



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 2012

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

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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 and six months ended 30 June 2012, together with the unaudited comparative figures for the corresponding periods in 2011 as follows:

UNAUDITED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

	Note	Unaudited		Unaudited	
		Three months ended 30 June 2012	2011	Six months ended 30 June 2012	2011
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Restated)		(Restated)
Continuing operations					
Turnover	4	178,226	145	260,070	145
Cost of goods sold		(174,909)	(4,849)	(253,442)	(4,849)
Gross profit/(loss)		3,317	(4,704)	6,628	(4,704)
Other income		5,732	328	16,126	434
Selling and distribution costs		—	1	—	1
Administrative and other operating expenses		(26,322)	(5,817)	(46,300)	(11,674)
Loss from operations		(17,273)	(10,192)	(23,546)	(15,943)
Finance costs	5	(5,047)	(7,774)	(10,433)	(10,386)
Loss before tax		(22,320)	(17,966)	(33,979)	(26,329)
Income tax expense	6	—	—	—	—
Loss for the period from continuing operations		(22,320)	(17,966)	(33,979)	(26,329)
Discontinued operations					
(Loss)/profit for the period from discontinued operations	7	—	(579)	—	4,157
Loss for the period	8	(22,320)	(18,545)	(33,979)	(22,172)

	<i>Note</i>	Unaudited		Unaudited	
		Three months ended 30 June 2012	2011	Six months ended 30 June 2012	2011
		<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
Attributable to:					
Owners of the Company					
Loss from continuing operations		(21,443)	(17,495)	(32,658)	(25,858)
(Loss)/profit from discontinued operations		—	(405)	—	2,910
Loss attributable to owners of the Company		<u>(21,443)</u>	<u>(17,900)</u>	<u>(32,658)</u>	<u>(22,948)</u>
Non-controlling interests					
Loss from continuing operations		(877)	(471)	(1,321)	(471)
(Loss)/profit from discontinued operations		—	(174)	—	1,247
(Loss)/profit attributable to non-controlling interests		<u>(877)</u>	<u>(645)</u>	<u>(1,321)</u>	<u>776</u>
		<u>(22,320)</u>	<u>(18,545)</u>	<u>(33,979)</u>	<u>(22,172)</u>
Loss per share (HK Cents)					
From continuing and discontinued operations					
— basic	10	<u>(0.80)</u>	<u>(0.71)</u>	<u>(1.20)</u>	<u>(0.98)</u>
— diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
From continuing operations					
— basic		<u>(0.80)</u>	<u>(0.69)</u>	<u>(1.20)</u>	<u>(1.10)</u>
— diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 June 2012*

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2012	2011	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	(22,320)	(18,545)	(33,979)	(22,172)
Other comprehensive income for the period, net of tax				
Exchange differences on translating foreign operations	<u>(345)</u>	33,235	<u>(376)</u>	70,072
Total comprehensive income for the period	<u>(22,665)</u>	<u>14,690</u>	<u>(34,355)</u>	<u>47,900</u>
Total comprehensive income attributable to:				
Owners of the Company	<u>(21,658)</u>	5,749	<u>(32,904)</u>	25,947
Non-controlling interests	<u>(1,007)</u>	8,941	<u>(1,451)</u>	21,953
	<u>(22,665)</u>	<u>14,690</u>	<u>(34,355)</u>	<u>47,900</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

		Unaudited As at 30 June 2012 HK\$'000	Audited As at 31 December 2011 HK\$'000
	Note		
Non-current assets			
Fixed assets	11	43,762	25,705
Intangible assets	12	154,166	159,931
Available-for-sale financial assets		71	71
		<u>197,999</u>	<u>185,707</u>
Current assets			
Inventories		6,380	5,009
Trade and bills receivables	13	191,071	134
Deposits, prepayments and other receivables		237,292	699,851
Financial assets at fair value through profit or loss		875	1,550
Bank and cash balances		490,205	294,847
		<u>925,823</u>	<u>1,001,391</u>
Current liabilities			
Trade payables	15	34,642	—
Other payables and accruals		8,740	16,323
Due to a former owner of a subsidiary		—	50,976
		<u>43,382</u>	<u>67,299</u>
Net current assets		<u>882,441</u>	<u>934,092</u>
Total assets less current liabilities		<u>1,080,440</u>	<u>1,119,799</u>
Non-current liabilities			
Convertible bonds	14	216,547	206,453
Due to a former owner of a subsidiary		—	16,992
Deferred tax liabilities		39,012	39,142
		<u>255,559</u>	<u>262,587</u>
NET ASSETS		<u>824,881</u>	<u>857,212</u>
Capital and reserves			
Share capital	16	26,170	26,120
Reserves		764,829	795,759
Equity attributable to owners of the Company		790,999	821,879
Non-controlling interests		33,882	35,333
TOTAL EQUITY		<u>824,881</u>	<u>857,212</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

Attributable to owners of the Company

	Share capital	Share premium	Foreign Currency Translation reserve	Share- Based Payment reserve	Convertible Bonds reserve	Retained profits/ (Accumulated losses)	Total	Non- Controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	—	—	48,895	—	—	(22,948)	25,947	21,953	47,900
Share options forfeited	—	—	—	(2,545)	—	2,545	—	—	—
Arising on acquisition of subsidiaries	4,229	171,265	—	—	—	—	175,494	—	175,494
Changes in equity for the period	4,229	171,265	48,895	(2,545)	—	(20,403)	201,441	21,953	223,394
At 30 June 2011 (unaudited)	<u>25,373</u>	<u>1,154,446</u>	<u>102,974</u>	<u>26,265</u>	<u>103,801</u>	<u>518,997</u>	<u>1,931,856</u>	<u>778,304</u>	<u>2,710,160</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	—	—	(246)	—	—	(32,658)	(32,904)	(1,451)	(34,355)
Share options lapsed	—	—	—	(1,662)	—	1,662	—	—	—
Share-based payments	—	—	—	949	—	—	949	—	949
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	(246)	(1,081)	—	(30,996)	(30,880)	(1,451)	(32,331)
At 30 June 2012 (unaudited)	<u>26,170</u>	<u>1,176,818</u>	<u>(8,807)</u>	<u>28,413</u>	<u>103,801</u>	<u>(535,396)</u>	<u>790,999</u>	<u>33,882</u>	<u>824,881</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2012*

	Unaudited	
	Six months ended 30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	279,928	312,004
Net cash used in investing activities	(20,703)	(337,450)
Net cash (used in)/generated from financing activities	(64,588)	175,494
	<hr/>	<hr/>
Net increase in cash and cash equivalents	194,637	150,048
Effect of foreign exchange rate changes	721	3,842
	<hr/>	<hr/>
Cash and cash equivalents at beginning of period	195,358	153,890
	<hr/>	<hr/>
Cash and cash equivalents at end of period	490,205	396,332
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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").

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

These condensed financial information have been prepared in accordance with International Financial Reporting Standards ("IFRSs") 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 six months ended 30 June 2012, the Group has adopted all the new and revised IFRSs issued by IASB that are relevant to its operations and effective for its accounting periods beginning on 1 January 2012. IFRSs comprise IFRSs; 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 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		Unaudited	
	Three months ended 30 June	2011	Six months ended 30 June	2011
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Sales of coal	231	7,047	231	22,684
Provide supply chain management for mineral business	177,995	—	259,839	—
	<u>178,226</u>	<u>7,047</u>	<u>260,070</u>	<u>22,684</u>
Representing:				
Continuing operations	178,226	145	260,070	145
Discontinued operations (<i>Note 7</i>)	—	6,902	—	22,539
	<u>178,226</u>	<u>7,047</u>	<u>260,070</u>	<u>22,684</u>

5. FINANCE COSTS

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	—	6,633	—	13,830
Amount capitalised	—	(6,040)	—	(13,371)
	—	593	—	459
Interest on convertible bonds	5,047	5,047	10,093	10,038
Interest on loan from a former owner of a subsidiary	—	349	340	349
	<u>5,047</u>	<u>5,989</u>	<u>10,433</u>	<u>10,846</u>
Representing:				
Continuing operations	5,047	7,774	10,433	10,386
Discontinued operations (<i>Note 7</i>)	—	(1,785)	—	460
	<u>5,047</u>	<u>5,989</u>	<u>10,433</u>	<u>10,846</u>

6. INCOME TAX EXPENSE

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Income tax expense				
Current tax — PRC enterprise income tax	—	(10)	—	(1,426)
Representing:				
Discontinued operations (<i>Note 7</i>)	—	(10)	—	(1,426)

No provision for profits 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

Pursuant to an agreement dated 15 June 2011 (“Agreement”) entered into between the Group and an independent third party (the “Purchaser”), the Group disposed of its entire 70% equity interest in 內蒙古蒙西礦業有限公司 (Inner Mongolia Mengxi Minerals Limited) (“Mengxi Minerals”). The disposal was completed on 22 December 2011.

	Unaudited Three months ended 30 June 2011 <i>HK\$'000</i>	Unaudited Six months ended 30 June 2011 <i>HK\$'000</i>
Turnover	6,902	22,539
Cost of goods sold	(2,517)	(6,853)
Gross profit	4,385	15,686
Other income	3	4
Selling and distribution costs	(123)	(132)
Administrative and other operating expenses	(6,619)	(9,515)
(Loss)/profit from operations	(2,354)	6,043
Finance costs	1,785	(460)
(Loss)/profit before tax	(569)	5,583
Income tax expense	(10)	(1,426)
(Loss)/profit for the period	<u>(579)</u>	<u>4,157</u>

8. LOSS FOR THE PERIOD

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

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2012	2011	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Directors’ remuneration	1,247	492	2,618	981
Depreciation	3,363	4,738	4,546	5,152
Operating lease rentals in respect of land and buildings	304	584	790	654
Amortisation of intangible assets	5,142	4,469	5,142	4,469
Staff costs (including directors’ emoluments)				
Basic salaries, bonuses, allowances, and benefits in kind	5,986	3,991	10,952	5,503
Retirement benefits scheme contributions	38	22	177	44
	<u>1,247</u>	<u>492</u>	<u>2,618</u>	<u>981</u>
	<u>3,363</u>	<u>4,738</u>	<u>4,546</u>	<u>5,152</u>
	<u>304</u>	<u>584</u>	<u>790</u>	<u>654</u>
	<u>5,142</u>	<u>4,469</u>	<u>5,142</u>	<u>4,469</u>
	<u>5,986</u>	<u>3,991</u>	<u>10,952</u>	<u>5,503</u>
	<u>38</u>	<u>22</u>	<u>177</u>	<u>44</u>

9. DIVIDENDS

The Directors do not recommend the payment of dividend for the six months ended 30 June 2012 (Six months ended 30 June 2011: HK\$Nil).

10. 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 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 ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss				
Continuing and discontinued operations				
Loss for the purpose of calculating basic loss per share	<u>(21,443)</u>	<u>(17,900)</u>	<u>(32,658)</u>	<u>(22,948)</u>
Continuing operations				
Loss for the purpose of calculating basic loss per share	<u>(21,443)</u>	<u>(17,495)</u>	<u>(32,658)</u>	<u>(25,858)</u>
Number of shares				
Issued ordinary shares at the beginning of the period	2,617,006	2,537,261	2,612,006	2,114,384
Acquisition of subsidiaries	—	—	—	228,961
Effect of exercise of options	—	—	3,570	—
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>2,617,006</u>	<u>2,537,261</u>	<u>2,615,576</u>	<u>2,343,345</u>

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary sharing during the period ended 30 June 2012 and 2011.

11. FIXED ASSETS

During the six months ended 30 June 2012, the Group acquired fixed assets of approximately HK\$23,560,000.

12. INTANGIBLE ASSETS

	Mining rights <i>HK\$'000</i>
Cost	
At 1 January 2012	198,737
Exchange differences	(658)
	<hr/>
At 30 June 2012 (Unaudited)	198,079
	<hr/>
Accumulated amortisation and impairment	
At 1 January 2012	38,806
Charge for the period	5,142
Exchange differences	(35)
	<hr/>
At 30 June 2012 (Unaudited)	43,913
	<hr/>
Carrying amount	
At 30 June 2012 (Unaudited)	154,166
	<hr/> <hr/>
At 31 December 2011	159,931
	<hr/> <hr/>

13. TRADE AND BILLS RECEIVABLES

	Unaudited as at 30 June 2012 <i>HK\$'000</i>	Audited as at 31 December 2011 <i>HK\$'000</i>
Trade receivables	156,297	134
Bills receivables	34,774	—
	<hr/>	<hr/>
	191,071	134
	<hr/> <hr/>	<hr/> <hr/>

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 2012 <i>HK\$'000</i>	Audited as at 31 December 2011 <i>HK\$'000</i>
0–30 days	34,774	—
31–60 days	63,763	57
61–90 days	92,534	73
Over 90 days	—	4
	<hr/>	<hr/>
	191,071	134
	<hr/> <hr/>	<hr/> <hr/>

14. CONVERTIBLE BONDS

The maturity date of the convertible bonds (“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.

At 30 June 2012, the outstanding principal of the Replacement Bonds was amounting HK\$217,660,000 and there are maximum of approximately 345,230,000 new Shares that can be converted into new Shares.

15. TRADE PAYABLES

At 30 June 2012, the ageing analysis of the trade payables based on invoice date were as follows:

	Unaudited as at 30 June 2012 <i>HK\$'000</i>	Audited as at 31 December 2011 <i>HK\$'000</i>
0–30 days	<u>34,642</u>	<u>—</u>

16. SHARE CAPITAL

	Unaudited as at 30 June 2012 <i>HK\$'000</i>	Audited as at 31 December 2011 <i>HK\$'000</i>
Authorised: 10,000,000,000 ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid: 2,617,005,700 (31 December 2011: 2,612,005,700) Ordinary shares of HK\$0.01 each	<u>26,170</u>	<u>26,120</u>

On 22 February 2012, 5,000,000 Shares were issued in relation to share options exercised under the share option scheme of the Company at HK\$0.215 for a total cash consideration of HK\$1,075,000. The excess of the subscription consideration received over the nominal values issued was credited to the share premium account.

17. CONTINGENT LIABILITIES

As at 30 June 2012, the Group did not have any significant contingent liabilities (31 December 2011: HK\$Nil).

18. LEASE COMMITMENTS

As at 30 June 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Unaudited as at 30 June 2012 HK\$'000	Audited as at 31 December 2011 HK\$'000
Within one year	<u>424</u>	<u>1,069</u>

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

19. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	Unaudited as at 30 June 2012 HK\$'000	Audited as at 31 December 2011 HK\$'000
Fixed assets Contracted but not provided for	<u>5,737</u>	<u>—</u>

20. SEGMENT INFORMATION

The Group has two reportable segments which are exploitation of coal in Tajikistan and provide supply chain management for mineral business 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 2011.

	Provide supply chain management for mineral business HK\$'000 (unaudited)	Exploitation of coal in Tajikistan HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
For six months ended 30 June 2012			
Revenue from external customers	259,839	231	260,070
Segment loss	3,815	25,588	29,403
As at 30 June 2012			
Segment assets	<u>357,761</u>	<u>240,611</u>	<u>598,372</u>

	<u>Discontinued operations</u>		
	Exploitation of Coal in the PRC <i>HK\$'000</i> (unaudited)	Exploitation of coal in Tajikistan <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
For six months ended 30 June 2011			
Revenue from external customers	22,539	145	22,684
Segment profit/(loss)	4,158	(8,543)	(4,385)
As at 30 June 2011			
Segment assets	<u>3,836,656</u>	<u>250,947</u>	<u>4,087,603</u>
		Unaudited	
		Six months ended 30 June	
		2012	2011
		<i>HK\$'000</i>	<i>HK\$'000</i>
Reconciliations of segment profit or loss:			
Total profit or loss of reportable segments		(29,403)	(4,385)
Other profit or loss		(4,576)	(17,787)
Consolidated loss for the period		<u>(33,979)</u>	<u>(22,172)</u>

21. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had the following transactions with its related parties during the period:

	Unaudited	
	Six months ended 30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on convertible bonds charged by the related companies (<i>Note</i>)	<u>10,093</u>	<u>10,038</u>

Note:

The related companies are companies that are beneficial owned by Mr. ZHANG Gaobo and Mr. ZHANG Zhi Ping.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group currently owns mining rights and interests in three mines in Tajikistan, including the Kaftar-Hona anthracite deposit, the Ziddi coal deposit and the Mienadu coal deposit. In addition, the Group engages in provision of supply chain management services for mineral business.

For the six months ended 30 June 2012, the Group generated its turnover of approximately HK\$260.1 million and gross profit of approximately HK\$6.6 million.

Loss for the period from continuing operations was approximately HK\$34.0 million after adding finance cost of approximately HK\$10.4 million.

During the period, the Group had repaid the whole “Loan owed by Saddleback Gold to the Vendor” in the principal amount of US\$8,750,000 (equivalent to HK\$68,250,000) in order to save interest cost for the Group. Details of the loan are described on Page 6 of the Company’s announcement dated 15 March 2011 on acquisition of Saddleback Mining Limited.

Of the approximately HK\$10.4 million finance cost, approximately HK\$10.1 million is attributable to interest on convertible bonds (note 5 to financial statements). Part of the cash proceeds generated from the Very Substantial Disposal on sale of Company’s equity interest of Mengxi Mineral can be used for early redemption of the convertible bonds in order to save interest of 3.75% per annum on the convertible bonds.

Outlook and Prospects

On 5 July 2012, the Vendor, the Company and the Purchaser, Up Energy Development Limited (“Up Energy”), entered into a non-binding memorandum of understanding (“MOU”), which sets out the basic terms and conditions for the Proposed Disposal by the Company’s entire 52% equity interest in Kamarob LLC (“Proposed Disposal”), at the consideration of HK\$394,648,800, and on further terms and conditions to be agreed.

Kamarob LLC is the holder of relevant licenses to conduct geological exploration and coal mining in Kafta Hona anthracite deposit in Tajikistan.

Under the MOU, half of the consideration (being HK\$197,324,400) will be paid in cash and the other half will be satisfied by the issuance and allotment of the Consideration Shares by the Purchaser credited as fully paid. The Purchaser was granted exclusive right to negotiate with the Company on the Sale and Purchase Agreement (“SPA”) with detailed terms and conditions of the Proposed Disposal.

The Purchaser for the Proposed Disposal, Up Energy, is listed on the Main Board of the Stock Exchange (stock code 307). It is the largest non-state owned coking coal operator in Xinjiang and owns 3 mines.

As Xinjiang and Tajikistan are in close proximity to each other, the Proposed Disposal will utilize competences and resources of both the Group and that of the purchaser, resulting in a win-win situation and good prospects for both parties.

Details of the announcement can be found in the related announcement dated 5 July 2012 on “<http://www.kaisunenergy.com>” under “Announcements” section.

The Company is now negotiation with the Purchaser on a SPA on the Proposed Disposal. Announcement(s) will be published when appropriate.

Financial Review

Turnover of the Group from continuing operations for the three months and six months ended 30 June 2012 was approximately HK\$178.2 million and HK\$260.1 million respectively (for three months and six months ended 30 June 2011: continuing operations: HK\$145,000 and HK\$145,000, discontinued operations: HK\$6.9 million and HK\$22.5 million).

Correspondingly, gross profit from the Group's continuing operations for the three months and six months ended 30 June 2012 was approximately HK\$3.3 million and HK\$6.6 million respectively (for three months and six months ended 30 June 2011: continuing operations: HK\$(4.7) million and HK\$(4.7) million, discontinued operations: HK\$4.4 million and HK\$15.7 million).

For the three months and six months ended 30 June 2012, total finance cost from the Group's continuing operations amounted to approximately HK\$5.0 million and HK\$10.4 million respectively (for three months and six months ended 30 June 2011: continuing operations: HK\$7.8 million and HK\$10.4 million, discontinued operations: HK\$(1.8) million and HK\$0.4 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\$(21.7) million and HK\$(32.9) million respectively (for three months and six months ended 30 June 2011: HK\$5.7 million and HK\$25.9 million) for the three months and six months ended 30 June 2012.

Liquidity and Financial Resource

As at 30 June 2012, the Group has a bank and cash balances of approximately HK\$490 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 asset, was 0.27 as at 30 June 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 Tajik Somoni. As at 30 June 2012, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

Capital Structure

During the period, the Company received exercise notices from the grantees regarding the exercise of share options of conversion into 5,000,000 new shares.

Human Resources

As at 30 June 2012, the Group had 57 (as at 31 December 2011: 32) staff in Hong Kong 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\$11.1 million (for six months ended 30 June 2011: HK\$5.5 million) for the six months ended 30 June 2012.

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 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	Number of Underlying Shares (Note)	Approximate percentage of the total issued Shares as at 30 June 2012
Chan Nap Kee, Joseph	Beneficial owner	20,520,000	45,429,350	2.52%
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 30 June 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 30 June 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 30 June 2012
<i>Substantial shareholders</i>					
Zhang Zhi Ping	Interest of controlled corporations	215,640,000	357,410,000	573,050,000 (Note 1)	21.90%
Zhang Gaobo	Interest of controlled corporations	215,640,000	357,410,000	573,050,000 (Note 1)	21.90%
Oriental Patron Financial Group Limited (“OPFGL”)	Interest of controlled corporations	215,640,000	357,410,000	573,050,000 (Note 1)	21.90%
OP Financial Investments Limited (“OPFIL”)	Interest of a controlled corporation	129,260,000	234,190,000	363,450,000 (Note 1)	13.89%
Saddleback Corporation Limited	Beneficial owner	418,676,750	—	418,676,750	16.00%
<i>Other persons who had interests in the Shares and underlying Shares</i>					
Oriental Patron Financial Services Group Limited (“OPFSGL”)	Interest of a controlled corporation	86,380,000	123,220,000	209,600,000 (Note 1)	8.00%
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:

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

Of these 215,640,000 Shares and 357,410,000 underlying Shares of the Company, 86,380,000 Shares and 123,220,000 underlying Shares are held by Pacific Top Holding Limited (“PTHL”). PTHL is wholly owned by OPFSGL, OPFSGL is 95% held by OPFGL. Zhang Zhi Ping, Zhang Gaobo, OPFGL and OPFSGL are deemed to be interested in the interests held by PTHL under the SFO.

Of these 215,640,000 Shares and 357,410,000 underlying Shares, 129,260,000 Shares and 234,190,000 underlying Shares are held by Profit Raider Investments Limited (“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 30 June 2012 in the convertible bonds in the principal amount of HK\$217,660,000 convertible into 345,230,000 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 30 June 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 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 30 June 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 30 June 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 30/6/2012 <i>(Note 2)</i>
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
	10/4/2012	10/4/2012–9/12/2013	—	15,000,000	—	—	15,000,000
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>15,000,000</u>	<u>(5,000,000)</u>	<u>(9,850,000)</u>	<u>142,191,064</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 is available on the Company's website under the "Investor Relations" section with "Corporate Governance" heading.

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 interim results for the six months ended 30 June 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. Remuneration Committee

The Company has established a Remuneration Committee ("RC") with written terms of reference which deals clearly with its authorities and duties. The RC comprises three members, namely Dr. Wong Yun Kuen (chairman of RC), Mr. Anderson Brian Ralph and Mr. Chan Nap Kee, Joseph.

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

Written terms of reference were adopted in compliance with the GEM Listing Rule, and 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 has 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 (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 Shares

The Company has not redeemed any of its shares during the six months ended 30 June 2012. Neither the Company nor any of its subsidiaries has purchased or sold any of the Shares during the six months ended 30 June 2012.

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 2012. 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 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 six months ended 30 June 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.

Since 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, 9 August 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>.