



# 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 2012

#### 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

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 2012, together with the unaudited comparative figures for the corresponding period three months ended 31 March 2011 as follows:

**UNAUDITED CONSOLIDATED INCOME STATEMENT  
FOR THE THREE MONTHS ENDED 31 MARCH 2012**

	Note	Unaudited Three months ended 31 March 2012 HK\$'000	2011 HK\$'000 (Restated)
<b>Continuing operations</b>			
Turnover	4	81,844	—
Cost of goods sold		(78,534)	—
<b>Gross profit</b>		3,310	—
Other income		10,395	106
Administrative and other operating expenses		(19,978)	(3,477)
<b>Loss from operations</b>		(6,273)	(3,371)
Finance costs	5	(5,386)	(4,992)
<b>Loss before tax</b>		(11,659)	(8,363)
Income tax expense	6	—	—
<b>Loss for the period from continuing operations</b>		(11,659)	(8,363)
<b>Discontinued operations</b>			
Profit for the period from discontinued operations	7	—	4,736
<b>Loss for the period</b>		(11,659)	(3,627)
<b>Attributable to:</b>			
Owners of the Company			
Loss from continuing operations		(11,215)	(8,363)
Profit from discontinued operations		—	3,315
Loss attributable to owners of the Company		(11,215)	(5,048)
Non-controlling interests			
Loss from continuing operations		(444)	—
Profit from discontinued operations		—	1,421
(Loss)/profit attributable to non-controlling interests		(444)	1,421
		(11,659)	(3,627)
<b>Loss per share (HK cents)</b>			
From continuing and discontinued operations			
— basic		(0.43)	(0.23)
— diluted		N/A	N/A
From continuing operations			
— basic		(0.43)	(0.39)
— diluted		N/A	N/A

# UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**Unaudited**  
**Three months ended**  
**31 March**  
**2012**            **2011**  
**HK\$'000**        **HK\$'000**

<b>Loss for the Period</b>	<b>(11,659)</b>	(3,627)
<b>Other comprehensive income for the Period, net of tax</b>		
Exchange differences on translating foreign operations	<b>(31)</b>	36,837
<b>Total comprehensive income for the Period</b>	<b><u>(11,690)</u></b>	33,210
<b>Attributable to:</b>		
Owners of the Company	<b>(11,246)</b>	20,198
Non-controlling interests	<b>(444)</b>	13,012
	<b>(11,690)</b>	33,210

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2012**

	Attributable to owners of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Share translation reserve HK\$'000	Foreign currency Share-based payment reserve HK\$'000	Convertible bonds HK\$'000	Retained profits/ (Accumulated losses) HK\$'000	Non-controlling interests HK\$'000		Total equity HK\$'000
							Non-controlling interests HK\$'000	Total equity HK\$'000	
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 options forfeited	—	—	—	(2,545)	—	2,545	—	—	—
Acquisition of a subsidiary	4,229	171,265	—	—	—	—	175,494	—	175,494
Changes in equity for the period	4,229	171,265	25,246	(2,545)	—	(2,503)	195,692	13,012	208,704
At 31 March 2011 (unaudited)	<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>
At 1 January 2012	26,120	1,175,425	(8,561)	29,494	103,801	(504,400)	821,879	35,333	857,212
Total comprehensive income for the period	—	—	(31)	—	—	(11,215)	(11,246)	(444)	(11,690)
Share options forfeited	—	—	—	(1,662)	—	1,662	—	—	—
Issue of shares on exercise of share options	50	1,393	—	(368)	—	—	1,075	—	1,075
Changes in equity for the period	50	1,393	(31)	(2,030)	—	(9,553)	(10,171)	(444)	(10,615)
At 31 March 2012 (unaudited)	<u>26,170</u>	<u>1,176,818</u>	<u>(8,592)</u>	<u>27,464</u>	<u>103,801</u>	<u>(513,953)</u>	<u>811,708</u>	<u>34,889</u>	<u>846,597</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 21/F., Chun Wo Commercial Centre, 23–29 Wing Wo Street, Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These condensed financial information have been prepared in accordance with International Financial Reporting Standard ("IFRS") issued by International Accounting Standards Board ("IASB"), and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules").

These condensed financial information should be read in conjunction with the 2011 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 2011.

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

During the three months ended 31 March 2012, the Group has adopted all the new and revised IFRSs issued by the IASB that are relevant to its operations and effective for its accounting periods beginning on 1 January 2012. 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 2012 and the same period in last year.

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

### 4. TURNOVER

	Unaudited	
	Three months ended 31 March	
	2012	2011
	HK\$'000	HK\$'000
Turnover		
Sales of goods	<b>81,844</b>	15,637
Representing:		
Continuing operations	<b>81,844</b>	—
Discontinued operations ( <i>Note 7</i> )	—	15,637
	<b>81,844</b>	15,637

## 5. FINANCE COSTS

	Unaudited	Three months ended 31 March	
	2012	2011	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Interest on bank loans and overdrafts	—	4,952	
Amount capitalised	—	(4,952)	
	—	—	
Bank charge	—	2,245	
Interest on convertible bonds	5,046	4,992	
Interest on loan from a former owner of a subsidiary	340	—	
	<u>5,386</u>	<u>7,237</u>	
Representing:			
Continuing operations	5,386	4,992	
Discontinued operations ( <i>Note 7</i> )	—	2,245	
	<u>5,386</u>	<u>7,237</u>	

## 6. INCOME TAX EXPENSE

	Unaudited	Three months ended 31 March	
	2012	2011	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Income tax expense			
Current tax — PRC enterprise income tax	—	1,416	
	<u>—</u>	<u>1,416</u>	
Representing:			
Discontinued operations ( <i>Note 7</i> )	—	1,416	
	<u>—</u>	<u>1,416</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%.

## 7. DISCONTINUED OPERATIONS

	Unaudited Three months ended <b>31 March 2011</b> <i>HK\$'000</i>
<b>Turnover</b>	<b>15,637</b>
Cost of goods sold	(4,336)
<b>Gross profits</b>	<b>11,301</b>
Other income	1
Selling and distribution costs	(9)
Administrative and other operating expenses	(2,896)
<b>Profit from operations</b>	<b>8,397</b>
Finance costs	(2,245)
<b>Profit before tax</b>	<b>6,152</b>
Income tax expense	(1,416)
<b>Profit for the period</b>	<b>4,736</b>

## 8. DIVIDENDS

The Directors do not recommend the payment of dividend for the three months ended 31 March 2012 (three months ended 31 March 2011: HK\$Nil).

## 9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the period.

The 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:

	<b>Unaudited</b>	
	<b>Three months ended 31 March</b>	
	<b>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Loss</b>		
<b>Continuing and discontinued operations</b>		
Loss for the purpose of calculating basic loss per share	<b>(11,215)</b>	<b>(5,048)</b>
<b>Continuing operations</b>		
Loss for the purpose of calculating basic loss per share	<b>(11,215)</b>	<b>(8,363)</b>
<b>Number of shares</b>		
Issued ordinary shares at beginning of the period	<b>2,612,006</b>	2,114,384
Acquisition of a subsidiary	—	34,446
Effect of exercise of options	<b>2,033</b>	—
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<b>2,614,039</b>	2,148,830

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary sharing during the period ended 31 March 2012 and 2011.

## **10. CONVERTIBLE BONDS**

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

During the period, the outstanding principal of the Replacement Bonds was amounting HK\$217,660,000 and there are maximum of approximately 351,122,000 new Shares that can be converted into new Shares.

## **11. SHARE CAPITAL**

	<b>Unaudited as at 31 March 2012 HK\$'000</b>	<b>Audited as at 31 December 2011 HK\$'000</b>
Authorised:		
10,000,000,000 ordinary shares of HK\$0.01 each	<b>100,000</b>	<b>100,000</b>
Issued and fully paid:		
2,617,005,700 (31 December 2011: 2,612,005,700) ordinary shares of HK\$0.01 each	<b>26,170</b>	<b>26,120</b>

On 22 February 2012, the Company increased its issued share from 2,612,005,700 shares of HK\$0.01 each to 2,617,005,700 shares of HK\$0.01 each by the allotment of 5,000,000 ordinary shares of HK\$0.01 each at exercise price of HK\$0.215 each.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

The Group currently own mining rights and interests in three mines in Tajikistan, including the Nazar-Aylok anthracite deposit, the Zeddi coal deposit and the Mienadu coal deposit. In addition the Group engages in trading and sale of coal.

For the 3 months ended 31 March, 2012, the Group generated its turnover of approximately HK\$82 million and gross profit of approximately HK\$3.3 million from the Company's trading of coal and mineral business in the Asia Pacific region.

Loss from operations amounted to HK\$6.27 million after charging the administrative and other operating expenses. Adding finance cost of approximately HK\$5.4 million, loss for the period from continuing operations became approximately HK\$11.66 million.

Of the finance cost of approximately HK\$5.4 million, approximately HK\$5 million is attributable to interest on convertible bonds (note 5 to financial information). In view of the availability of cash proceeds from the Very Substantial Disposal on sale of Company's equity interest of Mengxi Mineral, and in order to save interest of 3.75% per annum on the convertible bond, the Company plan for early redemption of the convertible bonds as early as practicable.

### **Outlook And Prospects**

On 31 March 2012, the Company and Laiwu Iron and Steel Company Xinjiang branch ("Laiwu Xinjiang"), Fujian Footwear & Headgear Import & Export Group Corporation ("Fujian Group") and Hao Tian Resources Group Limited ("Hao Tian") entered into 3 Letters of Intents to establish sale and purchase relationship and develop coal mines in Tajikistan, details of which were mentioned in the article dated 3 April 2012 under "What's new" in the Company's website and the related Company's announcement dated 31 March 2012. These Letter of Intents were based on utilizing the competences and resources of the Group and our partners.

In light of the recently signed Letters of Intents with three parties, the Company plan to further the development of our mining project in Tajikistan.

The Group's strategy continues to be actively looking for other appropriate investment opportunities in the energy and resources sector. Announcement(s) will be published when appropriate.

## **Financial Review**

Turnover of the Group from continuing operations for the three months ended 31 March 2012 was approximately HK\$81.8 million (for three months ended 31 March 2011: discontinued operations: HK\$15.6 million).

Correspondingly, gross profit from the Group's continuing operations for the three months ended 31 March 2012 was approximately HK\$3.3 million (for three months ended 31 March 2011: discontinued operations: HK\$11.3 million).

For the three months ended 31 March 2012, the total administrative and other operating expenses from the Group's continuing operations was amounting to approximately HK\$20.0 million (for three months ended 31 March 2011: continuing operations: HK\$3.5 million, discontinued operations: HK\$2.9 million).

For the three months ended 31 March 2012, total finance cost from the Group's continuing operations was amounting to approximately HK\$5.4 million (for three months ended 31 March 2011: continuing operations: HK\$5.0 million, discontinued operations: HK\$2.2 million), representing an accrued interest payable on the Convertible Bonds upon the Bondholders redemption of Convertible Bonds and loan interest charged by previous owners of a subsidiary.

The Group recorded a loss of the total comprehensive income attributable to owners of the Company of approximately HK\$11.2 million (for three months ended 31 March 2011: HK\$20.2 million) for the three months ended 31 March 2012.

## **Liquidity and Financial Resource**

As at 31 March 2012, the Group has a bank and cash balance of approximately HK\$802 million (as at 31 December 2011: HK\$295 million).

## **Gearing Ratio**

The Group's gearing ratio, which represents the ratio of the Group's total liabilities over the Group's total assets, was 0.28 as at 31 March 2012 (as at 31 December 2011: 0.28).

## **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 Tajikistan Somoni. As at 31 March 2012, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

## OTHER INFORMATION

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

As at 31 March 2012, 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	Approximate percentage of the total issued Shares as at 31 March 2012 (Note)
Chan Nap Kee, Joseph	Beneficial owner	20,420,000	45,429,350 2.52%
Chow Pok Yu, Augustine	Beneficial owner	26,362,600	— 1.01%
Yang Yongcheng	Beneficial owner	100,000	14,925,000 0.57%
Li Hong	Beneficial owner	—	3,000,000 0.11%
Liew Swee Yean	Beneficial owner	540,000	2,537,260 0.12%
Siu Siu Ling, Robert	Beneficial owner	540,000	2,537,260 0.12%
Wong Yun Kuen	Beneficial owner	2,000,000	2,537,260 0.17%
Anderson Brian Ralph	Beneficial owner	—	3,737,260 0.14%

*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 2012, 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 2012, 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 2012
<i>Substantial shareholders</i>					
Zhang Zhi Ping	Interest of controlled corporations	215,640,000	314,490,000	530,130,000 (Note 1)	20.26%
Zhang Gaobo	Interest of controlled corporations	215,640,000	314,490,000	530,130,000 (Note 1)	20.26%
Oriental Patron Financial Group Limited (“OPFGL”)	Interest of controlled corporations	215,640,000	314,490,000	530,130,000 (Note 1)	20.26%
OP Financial Investments Limited (“OPFIL”)	Interest of a controlled corporation	129,260,000	206,070,000	335,330,000 (Note 1)	12.81%
Profit Raider Investments Limited (“PRIL”)	Beneficial owner	129,260,000	206,070,000	335,330,000 (Note 1)	12.81%
Saddleback Corporation Limited	Beneficial owner	422,876,750	—	422,876,750	16.16%

### *Other persons who had interests in the Shares and underlying Shares*

Oriental Patron Financial Services Group Limited (“OPFSGL”)	Interest of a controlled corporation	86,380,000	108,420,000	194,800,000 (Note 1)	7.44%
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)	39.01%

### *Notes:*

- OPFGL holds 215,640,000 Shares and 314,490,000 underlying Shares. OPFGL is 51% owned by Zhang Zhi Ping and is 49% owned by Zhang Gaobo.

Of these 215,640,000 Shares and 314,490,000 underlying Shares of the Company, 86,380,000 Shares and 108,420,000 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 314,490,000 underlying Shares, 129,260,000 Shares and 206,270,000 underlying Shares are held by PRIL. PRIL is wholly owned by OPFIL, OPFIL is 42.07% held by Ottness Investments Limited (“OIL”). Zhang Zhi Ping, Zhang Gaobo, OPFGL, OIL and OPFIL are deemed to be interested in the interests held by PRIL under the SFO.

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

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

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

3. The long positions in underlying Shares mentioned above represent the interests held by such Bondholders as at the 31 March 2012 in the convertible bonds in the principal amount of HK\$217,660,000 convertible into 351,122,000 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 2012, 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 2012, a total of 15,226,036 Shares, representing 0.58% 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 2012 are as follows:

	Date of Grant	Exercise Period	No. of Options				
			Outstanding as at 31/12/2011	Grant during the Period	Exercise during the Period	Lapsed during the Period	Outstanding as at 31/3/2012
							(Note 2)
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
	12/8/2011	12/8/2011–9/12/2013	25,372,600	—	—	—	25,372,600
Chow Pok Yu, Augustine	8/1/2009	8/1/2009–7/1/2012	4,925,000	—	—	(4,925,000)	—
Yang Yongcheng	11/8/2009	11/8/2009–10/8/2012	4,925,000	—	—	—	4,925,000
	12/8/2011	12/8/2011–9/12/2013	10,000,000	—	—	—	10,000,000
Li Hong	18/11/2009	18/11/2009–17/11/2012	3,000,000	—	—	—	3,000,000
Liew Swee Yean	12/8/2011	12/8/2011–9/12/2013	2,537,260	—	—	—	2,537,260
Siu Siu Ling, Robert	12/8/2011	12/8/2011–9/12/2013	2,537,260	—	—	—	2,537,260
Wong Yun Kuen	12/8/2011	12/8/2011–9/12/2013	2,537,260	—	—	—	2,537,260
Anderson Brian Ralph	11/8/2009	11/8/2009–10/8/2012	1,200,000	—	—	—	1,200,000
	12/8/2011	12/8/2011–9/12/2013	2,537,260	—	—	—	2,537,260
		Sub-total	84,553,390	—	—	(9,850,000)	74,703,390
Employees in aggregate	11/8/2009	11/8/2009–10/8/2012	200,000	—	—	—	200,000
	12/8/2011	12/8/2011–9/12/2013	10,000,000	—	—	—	10,000,000
Other participants in aggregate	18/10/2010	18/10/2010–17/10/2013	42,287,674	—	—	—	42,287,674
	12/8/2011	12/8/2011–9/12/2013	5,000,000	—	(5,000,000)	—	—
			<u>142,041,064</u>	<u>—</u>	<u>(5,000,000)</u>	<u>(9,850,000)</u>	<u>127,191,064</u>

*Note:*

- (1) These Options represent personal interest held by the relevant directors as beneficial owners.
- (2) 9,850,000 Options lapsed during the period 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 2012 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 2012. Neither the Company nor any of its subsidiaries has purchased or sold any of the Shares during the three months ended 31 March 2012.

#### **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 2012. 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 2012.

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

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

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

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

Hong Kong, 11 May 2012

*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>.*