGMENT REPORT

The detailed segmental analysis are provided in note 13.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2010.

LITIGATION

As at 31 December 2010, the Group had no significant pending litigation.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of the shares of the Company (“Shares”) during the Period under review. Neither the Company nor any of its subsidiaries has purchased or sold any Shares during the Period under review.

AUDIT COMMITTEE

Composition of the 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 and Code Provision C3.3 of the Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

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.

During the Period under review, the audit committee held three meetings to review and supervise the financial reporting process. The results for the Period have been reviewed by the Audit Committee who was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and adequate disclosures have been made.

CODE ON CORPORATE GOVERNANCE PRACTICES

Except for Code Provision A2.1, the Company has complied with all the code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 15 on the GEM Listing Rules throughout the Period.

The Code Provision A2.1 stipulates that the role of chairman and chief executive officer should be separated and should not be performed by the same individual.

During the period from 2 November 2010 to the date of this report, Mr. Joseph Chan Nap Kee, chairman, took up the role of acting chief executive officer as well, which deviates from Code Provision A2.1.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors (“Directors”) of the Company 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 Period. The Company has also made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

The Board is pleased to announce the audited results of the Group for the nine months period ended 31 December 2010 together with the audited comparative figures for the year ended 31 March 2010 as follows:

CONSOLIDATED INCOME STATEMENT

For the period from 1 April 2010 to 31 December 2010

		Period from 1 April 2010 to 31 December 2010 HK\$	Year ended 31 March 2010 HK\$
	<i>Note</i>		
Continuing operations			
Turnover	3	59,618,521	14,352,252
Cost of goods sold		<u>(30,765,265)</u>	<u>(5,827,509)</u>
Gross profit		28,853,256	8,524,743
Other income	4	809,590	254,796
Selling and distribution costs		(120,524)	(272,460)
Administrative and other operating expenses		<u>(38,081,584)</u>	<u>(51,230,009)</u>
Loss from operations		(8,539,262)	(42,722,930)
Finance costs	5	(16,244,593)	(236,803,644)
Share of losses of an associate		—	(13,576,930)
Fair value gain on step acquisition of a subsidiary		—	401,620,781
Excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary		—	<u>348,159,729</u>
(Loss)/profit before tax		(24,783,855)	456,677,006
Income tax expense	6	(3,454,220)	<u>(386,576)</u>
(Loss)/profit for the period/year from continuing operations		(28,238,075)	456,290,430
Discontinued operations			
Loss for the year from discontinued operations	7	—	<u>(7,606,694)</u>
(Loss)/profit for the period/year	8	<u>(28,238,075)</u>	<u>448,683,736</u>

	Period from 1 April 2010 to 31 December 2010 HK\$	Year ended 31 March 2010 HK\$
Attributable to:		
Owners of the Company		
(Loss)/profit from continuing operations	(31,835,032)	457,651,902
Loss from discontinued operations	<u>—</u>	<u>(4,958,525)</u>
(Loss)/profit attributable to owners of the Company	<u>(31,835,032)</u>	<u>452,693,377</u>
Non-controlling interests		
Profit/(loss) from continuing operations	3,596,957	(1,361,473)
Loss from discontinued operations	<u>—</u>	<u>(2,648,168)</u>
Profit/(loss) attributable to non-controlling interests	<u>3,596,957</u>	<u>(4,009,641)</u>
	<u>(28,238,075)</u>	<u>448,683,736</u>
(Loss)/earnings per share (cents)	10	
From continuing and discontinued operations		
— basic	<u>(1.52)</u>	<u>29.94</u>
— diluted	<u>(0.64)</u>	<u>26.03</u>
From continuing operations		
— basic	<u>(1.52)</u>	<u>30.27</u>
— diluted	<u>(0.64)</u>	<u>26.30</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 April 2010 to 31 December 2010

	Period from 1 April 2010 to 31 December 2010 <i>HK\$</i>	Year ended 31 March 2010 <i>HK\$</i>
(Loss)/profit for the period/year	(28,238,075)	448,683,736
Other comprehensive income for the period/year, net of tax		
Exchange differences on translating foreign operations	<u>72,593,019</u>	<u>4,937,889</u>
Total comprehensive income for the period/year	<u>44,354,944</u>	<u>453,621,625</u>
Attributable to:		
Owners of the Company	18,978,904	456,231,817
Non-controlling interests	<u>25,376,040</u>	<u>(2,610,192)</u>
	<u>44,354,944</u>	<u>453,621,625</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	At 31 December 2010 <i>HK\$</i>	At 31 March 2010 <i>HK\$</i>
<i>Note</i>		
Non-current assets		
Fixed assets	101,102,623	33,199,570
Intangible assets	3,199,018,096	3,106,727,960
Deposits paid for construction in progress	221,707,925	155,524,547
Available-for-sale financial assets	—	3,591,185
	<u>3,521,828,644</u>	<u>3,299,043,262</u>
Current assets		
Inventories	142,171	88,540
Trade and bills receivables	11 30,570,552	5,793,531
Deposits, prepayments and other receivables	75,201,368	19,634,170
Bank and cash balances	242,442,501	439,738,657
	<u>348,356,592</u>	<u>465,254,898</u>
Current liabilities		
Other payables and accruals	12 26,911,753	31,948,887
Deposits received and receipts in advance	19,558,990	15,750,188
Bank loan	5,856,250	—
Current tax liabilities	2,961,501	387,346
	<u>55,288,494</u>	<u>48,086,421</u>
Net current assets	<u>293,068,098</u>	<u>417,168,477</u>
Total assets less current liabilities	<u>3,814,896,742</u>	<u>3,716,211,739</u>
Non-current liabilities		
Deferred tax liabilities	796,400,332	773,424,565
Convertible bonds	186,211,165	228,173,030
Bank loan	345,518,750	341,238,000
	<u>1,328,130,247</u>	<u>1,342,835,595</u>
NET ASSETS	<u>2,486,766,495</u>	<u>2,373,376,144</u>
Capital and reserves		
Share capital	21,143,838	20,056,750
Reserves	1,709,271,622	1,622,344,399
Equity attributable to owners of the Company	1,730,415,460	1,642,401,149
Non-controlling interests	756,351,035	730,974,995
TOTAL EQUITY	<u>2,486,766,495</u>	<u>2,373,376,144</u>

NOTES:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. 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 Company is an investment holding company.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting period beginning on 1 April 2010. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current period and prior years.

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

3. TURNOVER

	Period from 1 April 2010 to 31 December 2010 HK\$	Year ended 31 March 2010 HK\$
Turnover		
Sales of goods	59,618,521	15,438,027
Services rendered	—	47,367,547
	<u>59,618,521</u>	<u>62,805,574</u>
Representing:		
Continuing operations	59,618,521	14,352,252
Discontinued operations (<i>note 7</i>)	—	48,453,322
	<u>59,618,521</u>	<u>62,805,574</u>

4. OTHER INCOME

	Period from 1 April 2010 to 31 December 2010 HK\$	Year ended 31 March 2010 HK\$
Interest income	791,259	178,947
Sundry income	18,331	281,938
	<u>809,590</u>	<u>460,885</u>
Representing:		
Continuing operations	809,590	254,796
Discontinued operations (<i>note 7</i>)	—	206,089
	<u>809,590</u>	<u>460,885</u>

5. FINANCE COSTS

	Period from 1 April 2010 to 31 December 2010 HK\$	Year ended 31 March 2010 HK\$
Interest on bank loans and overdrafts	15,944,756	4,759,738
Amount capitalised	(15,944,756)	(4,757,175)
	—	2,563
Interest on convertible bonds	16,244,593	29,758,768
Interest on loan from an owner	—	27,740
Fair value loss on derivative component of convertible bonds	—	207,015,056
	<u>16,244,593</u>	<u>236,804,127</u>
Representing:		
Continuing operations	16,244,593	236,803,644
Discontinued operations (<i>note 7</i>)	—	483
	<u>16,244,593</u>	<u>236,804,127</u>

6. INCOME TAX EXPENSE

	Period from 1 April 2010 to 31 December 2010 <i>HK\$</i>	Year ended 31 March 2010 <i>HK\$</i>
Current tax — Hong Kong Profits Tax Provision for the Period/year	—	550,138
Current tax — PRC enterprise income tax Provision for the Period/year	3,454,220	386,576
Deferred tax	—	3,949
	<u>3,454,220</u>	<u>940,663</u>
Representing:		
Continuing operations	3,454,220	386,576
Discontinued operations (<i>note 7</i>)	—	554,087
	<u>3,454,220</u>	<u>940,663</u>

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the Period. The amount provided for the year ended 31 March 2010 was calculated at 16.5% based on assessable profit for that year. Certain allowable losses of the subsidiaries of the Company incorporated in Hong Kong are yet to be agreed by the Inland Revenue Department.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

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

The reconciliation between the income tax expense and the product of (loss)/profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	Period from 1 April 2010 to 31 December 2010 HK\$	Year ended 31 March 2010 HK\$
(Loss)/profit before tax	(24,783,855)	449,624,399
Tax at the domestic income tax rate of 16.5%	(4,089,336)	74,188,026
Tax effect of income that is not taxable	(73,788)	(144,491,572)
Tax effect of expenses that are not deductible	6,711,396	70,187,713
Tax effect of tax loss not recognised	—	1,015,030
Tax effect of utilisation of tax loss not previously recognised	(173,657)	—
Effect of different tax rates of subsidiaries operating in other jurisdiction	1,198,409	(345,110)
(Under)/Over-provision in respect of current period/year	(118,804)	386,576
Income tax expense	3,454,220	940,663

7. DISCONTINUED OPERATIONS

Pursuant to an agreement dated 27 November 2009 entered into between the Group and an independent third party (the “Purchaser”), the Group disposed of 51% interest in Global On-Line Distribution Limited (“Global On-Line”). Global On-Line is engaged in the trading of printer accessories and batteries during the year ended 31 March 2010. The disposal was completed on 30 November 2009 and the Group discontinued its trading of printer accessories and batteries business.

Pursuant to a conditional subscription agreement dated 8 February 2010 entered into between Long Capital Development Limited (“Long Capital”), a then subsidiary of the Group, and an independent third party (the “Subscriber”), Long Capital agreed to allot and issue and the Subscriber agreed to subscribe 25,000 new shares of US\$1 each in the capital of Long Capital at a consideration of HK\$4,500,000. Long Capital is an investment holding company and its subsidiary is engaged in the provision of repairs and maintenance services to motor vehicles, operating car accessories shop, car washing, cleaning and beauty services during the year ended 31 March 2010. Upon completion of the subscription, the Group’s shareholding in Long Capital reduced from 51% to 14.57%. The deemed disposal was completed on 31 March 2010 and the Group discontinued its provision of repairs and maintenance services to motor vehicles, operating car accessories shop, car washing, cleaning and beauty services business.

The loss for the year ended 31 March 2010 from the discontinued operations is analysed as follows:

	<i>HK\$</i>
Profit of discontinued operations	2,759,400
Loss on disposal of discontinued operations	<u>(10,366,094)</u>
	<u><u>(7,606,694)</u></u>

The results of the discontinued operations for the year ended 31 March 2010, which have been included in the consolidated profit or loss, are as follows:

	<i>HK\$</i>
Turnover	48,453,322
Cost of goods sold and services rendered	<u>(11,324,186)</u>
Gross profit	37,129,136
Other income	206,089
Selling and distribution costs	(1,518,098)
Administrative and other operating expenses	<u>(32,503,157)</u>
Profit from operations	3,313,970
Finance costs	<u>(483)</u>
Profit before tax	3,313,487
Income tax expense	<u>(554,087)</u>
Profit for the year	<u><u>2,759,400</u></u>

During the year ended 31 March 2010 the disposed subsidiaries received approximately HK\$6,083,000 in respect of operating activities, paid approximately HK\$589,000 in respect of investing activities and received approximately HK\$3,329,000 in respect of financing activities.

No tax charge or credit arose on the loss on disposal of the discontinued operations.

8. (LOSS)/PROFIT FOR THE PERIOD/YEAR

The Group's (loss)/profit for the Period/year is stated after charging /(crediting) the following:

	Period from 1 April 2010 to 31 December 2010 HK\$	Year ended 31 March 2010 HK\$
Auditor's remuneration	653,025	739,277
Cost of inventories sold	—	886,276
Depreciation	1,035,422	884,808
Loss on disposals of available-for-sale financial assets	2,851,965	—
Loss on disposals of fixed assets	333,668	—
Written off of deposits paid	11,307,910	—
Written off of fixed assets	—	80,866
Operating lease rentals in respect of land and buildings	207,000	13,172,303
Other equity-settled share-based payments	9,501,293	—
Staff costs (including directors' emoluments)		
Basic salaries, bonuses, allowances and benefits in kind	6,914,543	37,500,948
Equity-settled share-based payments	—	16,361,262
Retirement benefits scheme contributions	390,607	922,014
Net exchange (gain)/losses	<u>(56,022)</u>	<u>120,597</u>

9. DIVIDEND

No dividend has been paid or declared by the Company during the Period (for the year ended 31 March 2010: HK\$Nil).

10. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share is based on the following:

	Period from 1 April 2010 to 31 December 2010 HK\$	Year ended 31 March 2010 HK\$
(Loss)/earnings		
Continuing and discontinued operations		
(Loss)/earnings for the purpose of calculating basic (loss)/earnings per share	(31,835,032)	452,693,377
Net finance costs saving on conversion of convertible bonds outstanding	16,244,593	18,127,873
	<u>(15,590,439)</u>	<u>470,821,250</u>
Continuing operations		
(Loss)/earnings for the purpose of calculating basic (loss)/earnings per share	(31,835,032)	457,651,902
Net finance costs saving on conversion of convertible bonds outstanding	16,244,593	18,127,873
	<u>(15,590,439)</u>	<u>475,779,775</u>

	Period from 1 April 2010 to 31 December 2010	Year ended 31 March 2010
Number of shares		
Issued ordinary shares at beginning of the Period/year	2,005,675,000	770,000,000
Effect of shares placed	—	142,684,932
Effect of conversion of convertible bonds	—	511,589,041
Effect of conversion of replacement convertible bonds	86,475,782	72,904,712
Effect of exercise of options	1,248,805	14,823,630
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	2,093,399,587	1,512,002,315
Weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of the share options outstanding at the end of the reporting period	7,781,058	11,838,998
Effect of dilutive potential ordinary shares arising from convertible bonds outstanding	331,198,857	285,050,332
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	2,432,379,502	1,808,891,645
	<hr/>	<hr/>

From discontinued operations

Basic loss per share from the discontinued operations is HKNil cents (for the year ended 31 March 2010: HK0.33 cents) for the period from 1 April 2010 to 31 December 2010, based on the loss for the period from discontinued operations attributable to owners of the Company of HK\$Nil (for the year ended 31 March 2010: HK\$4,958,525) and the denominator used is the same as that detailed in the table above for basic loss per share.

11. TRADE AND BILLS RECEIVABLES

	At 31 December 2010 HK\$	At 31 March 2010 HK\$
Trade receivables	23,367,365	5,793,531
Bills receivables	7,203,187	—
	<hr/>	<hr/>
	30,570,552	5,793,531
	<hr/>	<hr/>

The credit terms of trade receivables are in accordance with specific payment schedules agreed with various customers.

An ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	At 31 December 2010 HK\$	At 31 March 2010 HK\$
0–30 days	16,177,392	4,366,637
31–60 days	5,836,059	944,761
61–90 days	1,007,150	266,164
Over 90 days	346,764	215,969
	<u>23,367,365</u>	<u>5,793,531</u>

As of 31 December 2010, trade receivables of HK\$346,764 (at 31 March 2010: HK\$Nil) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. An ageing analysis of these trade receivables is as follows:

	At 31 December 2010 HK\$	At 31 March 2010 HK\$
Up to 3 months	202,524	—
Over 3 months	144,240	—
	<u>346,764</u>	<u>—</u>

Trade receivables are denominated in RMB.

12. OTHER PAYABLES AND ACCRUALS

	At 31 December 2010 HK\$	At 31 March 2010 HK\$
Due to directors	—	9,000,000
Due to a related company	—	9,877,749
Accruals	1,394,846	1,001,225
Other payables	25,516,907	12,069,913
	<u>26,911,753</u>	<u>31,948,887</u>

Amounts due to directors are bonuses payable to the directors as at 31 March 2010 and which have been waived by the directors during the Period. Amounts due to directors/a related company are unsecured, interest-free and have no fixed repayment terms.

13. SEGMENT INFORMATION

The Group has a sole reportable segment which is exploitation of coal for the period from 1 April 2010 to 31 December 2010.

The Group had three reportable segments which were trading of printing accessories and batteries, provision of car repairs and beauty services and exploitation of coal for the year ended 31 March 2010 and of which trading of printing accessories and batteries and provision of car repairs and beauty services were discontinued in the year ended 31 March 2010.

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.

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 loans and derivative instruments. Segment non-current assets do not include financial instruments and deferred tax assets.

Information about reportable segment profit or loss, assets and liabilities:

	Discontinued operations			Total <i>HK\$</i>
	Provision of car repairs and beauty services <i>HK\$</i>	Trading of printing accessories and batteries <i>HK\$</i>	Exploitation of coal <i>HK\$</i>	
Year ended 31 March 2010				
Revenue from external customers	47,367,547	1,085,775	14,352,252	62,805,574
Segment profit/(loss)	3,387,331	(73,844)	(4,060,119)	(746,632)
Interest revenue	23,974	350	19,755	44,079
Depreciation	513,558	1,380	148,039	662,977
Share of losses of an associate	—	—	(13,576,930)	(13,576,930)
Income tax expense	554,087	—	386,576	940,663
Additions to segment non-current assets	622,730	—	16,441,830	17,064,560
As at 31 March 2010				
Segment assets	—	—	3,591,384,631	3,591,384,631
Segment liabilities	—	—	1,152,875,873	1,152,875,873

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	Year ended 31 March 2010 HK\$
Revenue	
Total revenue of reportable segments	62,805,574
Elimination of discontinued operations	(48,453,322)
	<hr/>
Consolidated revenue	<u>14,352,252</u>
Profit or loss	
Total profit or loss of reportable segments	(746,632)
Fair value gain on step acquisition of a subsidiary	401,620,781
Excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary	348,159,729
Interest on convertible bonds	(29,758,768)
Fair value loss on derivative component of convertible bonds	(207,015,056)
Share of losses of an associate	(13,576,930)
Unallocated corporate income	136,635
Unallocated corporate expense	(49,195,360)
Elimination of discontinued operations	7,052,607
	<hr/>
Consolidated profit before tax from continuing operations	<u>456,677,006</u>
	At 31 March 2010 HK\$
Assets	
Total assets of reportable segments	3,591,384,631
Available-for-sale financial assets	3,591,185
Unallocated corporate assets	169,322,344
	<hr/>
Consolidated total assets	<u>3,764,298,160</u>
Liabilities	
Total liabilities of reportable segments	1,152,875,873
Convertible bonds	237,173,030
Unallocated corporate liabilities	873,113
	<hr/>
Consolidated total liabilities	<u>1,390,922,016</u>

Geographical information:**Revenue**

	Period from 1 April 2010 to 31 December 2010 HK\$	Year ended 31 March 2010 HK\$
Hong Kong	—	47,367,547
United States	—	1,085,775
The PRC	59,618,521	14,352,252
Discontinued operations	—	(48,453,322)
Consolidated total	<u>59,618,521</u>	<u>14,352,252</u>

In presenting the geographical information, revenue is based on the locations of the customers.

Revenue from major customers:

	Period from 1 April 2010 to 31 December 2010 HK\$	Year ended 31 March 2010 HK\$
Exploitation of coal:		
Customer a	11,861,886	—
Customer b	10,837,605	—
Customer c	<u>8,331,264</u>	<u>—</u>

Non-current assets other than available-for-sale financial assets

	At 31 December 2010 HK\$	At 31 March 2010 HK\$
Hong Kong	80,571	460,673
The PRC	<u>3,521,748,073</u>	<u>3,294,991,404</u>
Consolidated total	<u>3,521,828,644</u>	<u>3,295,452,077</u>

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

Hong Kong, 28 February 2011

As at the date of this announcement, the Board comprises four executive Directors of the Company 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 Mr. LIEW Swee Yean, Mr. SIU Siu Ling Robert, Dr. WONG Yun Kuen and Mr. ANDERSON Brian Ralph.

The English text of this announcement shall prevail over the Chinese text in case of inconsistencies.

This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for at least 7 days from the day of its posting, and on the Company’s website at <http://www.kaisunenergy.com>.