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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)

CLARIFICATION ANNOUNCEMENT: VERY SUBSTANTIAL DISPOSAL – ISSUE OF NEW SHARES BY LONG CAPITAL DEVELOPMENT LIMITED

Reference is made to the announcement (“**Announcement**”) of Kaisun Energy Group Limited (“**Company**”) dated 19 February 2010 in relation to, among others, the agreement between Long Capital Development Limited (“**Long Capital**”), an indirect 51% owned subsidiary of the Company and Dayrich Group Limited (“**Subscriber**”), whereby Long Capital conditionally agreed to allot and issue 25,000 new shares of US\$1.00 each in the capital of Long Capital (“**Subscription Shares**”) to the Subscriber, and the Subscriber conditionally agreed to subscribe for the Subscription Shares at a consideration of HK\$4,500,000. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless the context requires otherwise.

Information on the Group

As stated in the Announcement, the Group’s coking coal business is conducted through 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 Company would like to clarify that the North field of the mine is approximately 300,000 square meters and the South field of the mine is approximately 700,000 square meters.

Information on the Disposal Group

As advised by the auditors of the Company, the financial information of the Disposal Group should be corrected as set out below.

Set out below is a revised 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:

	For the year ended 31 March 2008 <i>(unaudited)</i>	For the year ended 31 March 2009 <i>(unaudited)</i>
Turnover	HK\$51,971,181	HK\$47,529,012
Net profit/(loss) before taxation and extraordinary items	HK\$15,041,345	(HK\$7,870,541)
Net profit/(loss) after taxation and extraordinary items	HK\$15,158,019	(HK\$7,893,589)

The revised unaudited consolidated net tangible asset value and net asset value of the Disposal Group as at 31 March 2009 were about HK\$7,236,560 and about HK\$17,236,560 respectively.

Financial impact of the Subscription on the Group

It is estimated that a loss of approximately HK\$8.46 million will be recorded from the Disposal. The estimated loss on the Disposal represents the decrease of the Group's share of the net assets of the Disposal Group as at 31 October 2009 from 51% to 14.57% (as if the Subscription was completed on 31 October 2009) after deduction of the professional fees incurred by the Company for the Disposal. The reason for the amendment to the details of the financial impact of the Subscription on the Group is because the decrease of the Group's share of the net assets of the Disposal Group as at 31 October 2009 from 51% to 14.57% (as if the subscription was completed on 31 October 2009) was not accounted for in the calculation set out in the Announcement.

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 Mengxi Chemical 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\$15.16 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\$7.2 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) As disclosed in the third quarterly report 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.

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.

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

Hong Kong, 1 March 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 for at least 7 days from the date of its publication and on the Company’s website at www.8203.com.hk.

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