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## **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)**

### **DISCLOSEABLE TRANSACTION ACQUISITION OF INTEREST IN SADDLEBACK MINING LIMITED INVOLVING ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE**

Reference is made to the announcements of the Company dated 11 November 2010, 9 December 2010 and 28 January 2011 about the term sheet made between the Company and the Vendor regarding the proposed acquisition by the Company of interest in the Target, Saddleback Mining Limited. The Board is pleased to announce that on 15 March 2011, the Buyer, the Company as guarantor and the Vendor entered into the SP Agreement pursuant to which the Vendor has conditionally agreed to sell, and the Buyer has conditionally agreed to purchase, the Sale Shares at an aggregate Consideration of US\$22,433,089 (equivalent to HK\$174,978,095), of which:

- (i) as to the US dollars equivalent of HK\$143,778,095 (converted at the exchange rate of US\$1 = HK\$7.8), to be satisfied by the issue and allotment by the Company to the Vendor of the Consideration Shares at the issue price of HK\$0.34 each, credited as fully paid, at Completion;
- (ii) US\$1,750,000 (equivalent to HK\$13,650,000) to be paid in cash at Completion and US\$750,000 (equivalent to HK\$5,850,000) to be paid within 40 days of Completion; and
- (iii) the Further Consideration to be paid subject to and upon satisfaction of the Trigger Condition.

The Consideration Shares represent approximately 20% of the existing issued share capital of the Company as at the date of this Announcement and approximately 14.40% of the total issued share capital of the Company as enlarged by issue of the Consideration Shares and assuming full conversion of all convertible bonds of the Company and full exercise of all options of Company outstanding as at the date of this Announcement.

The Consideration Shares will be issued pursuant to the general mandate granted to the Directors at the Company's annual general meeting held on 30 July 2010.

As the applicable percentage ratio for the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules.

**This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.**

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## **SP AGREEMENT**

**Date:** 15 March 2011

### **Parties**

**Vendor:** Saddleback Corporation Limited

**Buyer:** West Glory Development Limited, a wholly-owned subsidiary of the Company

**Guarantor:** the Company

### **Subject matter of the SP Agreement**

Pursuant to the SP Agreement, the Buyer has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares, being the entire issued share capital of the Target.

The Target is a wholly-owned subsidiary of the Vendor. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of the Company and not connected persons of the Company.

Upon Completion, the Target will become a wholly-owned subsidiary of the Buyer and the financial information of the Target Group will be consolidated into the accounts of the Group.

## **Consideration**

The Consideration payable for the Acquisition shall be US\$22,433,089, of which:

- (i) as to the US dollars equivalent of HK\$143,778,095 (converted at the exchange rate of US\$1 = HK\$7.8), to be satisfied by the issue and allotment by the Company to the Vendor of the Consideration Shares at the issue price of HK\$0.34 each, credited as fully paid, at Completion;
- (ii) US\$1,750,000 (equivalent to HK\$13,650,000) to be paid in cash at Completion and US\$750,000 (equivalent to HK\$5,850,000) to be paid within 40 days of Completion; and
- (iii) the Further Consideration to be paid subject to and upon satisfaction of the Trigger Condition.

The Consideration has been determined after arm's length negotiation between the Buyer and the Vendor with reference to, among other things, the independent valuation on the mining assets and interests held by the Target Group.

The Directors consider the Consideration is fair and reasonable and on normal commercial terms and that the entering into of the SP Agreement and the transactions contemplated thereunder are in the interests of the Company and the shareholders of the Company as a whole.

The Consideration Shares represent approximately 20% of the existing issued share capital of the Company as at the date of this Announcement and approximately 14.40% of the total issued share capital of the Company as enlarged by issue of the Consideration Shares and assuming full conversion of all convertible bonds of the Company and full exercise of all options of Company outstanding as at the date of this Announcement.

The Consideration Shares will be issued pursuant to the general mandate granted to the Directors at the Company's annual general meeting held on 30 July 2010.

As at the date of this Announcement, the Vendor and its associates are not beneficially interested in any Shares or securities of the Company. Consummation of the Acquisition and issue of the Consideration Shares will not result in a change in control of the Company.

The issue price of HK\$0.34 per Consideration Share represents:

- (i) approximately 1.49% premium over the closing price of HK\$0.335 per Share on 15 March 2011 (the last trading price of the Shares immediately prior to the signing of the SP Agreement);
- (ii) no premium over or discount to the five days average closing price of HK\$0.34 per Share up to and including 15 March 2011; and
- (iii) approximately 71.19% discount to the audited net asset value per Share of HK\$1.18 as at 31 December 2010 (the latest available published audited accounts of the Company).

The issue price of HK\$0.34 per Consideration Share was arrived at by the Company and the Vendor after arm's length negotiation and taking into account the prevailing trading prices of the Shares.

The Consideration Shares, when issued upon Completion, will rank *pari passu* in all respects with the existing Shares then in issue.

### **Lock-up Period**

The Consideration Shares shall be subject to a lock-up period of 6 months from the date of issue to the Vendor or its nominees. Notwithstanding such restriction, the Vendor is permitted to distribute the Consideration Shares to its shareholders provided that each of the transferees shall sign and deliver to the Company a written undertaking agreeing to be bound by the lock up restriction.

The Vendor shall procure that 50% of all the Consideration Shares to be held by Mr. William Ralston-Saul shall be subject to a lock-up period of 12 months (while the remaining 50% of such shares held by him shall be subject to a lock-up period of 6 months).

### **Conditions precedent to the SP Agreement**

Completion of the SP Agreement is subject to satisfaction of, amongst others, the following conditions precedent:

- (1) there being no restriction (including pre-emption rights, rights of first refusal, injunctions or other prohibition or lawful orders) in connection with the transfer of the Sale Shares and/or the issue and allotment of the Consideration Shares;
- (2) there being no action or proceeding pending or threatened by any person or relevant governmental agency to enjoin or prohibit the transfer of the Sale Shares or the issue and allotment of the Consideration Shares;

- (3) all necessary consents, approvals and permits (including any third party consents, corporate authorizations and governmental and regulatory approvals) required for consummation of the transactions contemplated under the SP Agreement having been obtained by each of the Buyer and Vendor and not revoked;
- (4) the warranties given by each of the Buyer and Vendor to the other party remaining true and correct in all material respects;
- (5) there being no material unremedied breach by each of the Vendor and the Buyer or the Company against the other party of any of their respective undertakings and covenants contained in the SP Agreement;
- (6) the Listing Committee of the Stock Exchange having granted or having agreed to grant the listing of, and permission to deal in, the Consideration Shares; and
- (7) the issued Shares remaining listed and traded on the Stock Exchange at all times prior to and on Completion (save for temporary suspension of not more than 15 consecutive trading days of the Stock Exchange) and the Company's listing status on the Stock Exchange not being revoked or withdrawn.

If the conditions precedent stipulated in the SP Agreement have not been fulfilled or waived by the parties on or before 5:00 p.m. on 25 March 2011 (or such other date as the parties shall agree), the SP Agreement shall lapse and thereafter no party to the SP Agreement shall have claim against each other except for accrued rights arising from prior breach of the SP Agreement.

### **Completion**

Completion shall take place on the fifth Business Day immediately following the date on which all the conditions precedent of the SP Agreement have been fulfilled, performed or waived (or such other date as may be agreed by the parties).

### **Obtaining of coal mining rights by the Licence Applicant**

The Licence Applicant, being a member of the Target Group, has applied to the relevant Tajik government agency for coal mining rights. Such application is pending government approval. If the Licence Applicant is granted the mining rights it applied for and the Buyer determines that the Trigger Condition has been satisfied, the Company will pay the Further Consideration in cash to the Vendor as part of the Consideration and pay to the original founder of the Licence Applicant the sum of US\$1,200,000 (equivalent to HK\$9,360,000) for the purpose of discharging or refinancing of amounts incurred by the Licence Applicant.

If the Buyer does not accept the Trigger Condition to have been satisfied,

- (i) the Consideration shall be reduced by US\$1,500,000; and
- (ii) the Buyer shall transfer ownership in the Licence Applicant to the Vendor at the nominal consideration of US\$1.

### **Loan owed by Saddleback Gold to the Vendor**

Saddleback Gold, a wholly-owned subsidiary of the Target, owes to the Vendor a loan in the principal amount of US\$8,750,000 (equivalent to HK\$68,250,000). Interest is charged on the loan at the rate of 2% per annum. The loan will remain owing to the Vendor after completion of the Acquisition and will be repaid by 4 equal instalments of US\$2,187,500 (equivalent to HK\$17,062,500) each. The first of such repayment instalments will become due on 31 May 2012 and each subsequent instalment will fall due upon expiry of successive periods of 3 months. The loan is guaranteed by the Target. It is not secured on assets of the Target Group.”

### **Application for listing approval to the Consideration Shares**

The Company will make an application to the Stock Exchange for the listing of and permission to deal in the Consideration Shares to be issued upon Completion.

### **EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY**

Assuming no Shares will be issued and/or repurchased by the Company from the date of this announcement up to Completion; a total of 422,876,750 Consideration Shares will be issued upon Completion, the shareholding structure of the Company as at the date of this announcement and immediately after the issue and allotment of the Consideration Shares respectively is as follows:

|  | <b>Existing Shareholding</b> |                      | <b>Shareholding immediately after the issue and allotment of the Consideration Shares</b> |                      |
|--|------------------------------|----------------------|---|----------------------|
|  | <i>Shares</i>                | <i>%</i>             | <i>Shares</i>   | <i>%</i>             |
| <i>Substantial Shareholders</i>            |                              |                      |   |                      |
| Oriental Patron Financial Group Limited    | 215,640,000                  | 10.20                | 215,640,000   | 8.50                 |
| <i>The Public</i>                          |                              |                      |   |                      |
| the Vendor                                 | –                            | –                    | 422,876,750   | 16.67                |
| Public Shareholders (excluding the Vendor) | <u>1,898,743,750</u>         | <u>89.80</u>         | <u>1,898,743,750</u>  | <u>74.83</u>         |
| Total                                      | <u><u>2,114,383,750</u></u>  | <u><u>100.00</u></u> | <u><u>2,537,260,500</u></u>   | <u><u>100.00</u></u> |

## **INFORMATION ON THE TARGET GROUP**

The Target was incorporated in England and Wales. The Target Group is principally engaged in coal and anthracite mining and exploration in Tajikistan. The Target Group owns mining rights and interests in three mines in Tajikistan, namely the Nazar-Aylok anthracite deposit, the Ziddi coal deposit and the Mienadu coal deposit. As at the date of this Announcement, the Vendor owns the entire issued share capital of the Target.

Upon Completion, the Target will become a wholly owned subsidiary of the Buyer and the financial information of the Target Group will be consolidated into the accounts of the Group.

Based on the proforma consolidated accounts of the Target Group, the audited loss on ordinary activities before and after tax of the Target Group for the year ended 31 December 2010 and 31 December 2009 were £1,623,781 (equivalent to HK\$20,232,311) and £1,922,422 (equivalent to HK\$23,953,378) respectively.

## **INFORMATION ON THE GROUP**

The Group is principally engaged in the investments in mining, sale and processing of coking coal in the PRC.

## **REASONS FOR THE ACQUISITION**

Our investment into the Target, represents an expansionary step outside of the Greater China region. The Target Group controls coal mining assets in neighboring Tajikistan with significant resources in both anthracite and coal. In combination with our integrated Mengxi coal operation, we can continue to develop our supply facilities to meet mounting demand in both China and other developing countries in Asia. Tajikistan's close proximity to Xinjiang is particularly beneficial both for its proximity to the Chinese market. Moreover, the PRC government continues to invest in Western provincial infrastructure such as the old Silk Road. Finally, our strategic partnership with the Xinjiang Uygur Autonomous Region Coal Bureau will bring technical proficiency to our Central Asia exploration effort including Tajikistan.

Taking into account the benefits of the Acquisition, the Directors are of the view that the terms of the SP Agreement are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

## **IMPLICATIONS UNDER THE GEM LISTING RULES**

As the applicable percentage ratios as defined in the GEM Listing Rules in respect of the Acquisition exceed 5% but do not exceed 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules.

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## DEFINITIONS

Unless the context requires otherwise, capitalized terms used herein shall have the following meanings:

|                         |   |
|-------------------------|---|
| “Acquisition”           | acquisition by the Buyer of the entire issued share capital of the Target from the Vendor   |
| “associate(s)”          | as such term is defined under the GEM Listing Rules   |
| “Board”                 | the board of Directors  |
| “Buyer”                 | West Glory Development Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company                   |
| “Company”               | Kaisun Energy Group Limited (凱順能源集團有限公司*), a company incorporated in the Cayman Islands with limited liability and its shares are listed on the GEM |
| “Completion”            | the completion of the SP Agreement in accordance with the terms thereof   |
| “Consideration”         | US\$20,933,089, the consideration of the Acquisition  |
| “Consideration Shares”  | 422,876,750 new Shares to be issued by the Company, credited as fully paid, as part payment of Consideration  |
| “connected person(s)”   | as such term is defined under the GEM Listing Rules   |
| “Director(s)”           | the director(s) of the Company  |
| “Further Consideration” | US\$1,500,000 (equivalent to HK\$11,700,000) to be paid in cash by the Company, as part payment of Consideration                                    |
| “GEM”                   | the Growth Enterprise Market of the Stock Exchange  |
| “GEM Listing Rules”     | the Rules Governing the Listing of Securities on the GEM  |
| “Group”                 | the Company and its subsidiaries  |



|                            |  |
|----------------------------|--|
| “Hong Kong”                | the Hong Kong Special Administrative Region of the People’s Republic of China  |
| “Licence Applicant”        | a member of the Target Group who is applying for coal mining rights in Tajikistan  |
| “Mr. William Ralston-Saul” | a director of the Target   |
| “PRC”                      | the People’s Republic of China   |
| “Saddleback Gold”          | Saddleback Gold Corporation Limited, a wholly-owned subsidiary of the Target incorporated in Tajikistan  |
| “Sale Shares”              | 10,000 ordinary share of £0.01 each representing 100% of the issued share capital in the Target  |
| “Share(s)”                 | ordinary shares of HK\$0.01 par value each in the share capital of the Company   |
| “SP Agreement”             | the agreement dated 15 March 2011 entered into between the Buyer, the Company and the Vendor in relation to the Acquisition  |
| “Stock Exchange”           | The Stock Exchange of Hong Kong Limited  |
| “Target”                   | Saddleback Mining Limited, a wholly owned subsidiary of the Vendor incorporated in England and Wales   |
| “Target Group”             | the Target and its subsidiaries  |
| “Trigger Condition”        | receipt by the Licence Applicant of all requisite documents proving the valid grant by the competent Tajik government agency to the Licence Applicant of the coal mining rights that the Licence Applicant applied for |
| “Vendor”                   | Saddleback Corporation Limited, a limited liability company incorporated in England and Wales  |

|              |   |
|--------------|---|
| “HK\$”       | Hong Kong dollars, the lawful currency of Hong Kong             |
| “Tajikistan” | the Republic of Tajikistan                                      |
| “US\$”       | US dollars, the lawful currency of the United States of America |
| “£”          | Pound sterling, the lawful currency of the United Kingdom       |
| “%”          | per cent.   |

By order of the Board  
**Kaisun Energy Group Limited**  
**Chan Nap Kee, Joseph**  
*Chairman*

Hong Kong, 15 March 2011

*As of the date of this announcement, the executive directors are Mr. Chan Nap Kee Joseph, Dr. Chow Pok Yu Augustine, Mr. Li Hong and Mr. Yang Yongcheng. The independent non-executive directors are Mr. Liew Swee Yean, Mr. Siu Siu Ling Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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 or deceptive; (2) there are no other matters the omission of which would make any statement in this announcement misleading or deceptive.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its publication and on the Company’s website at [www.kaisunenergy.com](http://www.kaisunenergy.com).*

*Exchange rates used in this announcement for translating US dollars and Pound sterling into HK dollars are: (i) US\$1 = HK\$7.8 and (ii) £1 = HK\$12.46.*

*\* for identification purpose only*