

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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)

### **VERY SUBSTANTIAL DISPOSAL – ISSUE OF NEW SHARES BY LONG CAPITAL DEVELOPMENT LIMITED AND RESUMPTION OF TRADING**

#### **FINANCIAL ADVISER**



普頓資本有限公司  
**Proton Capital Limited**

#### **VERY SUBSTANTIAL DISPOSAL**

On 8 February 2010 (after trading hours of the Stock Exchange), the Subscriber and Long Capital, an indirect non-wholly owned subsidiary of the Company, entered into the Agreement, whereby Long Capital agreed to allot and issue the Subscription Shares to the Subscriber, and the Subscriber agreed to subscribe for the Subscription Shares at a consideration of HK\$4,500,000. Upon Completion, the Company's shareholding in Long Capital will be reduced from 51% to 14.57%.

The Subscription constitutes a deemed disposal under Rule 19.29 of the GEM Listing Rules and a very substantial disposal on the part of the Company under Chapter 19 of the GEM Listing Rules. The Subscription is subject to the Shareholders' approval under Chapter 19 of the GEM Listing Rules.

#### **GENERAL**

A circular containing, among other information, further details of the Subscription and a notice of the EGM will be despatched to the Shareholders as soon as possible.

## **SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES OF THE COMPANY**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 9 February 2010 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 19 February 2010.

### **INTRODUCTION**

Further to the announcements of the Company dated 21 December 2009 and 11 January 2010 respectively, the Board announces that on 8 February 2010 (after trading hours of the Stock Exchange), Long Capital entered into the Agreement with the Subscriber whereby Long Capital conditionally agreed to allot and issue the Subscription Shares to the Subscriber, and the Subscriber conditionally agreed to subscribe for the Subscription Shares at a consideration of HK\$4,500,000. Upon Completion, the Company's shareholding in Long Capital will be reduced from 51% to 14.57%.

### **THE AGREEMENT**

**Date:** 8 February 2010 (after trading hours of the Stock Exchange)

**Parties:** Long Capital as the issuer of the Subscription Shares; and  
Dayrich Group Limited as the Subscriber.

Dayrich Group Limited is a company incorporated in the British Virgin Islands with limited liability. To the best of the Directors' knowledge, the principal business of the Subscriber is investment holding. The Subscriber is wholly and beneficially owned by Mr. Leung Kwok Yue. As at the date of this announcement, save for the transactions contemplated under the Subscription, the Subscriber and its beneficial owner are not interested in any shares of Long Capital.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Subscriber and its ultimate beneficial owner is an independent third party who is independent of the Group and connected persons (within the meaning of the GEM Listing Rules) of the Group and the other existing shareholders of Long Capital.

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

Pursuant to the Agreement, Long Capital agreed to allot and issue the Subscription Shares to the Subscriber, and the Subscriber agreed to subscribe for the Subscription Shares at the Consideration.

## **The Consideration**

The Consideration is HK\$4,500,000, and will be paid in cash by the Subscriber on Completion.

It is intended that the Consideration will be used for the implementation of the Disposal Group's plan of expanding its business to the PRC.

The Consideration was determined after arm's length negotiation between the parties with reference to:

- (i) the amount of the initial funds required by the Disposal Group for the implementation its expansion plan to the PRC;
- (ii) the unaudited consolidated net loss (after taxation and extraordinary items) incurred by the Disposal Group of approximately HK\$7.89 million in the financial year ended 31 March 2009;
- (iii) the unaudited consolidated net tangible assets of the Disposal Group as at 31 March 2009 amounted to approximately HK\$7.31 million;
- (iv) the overheads and administrative expenses incurred by the Company which have not been charged to Long Capital in the past;
- (v) the shift in business focus of the Group, the Group does not intend to allocate additional resources to Long Capital because the Directors consider it will be in the best interest of the Company and its shareholders to focus its resources and management time in the business segments of coking coal, oil and gas, in view of the Group's business strategy to position itself as an integrated coke producer in the PRC and the Group's vision to become a global exploration and production energy company listed in Hong Kong. Further information on the Group's business strategy is set out in the paragraph headed "Reasons for the Disposal and Subscription" below.

The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **Conditions Precedent**

Completion is conditional upon the fulfillment of the following conditions:

- (A) if necessary, the approval by the Shareholders (with such Shareholders as required under the GEM Listing Rules to abstain from voting on the relevant resolution(s)) of the Agreement and the transactions contemplated thereunder; and
- (B) (if required) all requisite waivers, consents and approvals from any relevant governments or regulatory authorities or other relevant third parties required to be obtained on the part of Long Capital and the Company in respect of the Agreement and the transactions contemplated thereunder having been obtained.

None of the Conditions Precedent may be unilaterally waived by the parties. If the Conditions Precedent have not been satisfied on or before 12:00 noon on the date falling six calendar months from the date of the Agreement, or such other date as the parties may agree, save as provided in the Agreement, the Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other save for any antecedent breaches of the terms thereof.

## **Completion**

Subject to satisfaction of all the Conditions Precedent, Completion shall take place on the Completion Date.

## **Restrictions on subsequent sale of the Subscription Shares**

Pursuant to the Agreement, upon Completion, the shareholders of Long Capital (including the Subscriber) and Long Capital shall enter into the Shareholders Agreement. Pursuant to the Shareholders Agreement, none of the shareholders of Long Capital shall be entitled to sell, transfer or otherwise dispose of its shares in Long Capital unless the shares (“**Offer Shares**”) are first offered to other shareholders (“**Other LC Shareholders**”) of Long Capital in accordance with the terms of the Shareholders Agreement. Unless all the Offer Shares are accepted by the Other LC Shareholder(s), the Offer Shares may be sold to a third party on terms and conditions no more favourable than those made to the Other LC Shareholders, provided that the proposed purchaser shall agree to be bound by terms identical, mutatis, to the terms of the Shareholders Agreement.

## **Information on the Group**

The Company is an investment holding company. The subsidiaries of the Company are principally engaged in the investments in mining, sale and processing of coking coal in the PRC and the provision of auto repairing/detailing services in Hong Kong. As disclosed in the announcement of the Company dated 15 October 2009, the Company has also signed a memorandum of understanding (“**MOU**”) on 15 October 2009 for the acquisition (“**Proposed Acquisition**”) of Nobel Holdings Investments Ltd., a company which engages in oil and gas exploration and production in Russia. As at the date of this announcement, no formal agreement in relation to the Proposed Acquisition has been entered into. Further announcement(s) will be made if and when definitive documentation regulating the Proposed Acquisition has been entered into by the parties.

The Group’s coking coal business is conducted through its indirect 70% owned principal operating subsidiary, 內蒙古蒙西礦業有限公司 (Inner Mongolia Mengxi Minerals Co., Ltd.) (“**Mengxi Minerals**”). Mengxi Minerals holds the mining rights of a coal mine with a site area of approximately 7.946 sq. km in the district of Qian Li Gou (千里溝) in Ordos, Inner Mongolia. The estimated coal reserves of the mine are approximately 99.6 mt as at 30 November 2007. The Group estimated that about 8 mt of the 99.6 mt of reserve can be mined using the open pit mining method. The open pit area is divided into North and South fields. The North field is approximately 30 square meters and the South field is approximately 70 square meters. The Group’s open pit mine design is to target extraction of 2.2 mt from the North field and the Group estimates that South field will yield about 5.8 mt.

The North field commenced operation in August 2009 and as of 31 December 2009, 40,000 tonnes of raw coal were sold from the North field operations generating about RMB7.0 million of revenue. The Group anticipates production of about 0.9 mt of raw coal from the North field in 2010. The North field operations are outsourced. The outsourced contractor (“**Contractor**”) is responsible for all aspects of the operations including equipment allocation. The Contractor has so far allocated 8 excavators, 24 trucks and 8 drilling machines and 130 personnel for the Group’s North field operations. Mengxi Minerals has about 50 personnel on site to administer the sales, oversee the works and management of the mine by the Contractor and construction activities of the Group’s underground mine and beneficiation plant as well as to perform all associated accounting and regulatory functions. The Contractor’s works and management of the mine is closely supervised by the Group. At present, the Board does not foresee any event which may lead to a suspension or interruption of the Group’s coking coal operation resulting in the inability to meet the Group’s production target.

The South field is anticipated to start extraction activity in August 2010 with anticipated production of 0.5 mt in 2010.

Most of the coal extracted from the North field were sold to a number of local operators in 2009. The Group have secured three one-year supply contracts with local downstream coal operators for 2010. The Group’s targeted production for 2010 could be fully taken up pursuant to the three supply contracts.

### **Information on the Disposal Group**

Long Capital is an investment holding company incorporated in the British Virgin Islands with limited liability and an indirect 51% owned subsidiary of the Company. Challenger Auto Services Limited is a wholly-owned subsidiary of Long Capital engaging in the business of providing repairs and maintenance services to motor vehicles, operating car accessories shops, car wash, cleaning and beauty services and brokerage of motor vehicle insurance in Hong Kong.

The sole director of Long Capital is separate from the Board. The Company does not have board representation in Long Capital.

Set out below is a summary of certain unaudited consolidated financial information of the Disposal Group for the two years ended 31 March 2008 and 2009 prepared according to Hong Kong Financial Reporting Standards:

	<b>For the year ended 31 March 2008 (unaudited)</b>	<b>For the year ended 31 March 2009 (unaudited)</b>
Turnover	HK\$37,584,021	HK\$47,529,011
Net profit before taxation and extraordinary items	HK\$2,548,000	HK\$372,000
Net profit/(loss) after taxation and extraordinary items	HK\$3,849,000	(HK\$7,894,000)

The unaudited consolidated net tangible asset value and net asset value of the Disposal Group as at 31 March 2009 were about HK\$7,314,560 and about HK\$17,314,560 respectively.

### **Financial impact of the Subscription on the Group**

Upon Completion, the Company's shareholding in Long Capital will be reduced from 51% to 14.57%. Each of the members of the Disposal Group will cease to be a subsidiary of the Company and the results of the Disposal Group will cease to be consolidated with those of the Company.

Based on the book value of the Disposal Group as recorded in the unaudited financial statements of the Group as at 30 September 2009 and after deduction of professional fees to be incurred by the Group for the Disposal, a gain of approximately HK\$1.9 million is expected to accrue to the Group from the Disposal.

### **Reasons for the Disposal and Subscription**

Since the Group's acquisition of its interest in the Disposal Group in 2007 by way of subscription of new shares in Long Capital, the performance of the Disposal Group has been disappointing. It had not made any progress in its original plan for expanding its auto servicing business into the PRC.

In order to enhance the Group's income stream and the overall profitability, and to maintain the Company's growth momentum, the Group has further diversified and repositioned itself as an integrated coke producer in the PRC through the acquisition of 70% interest in 鄂爾多斯市啓傑蒙西煤化有限公司 (Ordos GEM Coal & Chemical Co., Ltd.) and Mengxi Minerals respectively in 2008 and 2009. The Group has also signed the MOU for the Proposed Acquisition to expand into the oil and gas exploration and production business.

In view of the recent intensified competition in the Hong Kong market, the management of the Disposal Group wishes to implement its original expansion plan to the PRC and has requested the Company to provide additional resources, funds and support to the Disposal Group for the implementation of such expansion plan. However, in view of the shift in business focus of the Group, the Group does not intend to allocate additional resources to Long Capital because the Directors consider it will be in the best interest of the Company and its shareholders to focus its resources and management time in the business segments of coking coal, oil and gas. This is consistent with the Group's business strategy to reposition itself as an integrated coke producer in the PRC and the recent moves to further diversify to the oil and gas business.

In order to raise further capital for financing the Disposal Group's expansion plan to the PRC, the Disposal Group proposes to issue new shares of Long Capital to the Subscriber. It is intended that the Consideration will be used for implementation of such expansion plan.

The Board (including the independent non-executive Directors) considers that the terms of the Agreement are fair and reasonable and the Disposal is on normal commercial terms and is in the interest of the Group and the Shareholders as a whole, for the following reasons:

- (a) The Company acquired its interest in the Disposal Group in 2007 and so far, the Company has not allocated any overhead or administrative expenses of the holding company to Long Capital or its subsidiary. The Disposal Group recorded an unaudited consolidated net profit (after taxation and extraordinary items) of approximately HK\$3.85 million only in the financial year ended 31 March 2008 and incurred an unaudited consolidated net loss (after taxation and extraordinary items) of HK\$7.89 million in financial year ended 31 March 2009. The unaudited consolidated net tangible assets of the Disposal Group as at 31 March 2009 amounted to approximately HK\$7.31 million only. Normally, portion of overhead or administrative expenses of the holding company should be re-allocated to Long Capital or its subsidiary so as to reflect the actual performance of the auto repairing/detailing services. Should any of such overhead or administrative expenses be charged to Long Capital or its subsidiary, the unaudited consolidated loss of the Disposal Group in the financial year of 2009 would be much larger.
- (b) The Group may record a profit of approximately HK\$1.9 million from the Disposal.
- (c) As disclosed in the third quarterly for the nine months ended 31 December 2009 and the announcements of the Company dated 15 October 2009 and 21 December 2009, the Group's business strategy is to reposition itself as an integrated coke producer in the PRC and to diversify its business to oil and gas exploration and production in Russia. The Directors consider it more beneficial to the Group not to allocate further sources to the Disposal Group and focus its management time and resources to the Group's coking coal and oil and gas businesses, which are expected to contribute positively to the future development and growth of the Group.

### **GEM Listing Rules requirements**

The Subscription constitutes a deemed disposal under Rule 19.29 of the GEM Listing Rules and a very substantial disposal on the part of the Company under Chapter 19 of the GEM Listing Rules. The Subscription is subject to the Shareholders' approval under Chapter 19 of the GEM Listing Rules. As none of the Shareholders have a material interest in the Subscription, no Shareholder is required to abstain from voting at the EGM on the resolution to approve the Agreement and the transactions contemplated thereunder.

### **GENERAL**

A circular containing, among other information, further details of the Subscription and a notice of the EGM will be despatched to the Shareholders as soon as possible.

### **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 9 February 2010 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 19 February 2010.

## DEFINITIONS

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

“Agreement”	the conditional subscription agreement dated 8 February 2010 entered into between Long Capital and the Subscriber in relation to the Subscription
“associates”	has the meaning ascribed to it in the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business
“Company”	Kaisun Energy Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM
“Completion”	completion of the Subscription in accordance with the terms and conditions of the Agreement
“Completion Date”	the third Business Day after the fulfillment of the last of the outstanding Conditions Precedent referred to in the paragraph headed “Conditions Precedent” above or such other date as the Subscriber and the Company shall agree in writing as the date on which Completion shall take place in accordance with the terms and conditions of the Agreement
“Conditions Precedent”	the conditions precedent to the Completion
“connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Consideration”	the sum of HK\$4,500,000, being the aggregate subscription monies payable by the Subscriber for all the Subscription Shares
“Director(s)”	director(s) of the Company



“Disposal”	the disposal of the Disposal Group pursuant to the Agreement which constitutes a deemed disposal under Rule 19.29 of the GEM Listing Rules
“Disposal Group”	Long Capital and its wholly-owned subsidiary, Challenger Auto Services Limited
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of approving the Agreement and the transactions contemplated thereby
“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
“Long Capital”	Long Capital Development Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect 51% owned subsidiary of the Company
“mt”	million tonnes
“PRC”	The People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares in the issued capital of the Company
“Shareholders Agreement”	means the agreement to be entered into by and among the Subscriber, other shareholders of Long Capital and Long Capital upon Completion regulating, among others, the internal management of the Disposal Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Dayrich Group Limited, a company incorporated in the British Virgin Islands with limited liability

“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the Agreement
“Subscription Shares”	25,000 new shares of US\$1.00 each in the capital of Long Capital to be allotted and issued to the Subscriber upon Completion pursuant to the Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollar(s), the lawful currency of the United States of America

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

Hong Kong, 19 February 2010

*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, Mr. Yang Geyan 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; (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.*

*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.8203.com.hk](http://www.8203.com.hk).*

\* *for identification purpose only*