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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 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 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.

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 and six months ended 30 June 2016, together with the unaudited comparative figures for the corresponding periods in 2015 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2016

		Unaudited Three months ended 30 June		**Unaudited Six months ended 30 June**	
		2016	2015	**2016**	2015
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	5	**16,342**	1,482	**18,873**	1,625
Cost of goods sold		**(15,421)**	(1,218)	**(17,923)**	(1,450)
Gross profit		**921**	264	**950**	175
Other income		**3,780**	1,789	**8,715**	3,410
Mining distribution costs		**—**	(4,816)	**—**	(8,070)
Administrative and other operating expenses		**(10,008)**	(16,097)	**(20,480)**	(25,176)
Loss from operations		**(5,307)**	(18,860)	**(10,815)**	(29,661)
Impairment loss on intangible assets	11	**—**	(9,479)	**—**	(9,479)
Loss before tax		**(5,307)**	(28,339)	**(10,815)**	(39,140)
Income tax (expense)/credit	6	**(141)**	715	**(567)**	1,526
Loss for the period	7	**(5,448)**	(27,624)	**(11,382)**	(37,614)
Attributable to:					
Owners of the Company		**(5,402)**	(26,813)	**(10,870)**	(36,502)
Non-controlling interests		**(46)**	(811)	**(512)**	(1,112)
		(5,448)	(27,624)	**(11,382)**	(37,614)
Loss per share *(HK Cents)*	9				
— Basic		**(0.14)**	(0.89)	**(0.29)**	(1.30)

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

For the six months ended 30 June 2016

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loss for the period	**(5,448)**	(27,624)	**(11,382)**	(37,614)
Other comprehensive income for the period, net of tax:				
Items that may be reclassified to profit or loss:				
Exchange differences on translating foreign operations	**(1,067)**	(63)	**(276)**	(1,943)
Total comprehensive income for the period	**(6,515)**	(27,687)	**(11,658)**	(39,557)
Attributable to:				
Owners of the Company	**(6,461)**	(27,752)	**(12,238)**	(40,379)
Non-controlling interests	**(54)**	65	**580**	822
	(6,515)	(27,687)	**(11,658)**	(39,557)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	**Unaudited As at 30 June 2016** *HK$'000*	Audited As at 31 December 2015 *HK$'000*
Non-current assets			
Fixed assets	10	**4,006**	5,197
Intangible assets	11	**—**	—
		4,006	5,197
Current assets			
Inventories		**5,003**	3,403
Trade and bills receivables	12	**34,975**	38,282
Deposits, prepayments and other receivables		**133,549**	151,581
Bank and cash balances		**48,316**	103,616
Financial assets at fair value through profit or loss		**70,120**	9,704
		291,963	306,586
Current liabilities			
Trade payables	13	**3,582**	4,264
Other payables and accruals		**5,980**	8,763
Current tax liabilities		**2,405**	2,519
		11,967	15,546
Net current assets		**279,996**	291,040
Total assets less current liabilities		**284,002**	296,237
Non-current liabilities			
Deferred tax liabilities		**715**	235
		715	235
NET ASSETS		**283,287**	296,002
Capital and reserves			
Share capital	14	**37,684**	37,684
Reserves		**253,274**	266,569
Equity attributable to owners of the Company		**290,958**	304,253
Non-controlling interests		**(7,671)**	(8,251)
TOTAL EQUITY		**283,287**	296,002

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Unaudited							
	Attributable to owners of the Company							
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Shares held for share award scheme** *HK$'000*	**Foreign currency translation reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
At 1 January 2015	26,170	1,176,818	(615)	(6,166)	(917,021)	279,186	(18,008)	261,178
Total comprehensive income for the period	—	—	—	(3,877)	(36,502)	(40,379)	822	(39,557)
Purchase of shares held under the share award scheme	—	—	(201)	—	—	(201)	—	(201)
Issue of shares by way of placing	11,514	122,989	—	—	—	134,503	—	134,503
Transaction costs attributable to issue of shares	—	(6,725)	—	—	—	(6,725)	—	(6,725)
Changes in equity for the period	11,514	116,264	(201)	(3,877)	(36,502)	87,198	822	88,020
At 30 June 2015	37,684	1,293,082	(816)	(10,043)	(953,523)	366,384	(17,186)	349,198
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	**—**	**—**	**—**	**(1,368)**	**(10,870)**	**(12,238)**	**580**	**(11,658)**
Purchase of shares held under the share award scheme	**—**	**—**	**(1,057)**	**—**	**—**	**(1,057)**	**—**	**(1,057)**
Changes in equity for the period	**—**	**—**	**(1,057)**	**(1,368)**	**(10,870)**	**(13,295)**	**580**	**(12,715)**
At 30 June 2016	**37,684**	**1,293,081**	**(1,057)**	**(19,785)**	**(1,018,965)**	**290,958**	**(7,671)**	**283,287**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2016

	Unaudited Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Net cash used in from operating activities	**(53,061)**	(33,923)
Net cash generated from investing activities	**222**	730
Net cash (used in)/generated from financing activities	**(1,057)**	127,577
Net (decrease)/increase in cash and cash equivalents	**(53,896)**	94,384
Effect of foreign exchange rate changes	**(1,404)**	(1,953)
	(55,300)	92,431
Cash and cash equivalents at beginning of period	**103,616**	54,630
Cash and cash equivalents at end of period	**48,316**	147,061

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

The Company is an investment holding company. The condensed consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting". The condensed 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").

The condensed consolidated 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 six months ended 30 June 2016, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("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; International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the six months ended 30 June 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 has assessed, where applicable, the potential effect of all new and revised IFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

4. 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 30 June 2016:

Description	Fair Value Measurements Using Level 1 *HK$'000*
Recurring fair value measurements:	
Financial assets	
Financial assets at fair value through profit or loss	
Listed securities	70,120

(b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2016:

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

5. REVENUE

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Sales of goods				
— Provision of supply chain management services for mineral business	**14,526**	—	**15,930**	—
— Mining and metallurgical machineries production	**1,816**	1,482	**2,943**	1,625
	16,342	1,482	**18,873**	1,625

6. INCOME TAX EXPENSE/(CREDIT)

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current tax — Overseas	**88**	—	**88**	—
Deferred tax — Hong Kong	**53**	(715)	**479**	(1,526)
	141	(715)	**567**	(1,526)

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the period ended 30 June 2016. No provision for Hong Kong Profits Tax is required since the Group has no assessable profit arising in or derived from these jurisdictions for the relevant periods.

PRC Enterprise Income tax has been provided at a rate of 25% (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. LOSS FOR THE PERIOD

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Directors' remuneration	**1,269**	1,292	**2,538**	2,583
Cost of inventories sold of supply chain management services for mineral business	**14,319**	—	**15,708**	—
Depreciation	**373**	859	**762**	1,772
Operating lease rentals in respect of land and buildings	**228**	444	**632**	706
Amortisation of intangible assets	**—**	2,860	**—**	6,103
Impairment loss on intangible asset	**—**	9,479	**—**	9,479
Gain on disposal of financial assets at fair value through profit or loss (held for trading)	**(113)**	—	**(113)**	—
Fair value gain on financial assets at fair value through profit or loss	**(321)**	—	**(4,331)**	—
Staff costs (including directors' emoluments)				
Basic salaries, bonuses, allowances, and benefits in kind	**4,022**	4,200	**9,404**	8,310
Retirement benefits scheme contributions	**106**	66	**181**	133

8. DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 30 June 2016 (Six months ended 30 June 2015: HK$ Nil).

9. LOSS PER SHARE

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

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loss for the purpose of calculating basic loss per share	**(5,402)**	(26,813)	**(10,870)**	(36,502)
Number of shares *('000)*				
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**3,768,250**	3,022,033	**3,752,790**	2,817,119

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary sharing during the period ended 30 June 2016 and 2015.

10. FIXED ASSETS

During the six months ended 30 June 2016, the Group acquired fixed assets of approximately HK$112,000 (Six months ended 30 June 2015: HK$482,000).

11. INTANGIBLE ASSETS

At 30 June 2016 and 31 December 2015, the Group's mining rights are the rights obtained by the Group for production and exploitation of two coal mines located in Tajikistan. The major content of the coal mine is anthracite and bituminous coal. The terms of the mining rights of these coal mines are from August 1997 to September 2018. The mining rights are stated at cost less accumulated amortisation and impairment losses over the term of the mining rights.

12. TRADE AND BILLS RECEIVABLES

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

	Unaudited as at 30 June 2016	Audited as at 31 December 2015
	HK$'000	*HK$'000*
0–30 days	**824**	13,964
31–60 days	**2,552**	637
61–90 days	**15**	236
Over 90 days	**31,584**	23,445
	34,975	38,282

13. TRADE PAYABLES

At 30 June 2016, the ageing analysis of trade payables based on the date of receipt of goods, is as follows:

	Unaudited As at 30 June 2016	Audited As at 31 December 2015
	HK$'000	*HK$'000*
0–30 days	**695**	662
31–60 days	**—**	16
61–90 days	**273**	—
91–180 days	**3**	5
Over 365 days	**2,611**	3,581
	3,582	4,264

The carrying amounts of the Group's trade payables are denominated in Renminbi and Tajikistan Somini.

14. SHARE CAPITAL

	Unaudited as at 30 June 2016 *HK$'000*	Audited as at 31 December 2015 *HK$'000*
Authorised:		
50,000,000,000 ordinary shares of HK$0.01 each	**500,000**	100,000
Issued and fully paid:		
3,768,405,700 (31 December 2015: 3,768,405,700)	**37,684**	37,684

Notes:

(a) i On 7 May 2015, the Company allotted and issued 523,400,000 ordinary shares of HK$0.01 each in the capital of the Company by way of placing at a placing price of HK$0.089 per share. The Company raised approximately HK$44,250,000 (net of expenses).

ii On 17 June 2015, the Company allotted and issued 628,000,000 ordinary shares of HK$0.01 each in the capital of the Company by way of placing at a placing price of HK$0.14 per share. The Company raised approximately HK$83,520,000 (net of expenses).

15. CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any significant contingent liabilities (31 December 2015: HK$Nil).

16. LEASE COMMITMENTS

As at 30 June 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Unaudited as at 30 June 2016 *HK$'000*	Audited as at 31 December 2015 *HK$'000*
Within one year	**388**	832
In the second to fifth years inclusive	**—**	—
	388	832

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

17. 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	**Provision of supply chain management services for mineral business**	**Production and exploitation of coal in Tajikistan**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
For six months ended 30 June 2016 (unaudited)				
Revenue from external customers	**2,943**	**15,930**	**—**	**18,873**
Segment loss	**(1,412)**	**(7,060)**	**(2,588)**	**(11,060)**
As at 30 June 2016 (unaudited)				
Segment assets	**13,974**	**215,576**	**153**	**229,703**
Segment liabilities	**(2,060)**	**(3,755)**	**(225)**	**(6,040)**

	Mining and metallurgical machineries production in Shandong	Provision of supply chain management services for mineral business	Production and exploitation of coal in Tajikistan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For six months ended 30 June 2015 (unaudited)				
Revenue from external customers	1,625	—	—	1,625
Segment loss	(1,618)	(5,599)	(27,695)	(34,912)
As at 31 December 2015				
Segment assets	12,462	127,367	1	139,830
Segment liabilities	(1,600)	(4,481)	(4,752)	(10,833)

	Unaudited Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Reconciliations of segment profit or loss		
Total profit or loss of reportable segments	**(11,060)**	(34,912)
Other profit or loss	**(322)**	(2,702)
Consolidated loss for the period	**(11,382)**	(37,614)

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the 1st half of financial year 2016 ("Period"), the Group has recorded a loss for the Period of HK$(11.4) million, compared to HK$(37.6) million of the same Period in 2015. During the Period, the Group generated a revenue of HK$18.9 million from its supply chain management as well as its Shandong division. Ever since the Group shifted its focus to Belt and Road initiative ("B&R") related business back in 2013, we have spent a great deal of resources which included capital, personnel as well as time into establishing and development said business. So far, we have very little to show for the amount of effort we invested in terms of actual revenue and financial results. However, we understood from the beginning when the Group invested in locations such as Xinjiang, China and Tajikistan, Central Asia even before the B&R that there was going to be a long and difficult development process and it will take a great deal of effort and time and we were going to face a few hurdles. We also understood that as a modest sized company we might not be able to overcome these hurdles alone. This was why we have signed strategic cooperation framework agreements with worldwide industry leaders such as China National Technical Import and Export Corporation ("CNTIC") and China Energy Engineering Group Northwest Power Construction Engineering Co. Ltd. ("CEEG"). The Group was able to form joint task force with the aforementioned companies with the aim to establish B&R related business operations as well as to solve potential problems side by side. With that said, management of the Group understands we have yet to form a substantial income generating B&R business resulting in recent years' poor income and bottom line performance. Much of that poor performance is reflected on the Group's stock price but we hope that our investors and our supporters will have a bit more patience as we expect business to pick up in the near future.

Belt and Road Business

For the Period, we are still working closely with our strategic partners in order to establish potential new business ventures. As previously stated, joint task force are in place and our existing business units have already been reorganized to prepare for future cooperation. We aim to leverage on our partners' size, experience and expertise to create the best business possible that can fit into our vision, scope, and future development.

On the other hand, we are still looking for new connections and new opportunities within the B&R framework and we can say that many business proposals that have been sent to us are quite interesting. While that certainly does not mean all of them or even most of them are the perfect fit for us but we do believe there are a couple of gems in the pile. We have been reviewing all relevant data in order to determine if these potential projects are a right fit for us.

With that said, B&R development still takes a lot of time and patience and the Group will continue to direct the necessary resources to this cause.

Existing Business

For the Period, the Group has dedicated much of our efforts to adopt stricter cost control and reduce capital expenditures towards our main businesses — Tajikistan Coal Exploitation, Shandong Division (includes Metallurgical Machineries Production and Logistics) and Supply Chain Management businesses. Management of the Group believes that spending extra cautiously and conservatively is to the benefit of the Group during this time when the worldwide economy is full of uncertainty and volatility. The results of the implementation were good but we are always looking for ways to improve.

Tajikistan Coal Exploitation

For the Period, our Tajikistan coal production site is unfit for exploitation during this time of the year due to harsh winter conditions. Also, since 2014, the depreciation of the Tajikistan Somoni ("TJS") against the USD is a great concern for the Group. In 2014, the exchange between TJS and USD was approximately 5 TJS for 1 USD. During the Period, the exchange rate is 7.8 TJS for 1 USD. This is a great concern to us because most of our coal produced are sold locally in Tajikistan (revenue denominated in TJS) while many of our costs are denominated in USD. Therefore, management of the Group decided to take a conservative approach for the past couple of years towards our Tajikistan coal assets.

In 2016, the exchange rate between TJS and USD has more or less been stabilized and this is good news for the Group. The decision is finally back in our own hands whether or not we will go ahead with coal production as we are now less affected by these outside factors we have very little control of. However, management of the Group believed that a longer observation on the exchange rate as well as the coal demand and economic climate in Tajikistan would be in order before we rush back into coal production. Nevertheless, 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 Division

For the Period, our Shandong mining and metallurgical machineries production as well has contributed approximately HK$2.94 million to the Group (2015 first half: HK$1.6 million). Our Shandong Division is currently capable of running at a higher capacity than the results have shown but it is due to the low demands in minerals and poor economic environment during the Period that our Shandong division performance has suffered. However, staying true to the Group's strategy of strict cost control and reduce capital expenditure, our low overhead cost has kept our Shandong Division exposure to poor economic environment to a minimum. Management of the Group believes our Shandong Division is capable and ready to capture more potential business once minerals industry in Shandong become more active.

Supply Chain Management Business

For the Period, the Group's supply chain management business has generated HK$15.93 million of revenue. In line with other commodity players in the industry, supply chain management business puts quite a bit of pressure on a company's cash. As the name suggests, it is a chain and anything happens in the links will cause the whole chain to slow down. The Group, similar to other players in this industry is affected by the market and the market has not been performing well in general for the past few years. Knowing that, management of the Group has became extra cautious and selective while picking up potential supply chain management business.

Nonetheless, the Group came a long way since entering into this business since 2012 when we had to deal with the industry veterans during the sudden sharp downturn of the commodity markets. The Group managed to overcome this rather long and winding road to seeing signs of recovering after much of the destocking have been done by the major players and now the Group is now a better known player in the sector and can command better terms than before.

Outlook and Prospects

The Group will continue to focus our efforts on Belt & Road business development. Although the development process might be slow and difficulty, we believe it is the correct path for a better future. 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 & Road businesses.

3) Continue to uphold the Group's status as the Central Asia and Belt & 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.

As previously mentioned, the Group's lack of financial performance has been reflected on our share price and lowered market capitalization. This might hinder the Group's future development but we do once again ask our investors to have a bit more patience. Belt and Road is a long term investment and management of the Group strongly believes our efforts will materialize and will become a positive contributor to the Group and to our investors.

Financial Review

Revenue of the Group for the period amounted to approximately HK$18.9 million (for the period ended 30 June 2015: HK$1.6 million). Revenue arose from the provision of supply chain management services for mineral business and Shandong mining and metallurgical machineries production amounted to HK$15.9 million and HK$3.0 million respectively.

Gross profit from the Group's operations for the period was approximately HK$950,000 (for the period ended 30 June 2015: HK$175,000). Gross profit arising from the provision of supply chain management services for mineral business is approximately HK$223,000 and from Shangdong mining and metallurgical machineries production is approximately HK$727,000 respectively.

For the period, the total administrative and other operating expenses from the Group's operations is approximately HK$20.5 million (for the period ended 30 June 2015: HK$25.2 million).

The Group recorded loss for the period ended 30 June 2016 of approximately HK$(11.4) million (for the period ended 30 June 2015: HK$(37.6) million).

The total comprehensive income attributable to owners of the Company for the period amounted to approximately HK$(12.2) million (the period ended 30 June 2015: HK$(40.4) million).

As at 30 June 2016, the Group has total cash balance of HK$6.4 million in the security companies of which HK$890,000 was included in other receivables and the fair value of listed securities is amounted to HK$70.1 million.

Liquidity and Financial Resources

As at 30 June 2016, the Group has bank and cash balances of approximately HK$48.3 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 30 June 2016 (as at 31 December 2015: Nil).

Foreign Exchange Exposure

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars, Renminbi ("RMB"), Sterling Pound, United States dollars and Tajikistan Somoni. As at 30 June 2016, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

Placement of New Shares and Use of Proceeds

The Company did two fund raisings in year 2015. On 7 May 2015, the Company allotted and issued 523,400,000 ordinary shares of HK$0.01 each in the capital of the Company by way of placing at a placing price of HK$0.089 per share. The Company raised approximately HK$44,250,000 (net of expenses). On 17 June 2015, the Company allotted and issued 628,400,000 ordinary shares of HK$0.01 each in the capital of the Company by way of placing at a placing price of HK$0.14 per share. The Company raised approximately HK$83,520,000 (net of expenses). The total proceeds of the two placings were HK$127,770,000. The net proceeds have been and will be applied as per the manner set out in the announcements of the Company dated 27 April 2015 and 2 June 2015, that is general working capital of the Group in particular the business development in the Central Asia part of the Silk Road.

For the 14 months up to 30 June 2016, approximately HK$79.5 million had been used as intended, including approximately: (i) HK$25.1 million on capital expenditure of the Shandong project, (ii) HK$22.8 million on providing working capital for Central Asia's operation and (iii) HK$31.6 million for general working capital.

The Company intends to use the remaining proceeds, which was approximately HK$48.3 million of general working capital, as intended.

Human Resources

As at 30 June 2016, the Group had 109 (as at 31 December 2015: 101) staff in Hong Kong, the PRC and Tajikistan. The Group continues to employ, promote and reward its staff with reference to their performance and experience. In addition to their basic salaries, the Group's employees are also entitled to other fringe benefits such as provident fund. The management will continue to closely monitor the human resources requirements of the Group, and will also put emphasis on the staff quality. During the period, the Group had not experienced any significant labour disputes which led to the disruption of its normal business operations. The Directors consider the Group's relationship with its employees to be good.

The total staff costs, including Directors' emoluments, amounted to approximately HK$9.6 million for the six months ended 30 June 2016 (Six months ended 30 June 2015: HK$8.4 million).

OTHER INFORMATION

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

As at 30 June 2016, 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	Approximate percentage of the total issued Shares as at 30 June 2016
Chan Nap Kee, Joseph	Beneficial owner	122,001,760 *(Note 1)*	—	3.24%
Chow Pok Yu, Augustine	Beneficial owner	4,000,000 *(Note 2)*	—	0.11%
Yang Yongcheng	Beneficial owner	4,100,000 *(Note 3)*	—	0.11%
Liew Swee Yean	Beneficial owner	2,040,000 *(Note 4)*	—	0.05%
Siu Siu Ling, Robert	Beneficial owner	2,040,000 *(Note 4)*	—	0.05%
Wong Yun Kuen	Beneficial owner	3,500,000 *(Note 4)*	—	0.09%
Anderson Brian Ralph	Beneficial owner	1,500,000 *(Note 5)*	—	0.04%

Save as disclosed above, as at 30 June 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 on 30 December 2015 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 on 30 December 2015 under the Share Award Scheme.

3. Of these 4,000,000 shares were awarded to Mr. Yang Yongcheng as Director on 30 December 2015 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 on 30 December 2015 under the Share Award Scheme.

5. These were the shares awarded to Mr. Anderson Brian Ralph as Director on 30 December 2015 under the Share Award Scheme.

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

(a) As at the 30 June 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 *(Note 3)*	Total Interest	Approximate percentage of the total issued Shares as of at 30 June 2016
Substantial shareholders					
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:

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

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

Save as disclosed above, the Directors were not aware of any other person (other than the directors and the chief executives of the Company) who, as at 30 June 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. I. Share Award Scheme

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

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

During the six months ended 30 June 2016, based on the Company's instructions, the trustee of the Share Award Scheme had purchased a total of 17,210,000 shares of the Company on the Stock Exchange at a total consideration of about HK$1,057,000.

During the period ended 30 June 2016, no shares were awarded to any employee or director of the Company under the Share Award Scheme.

3. II. (i) Share Award Scheme 2016

The Company adopted the Share Award Scheme 2016 on 14 June 2016 ("New Share Award Scheme"). The purposes and objectives of the Scheme are 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. Subject to any early termination as may be determined by the Board by a resolution of the Board, the Scheme shall be valid and effective for a term of 5 years commencing from the date of the Scheme. The Board shall not make any further award of Awarded Shares which will result in the total number of issued Shares awarded by the Board under the Scheme exceeding 10% of the total number of issued Shares from time to time.

Please refer to the Company's announcement dated 14 June 2016 and circular dated 15 June 2016 for details of the New Share Award Scheme.

(ii) Proposed Issue of New Shares Under Specific Mandate

Following the adoption of the New Share Award Scheme, the Board has resolved to allot and issue up to 113,052,000 New Shares, within one year after the date of approval of the Shareholders' resolution for approving the Specific Mandate in the EGM, to the Trustee at the nominal value of HK$0.01 per Share under the Specific Mandate to be sought from the Shareholders in the EGM for the purpose of for satisfying future grants of Awards under the Scheme ("Specific Mandate"). The New Shares will be allotted and issued when and to the extent that Awards to any Selected Employees have been granted and the Board resolves to satisfy such Awards by the allotment of such New Shares.

The Company convened the Extraordinary General Meeting ("EGM") on 30 June 2016,

and Shareholders' approval for the Specific Mandate were obtained by way of poll.

Please refer to the Company's announcement dated 14 June 2016 and circular dated 15 June 2016 for details on the Proposed issue of new shares under specific mandate, and the Company's announcement dated 30 June 2016 on poll results of the EGM for approving the Specific Mandate.

4. Directors' Interest in Competing Business

None of the Directors or their respective associates (as defined in GEM Listing Rules) have 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 with written terms of reference that sets out the authorities and duties of the committee.

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 primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control and risk management systems of the Group, maintain an appropriate relationship with the Company's auditors and provide advice and comments to the Board.

The unaudited interim results for the six months ended 30 June 2016 have been reviewed by the Audit Committee.

6. Remuneration Committee

The Company established the Remuneration Committee with written terms of reference that sets out the authorities and duties of the committee.

The current Remuneration Committee 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 Remuneration Committee.

7. **Nomination and Corporate Governance Committee**

The Company established a Nomination and Corporate Governance Committee ("Nomination Committee") with written terms of reference that set out the authorities and duties of the committee. The Nomination Committee comprises three members, namely Mr. Siu Siu Ling Robert (chairman of Nomination Committee), Mr. Liew Swee Yean and Mr. Chan Nap Kee Joseph.

8. **Purchase, Sale or Redemption of Listed Securities**

During the period ended 30 June 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 17,210,000 shares of the Company at a total consideration of about HK$1,057,000.

9. **Code of Conduct Regarding Securities Transactions by Directors**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the six months ended 30 June 2016. The Company has also made specific enquiry to all Directors and the Company was not aware of any noncompliance with the required standard of dealings under the GEM Listing Rules and its code of conduct regarding securities transactions by Directors.

10. **Code on Corporate Governance Practice**

The Board is committed to maintain good standard of corporate governance practices and procedures. Recently, the Company has engaged Moore Stephens Consulting Limited, an independent external reviewer, to perform review on the internal control system. Except for the deviations described below, the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG code") contained in Appendix 15 to the GEM Listing Rules throughout the six months under review.

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 August 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.