



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 2016

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

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached that other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility 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 purposes 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 2016, together with the unaudited comparative figures for the corresponding period in 2015 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 march 2016

		Unaudited	
		Three months ended	
		31 March	
		2016	2015
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	2,530	143
Cost of goods sold		<u>(2,503)</u>	<u>(232)</u>
Gross profit/(loss)		27	(89)
Other income and gains		4,759	1,621
Mining distribution costs		—	(3,254)
Administrative and other operating expenses		<u>(10,295)</u>	<u>(9,079)</u>
Loss before tax		(5,509)	(10,801)
Income tax (expenses)/credit	5	<u>(426)</u>	<u>811</u>
Loss for the period		<u>(5,935)</u>	<u>(9,990)</u>
Attributable to:			
Owners of the Company		(5,468)	(9,688)
Non-controlling interests		<u>(467)</u>	<u>(302)</u>
		<u>(5,935)</u>	<u>(9,990)</u>
Loss per share (Cents)			
Basic		<u>(0.15)</u>	<u>(0.37)</u>

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

For the three months ended 31 march 2016

	Unaudited	
	Three months ended	
	31 March	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	(5,935)	(9,990)
Other comprehensive income for the period, net of tax		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translation of currency from foreign operations	<u>792</u>	<u>(1,880)</u>
Total comprehensive income for the period	<u>(5,143)</u>	<u>(11,870)</u>
Attributable to:		
Owners of the Company	(5,777)	(12,627)
Non-controlling interests	<u>634</u>	<u>757</u>
	<u>(5,143)</u>	<u>(11,870)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2016

	Unaudited							
	Attributable to owners of the Company							
	Share capital <i>HK\$'000</i>	Shares held under share award scheme <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2015	26,170	(615)	1,176,818	(6,166)	(917,021)	279,186	(18,008)	261,178
Total comprehensive income for the period	—	—	—	(2,939)	(9,688)	(12,627)	757	(11,870)
Purchase of shares held under the share award scheme	—	(162)	—	—	—	(162)	—	(162)
Changes in equity for the period	—	(162)	—	(2,939)	(9,688)	(12,789)	757	(12,032)
At 31 March 2015 (unaudited)	<u>26,170</u>	<u>(777)</u>	<u>1,176,818</u>	<u>(9,105)</u>	<u>(926,709)</u>	<u>266,397</u>	<u>(17,251)</u>	<u>249,146</u>
At 1 January 2016	37,684	—	1,293,081	(18,417)	(1,008,095)	304,253	(8,251)	296,002
Total comprehensive income for the period	—	—	—	(309)	(5,468)	(5,777)	634	(5,143)
Purchase of shares held under the share award scheme	—	(957)	—	—	—	(957)	—	(957)
Changes in equity for the period	—	(957)	—	(309)	(5,468)	(6,734)	634	(6,100)
At 31 March 2016 (unaudited)	<u>37,684</u>	<u>(957)</u>	<u>1,293,081</u>	<u>(18,726)</u>	<u>(1,013,563)</u>	<u>297,519</u>	<u>(7,617)</u>	<u>289,902</u>

NOTES

1. GENERAL INFORMATION

Kaisun Energy Group Limited (“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 Unit A, 13/F., Two Chinachem Plaza, 68 Connaught Road Central, Central, Hong Kong. The Company’s shares are listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) which is the Company’s functional and presentation currency.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board. IFRSs comprise International Financial Reporting Standards (“IFRS”); International Accounting Standards (“IAS”); and Interpretations. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of Stock Exchange (“GEM Listing Rules”) and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

These condensed financial information should be read in conjunction with the 2015 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 2015.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

During the three months ended 31 March 2016, the Group has adopted all the new and revised International Financial Reporting Standards (“IFRSs”) issued by IASB that are relevant to its operations and effective for its accounting periods beginning on 1 January 2016. IFRSs comprise of International Financial Reporting Standards (“IFRS”); International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the three months ended 31 March 2016 and the same period in last year.

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2016. The directors anticipate that the new and revised IFRSs will be adopted in the Group’s consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised IFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

4. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group’s policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

- (a) Disclosures of level in fair value hierarchy at 31 March 2016:

Description	Fair Value Measurements Using Level 1 HK\$
Recurring fair value measurements:	
Financial assets	
Financial assets at fair value through profit or loss Listed securities	15,588,350

- (b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 March 2016:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

5. REVENUE

	Unaudited	
	Three months ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
Sales of goods		
— Provision of supply chain management services for mineral business	1,404	—
— Mining and metallurgical machineries products	1,126	143
	<u>2,530</u>	<u>143</u>

6. INCOME TAX EXPENSES

	Unaudited	
	Three months ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
Income tax expenses		
Current tax	—	—
Deferred tax	426	(811)
	<u>426</u>	<u>(811)</u>

No provision for Hong Kong Profits tax is required as the Group has no assessable profit arising in or derived from these jurisdictions for the relevant periods.

PRC Enterprise Income tax has been provided at a rate of 25% (2015: 25%).

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

7. DIVIDENDS

No dividend has been paid or declared by the Company for the three months ended 31 March 2016 (three months ended 31 March 2015: HK\$ Nil).

8. LOSS PER SHARE

The calculations of the basic and diluted loss per share are based on the following:

	Unaudited	
	Three months ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
Loss for the purpose of calculating basic loss per share	<u>(5,468)</u>	<u>(9,688)</u>
Number of shares ("000")		
Weighted average number of ordinary shares in issue less share held for share award scheme for the purpose of calculating basic loss per share	<u>3,755,501</u>	<u>2,615,261</u>

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary sharing during the period ended 31 March 2016 and 2015.

9. SHARE CAPITAL

	Unaudited as at	Audited as at
	31 March	31 December
	2016	2015
	HK\$'000	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:		
3,768,405,700 (31 December 2015: 3,768,405,700)		
Ordinary shares of HK\$0.01 each	<u>37,684</u>	<u>37,684</u>

10. SEGMENT INFORMATION

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

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

The accounting policies of the operating segments are the same as those described in the Group's financial statements for the year ended 31 December 2015. Segment profits or losses do not include dividend income and gains or losses from investments and derivative instruments. Segment assets do not include amounts due from related parties, investments and derivative instruments. Segment liabilities do not include convertible bonds and derivative instruments. Segment non-current assets do not include financial instruments and deferred tax assets.

	Mining and metallurgical machineries production in Shandong <i>HK\$'000</i>	Provision of supply chain management services for mineral business <i>HK\$'000</i>	Production and exploitation of coal in Tajikistan <i>HK\$'000</i>	Total <i>HK\$'000</i>
For three months ended 31 March 2016				
(unaudited)				
Revenue from external customers	1,126	1,404	—	2,530
Segment loss	(1,454)	(5,882)	(2,020)	(9,356)
As at 31 March 2016 (unaudited)				
Segment assets	12,371	148,254	153	160,778
Segment liabilities	(1,591)	(4,341)	(4,284)	(10,216)
	Mining and metallurgical machineries production in Shandong <i>HK\$'000</i>	Provision of supply chain management services for mineral business <i>HK\$'000</i>	Production and exploitation of coal in Tajikistan <i>HK\$'000</i>	Total <i>HK\$'000</i>
For three months ended 31 March 2015				
(unaudited)				
Revenue from external customers	143	—	—	143
Segment loss	(1,068)	(2,773)	(5,148)	(8,989)
As at 31 December 2015 (audited)				
Segment assets	12,462	127,367	1	139,830
Segment liabilities	(1,600)	(4,481)	(4,752)	(10,833)
			Unaudited	
			Three months ended 31 March	
			2016	2015
			<i>HK\$'000</i>	<i>HK\$'000</i>
Reconciliations of segment profit or loss				
Total profit or loss of reportable segments			(9,356)	(8,989)
Other profit or loss			3,421	(1,001)
Consolidated loss for the period			(5,935)	(9,990)

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the 1st Quarter of financial year 2016 (“Period”), the Group has recorded a loss for the period of around HK\$(5.9) million, which was an improvement from 1st Quarter 2015’s loss of around HK\$(10.0) million. During the Period, the Group recorded a turnover of HK\$ 2.5 million contributed entirely from our Shandong operation. This relatively weak performance was anticipated by the Group as the current demand for minerals and minerals related machineries have yet to recover. With that said, the Group does attribute this overall results improvement to the refinement of our existing budget which includes stricter cost control and more efficient use of funds.

We believe that in the current economic environment which is full of uncertainties, a conservative yet flexible approach would be best for the Group to move forward. Management of the Group is well aware of our revenue deficiencies as we too are being heavily influenced by the current minerals economic environment. We are actively seeking to add Belt and Road related projects into our Group. We are still in talks with our existing business partners and many potential partners. However, in order to set the right course for Kaisun Energy, management of the Group would like to study all available options before making a decision.

To reiterate the Group’s five main areas of business focus from our 2015 annual report:

- 1) Developing new connections and looking for new opportunities within the Belt and Road framework
- 2) Establishing new businesses with our existing strategic partners
- 3) Reorganising our business units as well as tweaking our existing operations to reflect the Group’s business strategies and development in the Belt and Road
- 4) Solidifying the Group’s role and reputation as the specialist both in Belt and Road and in Central Asia
- 5) Looking into possible fund raising activities for the Group to acquire business in the Silk Road that has profit track record to strengthen our cash flow

Belt and Road Business

In regard to our Belt and Road Business, we are still working with our current strategic partners to discuss potential business partnership and strategies. Joint task force has been established and many of our existing business units have already been reorganized to prepare for potential future cooperation. On the other hand, there are new and interesting projects presented to us and we are comprehensively reviewing all relevant data in order to determine if it is the right fit for us. Nonetheless, the Group will continue to focus on Belt and Road business development and any concrete development will be announced to our investors.

Existing Business

The Group’s three core businesses — our Tajikistan Coal Exploitation and Shandong Metallurgical Machineries Production and supply chain business have adopted a strategy that calls for stricter cost control and reduction in capital expenditures. The results are overall satisfactory but still room to improve.

Tajikistan Coal Exploitation

Similar to the previous few years, our Tajikistan coal production site is unfit for exploitation during this time of the year due to harsh winter condition. Nonetheless, the exchange rate volatility has been a great concern to the management of the Group and we will continue to take a conservative approach to coal exploitation in Tajikistan. When the opportunity presents itself, we will be ready for coal production but in the meantime, our current resources in Tajikistan will not be wasted as we look into other business opportunities such as commodity trading and logistics projects in Tajikistan.

Shandong Mining and Metallurgical Machineries Production & Supply Chain Management Business

Due to the low demands in minerals and continued poor economic environment in the 1st Quarter of 2016, both of our Shandong businesses' performance have suffered. However, our modest scale and low overhead cost have kept our exposure to poor economic environment to a minimum. We do believe our Shandong business plays an important part to the Group's performance and management of the Group has continued to refine our existing strategy in order to prepare for the future.

Future Business Development

Management of the Group believes that the Belt and Road business development is for the long term. We will not be shifting away from our core values and objectives, namely:

- 1) An emphasis to pinpoint suitable projects for both the Group and our existing strategic partners such that our efforts can be materialized
- 2) Continue to search for more strategic partners to co-develop Belt and Road businesses
- 3) Continue to uphold the Group's status as the Central Asia and Belt and Road expert, and aspire to expand our knowledge in more Silk Road countries
- 4) Continue the business unit reorganization process as we see fit
- 5) Continue to strive for success from our existing operations whilst keeping costs at minimum, which will help provide the flexibility as we move forward.

Financial Review

Revenue of the Group for the period amounted to approximately HK\$2.5 million (for the period ended 31 March 2015: HK\$143,000). Revenue arising from the provision of supply chain management services for mineral business and Shandong mining and metallurgical machineries production amounted to HK\$1.4 million and HK\$1.1 million respectively.

Gross profit from the Group's operations for the period was approximately HK\$27,000 (for the period ended 31 March 2015: HK\$(89,000)). Gross profit arising from the provision of supply chain management services for mineral business is approximately HK\$ 15,000 and from Shandong mining and metallurgical machineries production is approximately HK\$12,000 respectively.

For the period, the total administrative and other operating expenses from the Group's operations is approximately HK\$10.3 million (for the period ended 31 March 2015: HK\$9.1 million).

The Group recorded loss for the period ended 31 March 2016 of approximately HK\$(5.9) million (for the period ended 31 March 2015: HK\$(10.0) million).

The total comprehensive income attributable to owners of the Company for the period amounted to approximately HK\$(5.8) million (the period ended 31 March 2015: HK\$(12.6) million).

Liquidity and Financial Resource

As at 31 March 2016, the Group has a bank and cash balance of approximately HK\$56.6 million (as at 31 December 2015: HK\$103.6 million).

Gearing Ratio

The Group's gearing ratio, which represents the ratio of the Group's long term debts over the Group's total asset, was Nil as at 31 March 2016 (as at 31 December 2015:Nil).

Foreign Exchange Exposure

Majority of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars, Renminbi ("RMB"), United States dollars and Tajik Somoni ("TJS"). As at 31 March 2016, 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 2016, the interest and short positions of the directors and the chief executives in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by the directors are as follows:

Long position in Shares and underlying Shares

Name of Directors	Capacity	Number of Shares	Number of Underlying Shares	Approximate percentage of the total issued Shares as at 31 March 2016
Chan Nap Kee, Joseph	Beneficial owner	122,001,760 (<i>Note 1</i>)	—	3.24%
Chow Pok Yu, Augustine	Beneficial owner	4,000,000 (<i>Note 2</i>)	—	0.11%
Yang Yongcheng	Beneficial owner	4,100,000 (<i>Note 3</i>)	—	0.11%
Liew Swee Yean	Beneficial owner	2,040,000 (<i>Note 4</i>)	—	0.05%
Siu Siu Ling, Robert	Beneficial owner	2,040,000 (<i>Note 4</i>)	—	0.05%
Wong Yun Kuen	Beneficial owner	3,500,000 (<i>Note 4</i>)	—	0.09%
Anderson Brian Ralph	Beneficial owner	1,500,000 (<i>Note 5</i>)	—	0.04%

Save as disclosed above, as at 31 March 2016, 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.

Note:

1. Of these, 20,040,000 shares were awarded to Mr. Chan Nap Kee, Joseph as Director under the Share Award Scheme adopted since 10 May 2013 (“Share Award Scheme”).
2. These were the shares awarded to Dr. Chow Pok Yu Augustine as Director under the Share Award Scheme.
3. Of these 4,000,000 shares were awarded to Mr. Yang Yongcheng as Director under the Share Award Scheme.
4. Of these, 1,500,000 shares were awarded to each of Mr. Liew Swee Yean, Mr. Siu Siu Ling Robert and Dr. Wong Yun Kuen as Director under the Share Award Scheme.
5. These were the shares awarded to Mr. Anderson Brian Ralph as Director under the Share Award Scheme.

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

- (a) As at the 31 March 2016, the register of substantial shareholders maintained by the company pursuant to Section 336 of the SFO shows that other than the interest disclosed above in respect of the directors, the following shareholders had notified the Company of relevant interests and short positions in the Shares and underlying Shares:

Long positions in Shares and underlying Shares

Name of Shareholders	Capacity and nature of interest	Number of Shares	Number underlying Shares	Total interest	Approximate percentage of the total issued Shares as of at 31 March 2016
<i>Substantial shareholders</i>					
Zhang Zhi Ping	Interest of a controlled corporation	218,490,000	—	218,490,000 (Note 1)	5.80%
Zhang Gaobo	Interest of a controlled corporation	218,490,000	—	218,490,000 (Note 1)	5.80%
Oriental Patron Financial Group Limited (“OPFGL”)	Interest of a controlled corporation	218,490,000	—	218,490,000 (Note 1)	5.80%

Notes:

- OPFGL holds 218,490,000 Shares. OPFGL is 51% owned by Zhang Zhi Ping and is 49% owned by Zhang Gaobo.

Of these 218,490,000 Shares, 86,380,000 Shares are held by Pacific Top Holding Limited (“PTHL”). PTHL is wholly owned by Oriental Patron Financial Services Group Limited (“OPFSGL”), OPFSGL is 95% held by OPFGL. Zhang Zhi Ping, Zhang Gaobo, OPFGL and OPFSGL are deemed to be interested in the interests held by PTHL under the SFO.

Save as disclosed above, the Directors were not aware of any other person (other than the directors and the chief executives of the Company) who, as at 31 March 2016, had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 & 3 of Part XV of the SFO.

3. Share Award Scheme

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

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

During the three months ended 31 March 2016, based on the Company's instructions, the trustee of the Share Award Scheme had purchased a total of 15,240,000 shares of the Company on the Stock Exchange at a total consideration of about HK\$957,344.

During the period ended 31 March 2016, no shares were awarded to any employee or director of the Company under the Share Award Scheme.

4. Directors' Interest in Competing Business

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

5. Audit Committee

The Company established the audit committee ("AC") on 9 December 2003.

AC comprises four independent non-executive directors, namely Mr. Liew Swee Yean, Mr. Siu Siu Ling Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph, and Mr. Liew Swee Yean is the chairman of the AC.

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

The AC is provided with sufficient resources to discharge its responsibilities and is supported by the Finance Department of the Company. AC is accountable to the Board.

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

The unaudited quarterly results for the three months ended 31 March 2016 have reviewed by the AC which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

6. Remuneration Committee

The Company established the Remuneration Committee ("RC") in March 2006. On 30 March 2012, for more effective functioning of the board, there was a redesignation of Director's role and function in order to comply with the amendments to the GEM Listing Rules effective on 1 April 2012.

The current RC comprised one executive director and two independent non-executive directors, namely Mr. Chan Nap Kee Joseph, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph. Dr. Wong Yun Kuen is the chairman of the RC.

The primary duties of the RC is to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management.

In order to comply with amendments to the GEM Listing Rules, on 30 March 2012, new terms of reference that supersedes previous terms of reference of the RC were adopted. The new written terms of reference which describes its authorities and duties is available on the Company's website www.kaisunenergy.com under "Investor Relations" section with heading of "Corporate Governance".

7. Nomination and Corporate Governance Committee

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

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

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

8. Purchase, Sale or Redemption of Listed Securities

During the period ended 31 March 2016, neither the Company nor any of its subsidiaries has purchased or sold any of its listed securities, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 15,240,000 Shares of the Company at a total consideration of about HK\$957,344.

9. Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by 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 three months ended 31 March 2016. 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 and its code of conduct regarding securities transactions by Directors.

10. Code on Corporate Governance Practice

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

The Company has adopted the code provisions ("Code Provision") set out in the Corporate Governance Code (the "CG code") contained in Appendix 15 to the GEM Listing Rules. The Company has complied with all applicable code provisions in the CG code throughout the period ended 31 March 2016, except for the following deviations:

The Code Provision A2.1 stipulates that the role of chairman and chief executive officer should be separated and should not be performed by the same individual. Since 2 November 2010 to the date of this report, Mr. Chan Nap Kee Joseph, chairman, took up the role of acting chief executive officer as well, which deviates from Code Provision A2.1. As the Company is developing

its business in energy and resources sector and has recently acquired coal mining assets outside China, the Remuneration Committee is searching for the right person to take up the role of Chief Executive Officer to carry out the strategic plans and policies as established by the board of directors. In the meantime, Mr. Chan Nap Kee Joseph, our Chairman, took up the role of Acting Chief Executive Officer until the suitable person is selected. The Company will publish announcement on appointment of Chief Executive Officer when appropriate.

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

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

Hong Kong, 9 May 2016

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 three executive directors of the Company are Mr. CHAN Nap Kee Joseph, Dr. CHOW Pok Yu Augustine and Mr. YANG Yongcheng and four independent non-executive directors of the Company are Mr. LIEW Swee Yean, Mr. SIU Siu Ling Robert, Dr. WONG Yun Kuen and Mr. ANDERSON Brian Ralph.

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>.

** for identification purposes only*