



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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2011

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 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 three months ended 31 March 2011 was approximately HK\$15.6 million (three months ended 30 June 2010: HK\$4.8 million), representing an increase of approximately 226% as compared to the three months ended 30 June 2010.
- The Group recorded total comprehensive income for the period of approximately HK\$33.2 million (three months ended 30 June 2010: HK\$6.4 million). During the period, the Group recorded a gain of approximately HK\$36.8 million from the exchange difference of translation of currency from foreign operations, which offset the loss for the period of approximately HK\$(3.6) million (three months ended 30 June 2010: HK\$(9.3) million).
- Total comprehensive income attributable to owners of the Company for the three months ended 31 March 2011 amounted to approximately HK\$20.2 million (three months ended 30 June 2010: HK\$1.7 million).
- Loss per share of the Group amounted to approximately HK cents 0.23 (three months ended 30 June 2010: HK cents 0.45) for the three months ended 31 March 2011.

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 2011, together with the unaudited comparative figures for the corresponding period three months ended 30 June 2010 as follows:

UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2011

		Unaudited	
		Three months ended	
		31 March	30 June
		2011	2010
	<i>Note</i>	HK\$'000	HK\$'000
Turnover	4	15,637	4,796
Cost of goods sold		<u>(4,336)</u>	<u>(3,571)</u>
Gross profit		11,301	1,225
Other income		107	70
Selling and distribution costs		(9)	(10)
Administrative and other operating expenses		(6,373)	(4,387)
Finance costs		(7,237)	(3,411)
Loss on disposal of available-for-sale financial assets		<u>—</u>	<u>(2,791)</u>
Loss before tax		(2,211)	(9,304)
Income tax (expenses)/credit	5	<u>(1,416)</u>	<u>9</u>
Loss for the period		<u>(3,627)</u>	<u>(9,295)</u>
Loss attributable to:			
Owners of the Company		(5,048)	(9,272)
Non-controlling interests		<u>1,421</u>	<u>(23)</u>
		<u>(3,627)</u>	<u>(9,295)</u>
Dividend	6	<u>—</u>	<u>—</u>
Loss per share (HK Cents)	7		
— basic		<u>(0.23)</u>	<u>(0.45)</u>
— diluted		<u>(0.01)</u>	<u>(0.24)</u>

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Three months ended	
	31 March	30 June
	2011	2010
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	(3,627)	(9,295)
Other comprehensive income for the period, net of tax: Exchange differences on translation of currency from foreign operations	<u>36,837</u>	<u>15,672</u>
Total comprehensive income for the period	<u>33,210</u>	<u>6,377</u>
Total comprehensive income attributable to:		
Owners of the Company	20,198	1,702
Non-controlling interests	<u>13,012</u>	<u>4,675</u>
	<u>33,210</u>	<u>6,377</u>

NOTES

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is 5/F., 31C–D Wyndham Street, Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

During the three months ended 31 March 2011, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IFAB") that are relevant to its operations and effective for its accounting periods beginning on 1 January 2011. 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 three months ended 31 March 2011 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.

3. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial statements have been prepared in accordance with IFRSs issued by the IFAB, and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires management to exercise its judgements in the process of applying the accounting policies.

The accounting policies and basis of the preparation of the financial statements are consistent with those adopted by the Group in its annual financial statements for the nine months period ended 31 December 2010.

4. TURNOVER

	Unaudited	
	Three months ended	
	31 March	30 June
	2011	2010
	HK\$'000	HK\$'000
Turnover		
Sales of goods	<u>15,637</u>	<u>4,796</u>

5. INCOME TAX (EXPENSES)/CREDIT

	Unaudited	
	Three months ended	
	31 March	30 June
	2011	2010
	HK\$'000	HK\$'000
Income tax (expenses)/credit		
Current tax — PRC enterprise income tax	<u>(1,416)</u>	<u>9</u>

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

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

6. DIVIDENDS

The Directors do not recommend the payment of dividend for the three months ended 31 March 2011 (three months ended 30 June 2010: HK\$Nil).

7. 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 calculation of diluted loss per share is based on the loss for the period attributable to owners of the Company, adjusted to reflect the interest on the convertible bonds. 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 of 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	30 June
	2011	2010
	HK\$'000	HK\$'000
Earnings		
Loss for the purpose of calculating basic loss per share	(5,048)	(9,272)
Net financial costs saving on conversion of convertible bonds outstanding	<u>4,991</u>	<u>3,434</u>
Loss for the purpose of calculating diluted loss per share	<u>(57)</u>	<u>(5,838)</u>
Number of shares		
Issued ordinary shares at beginning of the year	2,114,384	2,005,675
Acquisition of a subsidiary	34,446	—
Effect of conversion of replacement convertible bonds	—	39,597
Effect of exercise of options	<u>—</u>	<u>101</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	2,148,830	2,045,373
Effect of dilutive potential ordinary shares arising from share options outstanding	84,657	59,376
Effect of dilutive potential ordinary shares arising from replacement convertible bonds outstanding	<u>357,416</u>	<u>320,692</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>2,590,903</u>	<u>2,425,441</u>

8. CONVERTIBLE BONDS

The maturity date of the Replacement Bonds is 10 June 2013. The bondholders have the right to convert at any time from issue date up to Maturity Date into Shares at a fixed conversion price at HK\$0.70 per Share. The outstanding principal amount of the Replacement Bonds together with the accrued interest (if not paid by cash on redemption at maturity or upon acceleration) shall be automatically converted to Shares upon Maturity Date unless such conversion will result a holder of the Replacement Bonds and parties acting in concert with it, taken together, will directly or indirectly control or be interested in 30% or more of the voting rights in respect of the issued shares of the Company (or in such lower percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or the public float of the shares of the Company will fall below the minimum public float requirements stipulated under the GEM Listing Rules. Interest of 3.75 per cent per annum (compounded annually) is payable (i) in conversion shares on conversion; or (ii) in cash at maturity. The Company has no right to require the early cancellation or redemption of any of the Replacement Bonds prior to the Maturity Date.

During the period, the outstanding principle of the Replacement Bonds was amounting HK\$217,660,000 and there are maximum of approximately 357,410,000 new Shares that can be converted into new Shares.

9. SHARE CAPITAL

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

On 25 March 2011, the Company increased its issued share from 2,114,383,750 shares of HK\$0.01 each to 2,537,260,500 shares of HK\$0.01 each by the allotment of 422,876,750 consideration shares of HK\$0.01 each at market value of HK\$0.415 each.

10. RESERVE

	Attributable to owners of the Company								Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Foreign currency translation reserve HK\$'000	Share-based payment reserve HK\$'000	Convertible bonds reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
At 1 April 2010	20,057	889,428	3,265	22,244	138,553	568,855	1,642,402	730,975	2,373,377
Total comprehensive income for the period	—	—	10,974	—	—	(9,272)	1,702	4,675	6,377
Conversion of replacement convertible bonds	1,069	91,877	—	—	(34,752)	—	58,194	—	58,194
Exercise of share options	5	514	—	(147)	—	—	372	—	372
At 30 June 2010	<u>21,131</u>	<u>981,819</u>	<u>14,239</u>	<u>22,097</u>	<u>103,801</u>	<u>559,583</u>	<u>1,702,670</u>	<u>735,650</u>	<u>2,438,320</u>
At 1 January 2011	21,144	983,181	54,079	28,810	103,801	539,400	1,730,415	756,351	2,486,766
Total comprehensive income for the period	—	—	25,246	—	—	(5,048)	20,198	13,012	33,210
Share based payment lapsed	—	—	—	(2,545)	—	2,545	—	—	—
Acquisition of a subsidiary	4,229	171,265	—	—	—	—	175,494	—	175,494
At 31 March 2011	<u>25,373</u>	<u>1,154,446</u>	<u>79,325</u>	<u>26,265</u>	<u>103,801</u>	<u>536,897</u>	<u>1,926,107</u>	<u>769,363</u>	<u>2,695,470</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group generated its turnover from the sale of coking coal and thermal coal from Inner Mongolia, amounting to approximately HK\$15.6 million for the three months ended 31 March 2011, an increase of roughly 2.26 times over the approximately HK\$4.8 million for the three months ended 30 June, 2010. During the reporting period, the completed expanded facilities in Mengxi Minerals increased production capacity, which in turn raised production and sale of coal.

Acquisition of Saddleback Mining Limited, expanding Group's coal mining assets to Tajikistan

On 15 March 2011, a wholly owned subsidiary of the Company and Saddleback Corporation Limited have entered into the Sales and Purchase Agreement pursuant to which the wholly owned subsidiary of the Company had conditionally agreed to acquire 100% of interest in Saddleback Mining Limited by cash and the Company's shares, details of which were disclosed in the Company's announcement dated 15 March 2011.

Saddleback Mining Limited's subsidiaries are principally engaged in coal and anthracite mining and exploration in Tajikistan, and own mining rights and interests in three mines in Tajikistan, including the Nazar-Aylok anthracite deposit, the Ziddi coal deposit and the Mienadu coal deposit.

Completion of Acquisition of interest in Saddleback Mining Limited took place on 25 March 2011. The Consideration for the Acquisition, including the issue and allotment by the Company of a total of 422,876,750 Consideration Shares to the Vendor, was settled in full in accordance with the terms and conditions of the Sales and Purchase Agreement. Upon completion, Saddleback Mining Limited became a wholly owned subsidiary of the Company.

Business Outlook

Mengxi operation

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

Capital expenditures for the construction of the underground mine, which is anticipated to be around RMB550 million, are being satisfied by the Group's internal resources together with a RMB300 million loan provided by the China Construction Bank (the "Bank").

The sum of depth of excavation of three underground decline wells including the main, subsidiary, and ventilation shaft for building the underground mining facilities exceeded 2600 meters, representing almost 70% of the total depth to be completed.

Tajikistan operation

The Group's investment in Saddleback Mining Limited represents an expansionary step of the Company outside the Greater China region. Saddleback Mining Limited's subsidiaries control coal mining assets in Tajikistan with significant resources in both anthracite and coal. In combination with our integrated Mengxi coal operation, the Group can continue to develop our supply facilities to meet mounting demand in both China and other developing countries in Asia.

Tajikistan benefits from its close proximity to Xinjiang and to the Chinese market in particular. Moreover, the Chinese government continues to invest in the infrastructure of Western provinces such as the old Silk Road. Finally, our strategic partnership with the Xinjiang Uygur Autonomous Region Coal Bureau will bring technical proficiency to our Central Asia exploration effort including Tajikistan.

Prospects

In a recent round-table meeting of the 2011 Global Coking Coal Resource & Market Summit on March 25 in Shanxi province, PRC, an industry consultant has estimated that China's coking coal demand is "expected to peak between 2015 to 2020" based on various essential factors. The increase in demand could potentially hit China earlier than 2015 attributable to the "fast development of iron-making technologies" and the currently anticipated peak demand for coking coal might further rise because of the "fast growing Chinese population". In the end, this will be beneficial to our current operation and solidifies the positive future outlook of the Group.

Following the consolidation of the coal mining industry in Henan, Guizhou and Shanxi, Inner Mongolia is also implementing their consolidation exercise and merger and acquisition of coal mines in Inner Mongolia are expected to materialise.

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 from the Group for the three months ended 31 March 2011 was approximately HK\$15.6 million (three months ended 30 June 2010: HK\$4.8 million), representing an increase of approximately 226% as compared to the same period last year.

Correspondingly, gross profit from the Group for the three months ended 31 March 2011 was approximately HK\$11.3 million (three months ended 30 June 2010: HK\$1.2 million).

For the three months ended 31 March 2011, the total administrative and other operating expenses was amounting to approximately HK\$6.4 million (three months ended 30 June 2010: HK\$4.4 million).

For the three months ended 31 March 2011, total finance cost was amounting to approximately HK\$7.2 million (three months ended 30 June 2010: HK\$3.4 million), representing an accrued interest payable on the Convertible Bonds upon the Bondholders redemption of Convertible Bonds and loan interest charged by China Construction Bank.

The Group recorded loss for the period of approximately HK\$3.6 million (three months ended 30 June 2010: HK\$9.3 million). During the period, because exchange differences of translation of currency from foreign operations recorded a gain of approximately HK\$36.8 million, hence the Group recorded total comprehensive income for the period of approximately HK\$33.2 million (three months ended 30 June 2010: HK\$6.4 million).

The Group recorded the total comprehensive income attributable to owners of the Company of approximately HK\$20.2 million (three months ended 30 June 2010: HK\$1.7 million) for the three months ended 31 March 2011.

Liquidity and Financial Resource

As at 31 March 2011, the Group has a bank and cash balance of approximately HK\$186 million (as at 31 December 2010: HK\$242 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 capital of Mengxi Minerals.

Gearing Ratio

The Group's gearing ratio, which represents the ratio of the Group's total liabilities over the Group's total assets, was 0.35 as at 31 March 2011 (as at 31 December 2010: 0.36).

Foreign Exchange Exposure

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars, Renminbi ("RMB"), Sterling Pound and Tajik Somoni. As at 31 March 2011, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

Capital Structure

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

OTHER INFORMATION

1. Directors' and Chief Executives' Interests and Short Positions in the shares, underlying shares and debentures of the Company or any associated corporations

As at 31 March 2011, the interests and short positions of the directors and the chief executives in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by the directors are as follows:

Long position in Shares and underlying Shares

Name of Directors	Capacity	Number of Shares	Number of underlying Shares (Note)	Approximate percentage of the total issued Shares as at 31 March 2011
Chan Nap Kee, Joseph	Beneficial owner	20,420,000	24,981,750	1.79%
Chow Pok Yu, Augustine	Beneficial owner	990,000	4,925,000	0.23%
Yang Yongcheng	Beneficial owner	100,000	4,925,000	0.20%
Liew Swee Yean	Beneficial owner	540,000	—	0.02%
Siu Siu Ling, Robert	Beneficial owner	540,000	—	0.02%
Wong Yun Kuen	Beneficial owner	1,000,000	—	0.04%
Anderson Brian Ralph	Beneficial owner	—	1,200,000	0.05%
Li Hong	Beneficial owner	—	3,000,000	0.11%

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 2011, none of the directors or chief executive of the Company had any interest or short position in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Ordinance) which is required to be notified to the Company and the Stock Exchange pursuant to divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or any interests required to be entered in the register maintained in accordance with Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors.

2. Interests and short positions of substantial shareholders in shares and underlying shares

- (a) As at the 31 March 2011, 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 (Note 3)	Total Interest	Approximate percentage of the total issued Shares as of at 31 March 2011
<i>Substantial shareholders</i>					
Zhang Zhi Ping	Interest of controlled corporations	215,640,000	314,490,000	530,130,000 (Note 1)	20.89%
Zhang Gaobo	Interest of controlled corporations	215,640,000	314,490,000	530,130,000 (Note 1)	20.89%
Oriental Patron Financial Group Limited (“OPFGL”)	Interest of controlled corporations	215,640,000	357,410,000	573,050,000 (Note 1)	22.59%
OP Financial Investments Limited (“OPFIL”)	Interest of a controlled corporation	129,260,000	234,190,000	363,450,000 (Note 1)	14.32%
Profit Raider Investments Limited (“PRIL”)	Beneficial owner	129,260,000	234,190,000	363,450,000 (Note 1)	14.32%
Saddleback Corporation Limited	Beneficial owner	422,876,750	—	422,876,750	16.67%
<i>Other persons who had interests in the Shares and underlying Shares</i>					
Oriental Patron Financial Services Group Limited (“OPFSGL”)	Interest of a controlled corporation	86,380,000	123,220,000	209,600,000 (Note 1)	8.26%
Pacific Top Holding Limited (“PTHL”)	Beneficial owner	86,380,000	123,220,000	209,600,000 (Note 1)	8.26%
GEM Global Yield Fund Limited (“GEM Global”)	Beneficial owner/ Interest of a controlled corporation	230,000,000	791,000,000	1,021,000,000 (Note 2)	40.24%

Notes:

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

Of these 215,640,000 Shares and 357,410,000 underlying Shares of the Company, 86,380,000 Shares and 123,220,000 underlying Shares are held by PTHL. PTHL is wholly owned by 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 215,640,000 Shares and 357,410,000 underlying Shares, 129,260,000 Shares and 234,190,000 underlying Shares are held by PRIL. PRIL is wholly owned by OPFIL, OPFIL is 35.05% held by Ottness Investments Limited (“OIL”). Zhang Zhi Ping, Zhang Gaobo, OPFGL, OIL and OPFIL are deemed to be interested in the interests held by PRIL under the SFO.

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

The Directors are unable to ascertain the interests of GEM Global as at the Latest Practicable Date, and confirm whether the interests of GEM Global as at the Latest Practicable Date, have been accurately shown. The interest of GEM Global as shown was disclosed in the corporate substantial notice of GEM Global filed on 3 April 2008 and recorded in the register of substantial shareholders maintained by the Company under Section 336 of the SFO. As set out in the Company’s announcement dated 3 June 2008, the Company received default notification from GEM Global in relation to HK\$540 Million Placing Convertible Bonds (as defined in such announcement). Theoretically, the interests of GEM Global should have decreased and updated corporate substantial notice should have been filed with the Company and the Stock Exchange by GEM Global as a result of such default. In addition to the default of the Placing Convertible Bonds mentioned above, as set out in the Company’s announcements dated 3 June 2008 and 11 June 2008, on 10 June 2008, 230 million Consideration Shares (as defined in such announcements) were allotted and issued to Grand Pacific, the entire equity interests of which were acquired by Glimmer Stone Investments Limited (“Glimmer”) from GEM Global on the same day, and 60 million Consideration Shares were transferred from Grand Pacific to GEM Global as consideration for such acquisition. Theoretically, the interests of GEM Global should have decreased and updated corporate substantial notice should have been filed with the Company and the Stock Exchange by GEM Global as a result of the acquisition of Grand Pacific by Glimmer mentioned above. The Company has not received any updated corporate substantial notice of GEM Global after 3 April 2008. However, the Directors cannot exclude the possibility that GEM Global may have acquired or disposed of any interests in shares or underlying shares of the Company after the above announcements.

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

3. The long positions in underlying Shares mentioned above represent the interests held by such Bondholders as at the 31 March 2011 in the convertible bonds in the principal amount of HK\$217,660,000 convertible into 329,660,000 new Shares issued by the Company on and subject to the terms of the Variation Agreement.

Save as disclosed above, the Directors were not aware of any other person (other than the directors and the chief executives of the Company) who, as at 31 March 2011, had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 & 3 of Part XV of the SFO.

3. Share Options

A share option scheme (the “Scheme”) was adopted by the shareholders of the Company by way of written resolutions passed on 9 December 2003. The principal purpose of the Scheme is to enable the Group to grant options to subscribe for Shares to the eligible person as incentives or rewards for their contributions to the Group.

As at 31 March 2011, a total of 84,346,826 Shares, representing 3.32% of the existing issued share capital of the Group are available for issue in respect of the remaining options which may be granted under the Scheme.

Details of the Options granted under the Scheme during the period ended 31 March 2011 are as follows:

	Date of Grant	Exercise Period	No. of Options				
			Outstanding as at 31/12/2010	Grant during the Period	Exercise during the Period	Lapsed during the Period (Note 2)	Outstanding as at 31/3/2011
Directors							
Chan Nap Kee, Joseph	8/1/2009	8/1/2009– 7/1/2012	4,925,000	—	—	—	4,925,000
	9/2/2010	9/2/2010– 8/2/2013	20,056,750	—	—	—	20,056,750
Chow Pok Yu, Augustine	8/1/2009	8/1/2009– 7/1/2012	4,925,000	—	—	—	4,925,000
Yang Yongcheng	11/8/2009	11/8/2009– 10/8/2012	4,925,000	—	—	—	4,925,000
Anderson Brian Ralph	11/8/2009	11/8/2009– 10/8/2012	1,200,000	—	—	—	1,200,000
Li Hong	18/11/2009	18/11/2009– 17/11/2012	3,000,000	—	—	—	3,000,000
		Sub-total	39,031,750	—	—	—	39,031,750
Employees in aggregate	11/8/2009	11/8/2009– 10/8/2012	3,337,500	—	—	—	3,337,500
Other participants in aggregate	19/2/2008	19/2/2008– 18/2/2011	500,000	—	—	(500,000)	—
	24/6/2008	24/6/2008– 23/6/2011	7,700,000	—	—	(7,700,000)	—
	18/10/2010	18/10/2010– 17/10/2013	42,287,674	—	—	—	42,287,674
			<u>92,856,924</u>	<u>—</u>	<u>—</u>	<u>(8,200,000)</u>	<u>84,656,924</u>

Note:

- (1) These Options represent personal interest held by the relevant directors as beneficial owners.
- (2) 8,200,000 Options lapsed during the year under review.

4. Directors' Interest in Competing Business

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

5. Audit Committee

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

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

The audit committee provides an important link between the Board and the Company's auditors in those matters within the scope of the Group's audit. It also reviews the effectiveness of the external and internal audit, internal controls and risk evaluation. The audit committee comprises four independent non-executive directors, namely Mr. Liew Swee Yean, Mr. Siu Siu Ling Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph and Mr. Liew Swee Yean is the chairman of the audit committee.

The unaudited quarterly results for the three months ended 31 March 2011 have been reviewed by the audit committee which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

6. Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the three months ended 31 March 2011. Neither the Company nor any of its subsidiaries has purchased or sold any of the Shares during the three months ended 31 March 2011.

7. Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the three months ended 31 March 2011. The Company has also made specific enquiry to all Directors and the Company was not aware of any non-compliance with the required standard of dealings under the GEM Listing Rules and its code of conduct regarding securities transactions by Directors.

8. Code On Corporate Governance Practice

The Company has complied with all the code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 15 of the GEM Listing Rules throughout the three months ended 31 March 2011.

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

During the period from 2 November 2010 to the date of this 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 resources sector and has recently acquired coal mining assets outside China, the Remuneration Committee is searching for the right person to take up the role of Chief Executive Officer to handle its latest development. In the meantime, Mr. Chan Nap Kee Joseph, our Chairman, took up the role of Acting Chief Executive Officer until the suitable person who will handle our latest development is selected. The Company will publish announcement on appointment of Chief Executive Officer when appropriate.

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

Hong Kong, 9 May 2011

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

As at the date of this announcement, the Board comprises four executive directors of the Company are Mr. CHAN Nap Kee Joseph, Dr. CHOW Pok Yu Augustine, Mr. YANG Yongcheng and Mr. LI Hong and four independent non-executive directors of the Company are Mr. LIEW Swee Yean, Mr. SIU Siu Ling Robert, Dr. WONG Yun Kuen and Mr. ANDERSON Brian Ralph.

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