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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)

MERGER OF TWO 70% SUBSIDIARIES DISSOLUTION OF A 70% SUBSIDIARY AND CHANGE IN DIRECTORS' INFORMATION

On 10 August 2010, Mengxi Minerals and Mengxi Chemical, each an indirect 70% subsidiary of the Company, entered into the Agreement for a group restructuring exercise involving the merger of Mengxi Minerals and Mengxi Chemical by the transfer of all assets, liabilities, businesses and employees of Mengxi Chemical to Mengxi Minerals at nil consideration. Mengxi Chemical shall be dissolved upon completion of the Merger.

As at the date of this announcement, Mr. Chan Nap Kee Joseph and Mr. Yang Yongcheng are also directors of Mengxi Chemical. To comply with Rule 17.50A(2) of the GEM Listing Rules, this announcement is made by the Company reporting the change in information required to be disclosed by Mr. Chan Nap Kee Joseph and Mr. Yang Yongcheng pursuant to Rule 17.50(2)(1) of the GEM Listing Rules.

THE MERGER

Reference is made to the announcement of the Company dated 15 December 2009 in relation, among others, the proposed merger of two 70% subsidiaries of the Company. The Board announced that on 10 August 2010, Mengxi Minerals (as purchaser) and Mengxi Chemical (as vendor), each an indirect 70% subsidiary of the Company, entered into the Agreement for a group restructuring exercise involving the merger of Mengxi Minerals and Mengxi Chemical by the transfer of all assets, liabilities, businesses and employees of Mengxi Chemical to Mengxi Minerals at nil consideration. Mengxi Chemical shall be dissolved upon completion of the Merger.

The Agreement shall take effect on the date of approval of the Merger by the relevant authorities in the PRC. Completion of the Merger shall take place on date of issue of the new business registration certificate to Mengxi Minerals after completion of the registration procedures by the relevant authorities in the PRC.

INFORMATION ON MENGXI CHEMICAL AND MENGXI MINERALS AND REASONS FOR THE MERGER

The principal business of Mengxi Chemical is the washing and choosing of mine run coal, the processing of coking coal and coke and their related coal by-products. The principal business of Mengxi Minerals is the sale of coal, the building of early stage infrastructure for exploitation of sagger, washing and choosing of mine run coal and processing of coke.

Each of Mengxi Minerals and Mengxi Chemical is a joint venture vehicle which is 70% indirectly owned by the Company and 30% by Mengxi HT. As Mengxi Minerals and Mengxi Chemical have the same shareholding structure, the Board considered that the Merger would enable the Group to streamline the corporate structure to facilitate integration of resources and unify the platform for sales of coal and washing and choosing of mine run coal by the Group.

FINANCIAL IMPACT OF THE MERGER ON THE GROUP

The acquisition and disposal of the assets, liabilities, businesses and employees of Mengxi Chemical under the Transfer constitute a part and parcel of the entire group restructuring exercise. Since all assets, liabilities, businesses and employees of Mengxi Chemical will be transferred to Mengxi Minerals at nil consideration, no significant gain or loss is expected to accrue to the Group from the Merger.

DISSOLUTION OF MENGXI CHEMICAL AND CHANGE IN DIRECTORS' INFORMATION

The directors of Mengxi Chemical have passed the relevant resolutions for the dissolution of Mengxi Chemical upon completion of the Transfer. Mengxi Chemical will be dissolved upon completion of the necessary filings and obtaining of the relevant approvals in the PRC.

As at the date of this announcement, Mr. Chan Nap Kee Joseph and Mr. Yang Yongcheng are also directors of Mengxi Chemical. To comply with Rule 17.50A(2) of the GEM Listing Rules, this announcement is made by the Company reporting the change in information required to be disclosed by Mr. Chan Nap Kee Joseph and Mr. Yang Yongcheng pursuant to Rule 17.50(2)(1) of the GEM Listing Rules.

DEFINITIONS

The following words and phrases used in this announcement have the following meaning:

“Agreement”	the agreement dated 10 August 2010 entered into between Mengxi Minerals and Mengxi Chemical in relation to the Merger
“Board”	the board of Directors
“Company”	Kaisun Energy Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM
“Director(s)”	director(s) of the Company
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Mengxi Chemical”	鄂爾多斯市啟杰蒙西煤化有限公司(Ordos GEM Coal & Chemical Co., Ltd.), an indirect non wholly owned subsidiary of the Company
“Mengxi HT”	內蒙古蒙西高新技術集團有限公司 (Inner Mongolia Gaoxing High Tech Limited), the owner of 30% equity interest of each of Mengxi Minerals and Mengxi Chemical
“Mengxi Minerals”	內蒙古蒙西礦業有限公司 (Inner Mongolia Mengxi Minerals Co., Ltd.), an indirect non wholly owned subsidiary of the Company
“Merger”	the group restructuring exercise involving the merger of Mengxi Minerals and Mengxi Chemical pursuant to the Agreement
“PRC”	The People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transfer”	the transfer of all assets, liabilities, businesses and employees of Mengxi Chemical to Mengxi Minerals at nil consideration pursuant to the Agreement

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

Hong Kong, 26 August 2010

The English names of the companies established in the PRC in this announcement are for identification purposes only. In case of inconsistency, the Chinese names prevail.

The English text of this announcement shall prevail over the Chinese text in case of inconsistencies.

As of the date of this announcement, the executive Directors are Mr. Chan Nap Kee Joseph, Mr. Yeap Soon P Jonathan, Dr. Chow Pok Yu Augustine 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; and (2) there are no other matters the omission of which would make any statement in this announcement or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the Company’s website at www.8203.com.hk.

** for identification purpose only*