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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)

ANNOUNCEMENT

PROFIT WARNING:

DECREASE IN COMPREHENSIVE INCOME

INCREASE IN SALE OF COAL, GAIN IN EXCHANGE DIFFERENCES

REDUCTION IN NON RECURRENT LOSS FOR THE PERIOD

This announcement is made by the Company pursuant to Rule 17.10 of the GEM Listing Rules. The Board wishes to inform the shareholders of the Company and potential investors that the results of the Group for the period ended 31 December 2010 is expected to record decrease in comprehensive income, gain in exchange differences on translating foreign operations for the period and a loss for the period compared to the profit last year mainly attributable to the non-recurrent item described below, based on assessment of the current unaudited financial information available.

Excluding the non-recurrent item of HK\$750 million on completion of the acquisition of the 21% equity in Inner Mongolia Mengxi Minerals Limited which contributed to the significant increase in last year profit, the Group recorded a significant reduction in non-recurrent loss this period when compared to last year. This improvement is mainly attributable to increase in production and sale of coal in the current reporting period and the decrease of finance costs comprising (i) last year fair value loss on derivative component of convertible bonds of HK\$207 million was an one off item and (ii) interest on convertible bonds decreased by HK\$13.5 million this year.

Shareholders of the Company and potential investors are advised to exercise caution in dealing in the shares of the Company.

This announcement is made by Kaisun Energy Group Limited (the “Company”) and together with its subsidiaries, (the “Group”) pursuant to Rule 17.10 of the Rule Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

The board of directors of the Company (the “Board”) wishes to inform the shareholders of the Company and potential investors that it expects

- (i) gain in the exchange differences of translating foreign operations being able to offset the loss for the period ended 31 December, 2010, resulting in a positive total comprehensive income for the period ended 31 December 2010.
- (ii) the results of the Group for the period ended 31 December 2010 will record a loss, compared to the profit last year, based on assessment of the current unaudited financial information available.

The Group recorded a significant increase in profit last year which is mainly contributed by the completion (the “Completion”) of the acquisition of the 21% equity in Inner Mongolia Mengxi Minerals Limited. Upon completion of the Acquisition of 21% Equity Interest in Mengxi Minerals, the Group has to measure the fair value of the Mining Project acquired in a business combination in accordance with Hong Kong Financial Reporting Standard 3 (Revised) “Business Combination”.

Last year, the valuation of the Mining Project of Inner Mongolia Mengxi Minerals Limited has been valued by an Independent Valuer and the excess of the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary was accounted for in the business combination. The total amount of HK\$750 million included (i) fair value gain on step acquisition of a subsidiary (HK\$402 million) and (ii) excess of the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary (HK\$348 million). Such increase in profit last year did not create a positive impact in the cash flow but improved the asset valuation of the Group.

Excluding the non-recurrent item of HK\$750 million on completion of the acquisition of the 21% equity in Inner Mongolia Mengxi Minerals Limited which contributed to the significant increase in last year profit, the Group recorded a significant reduction in non-recurrent loss this period when compared to last year. This improvement is mainly attributable to increase in production and sale of coal in the current reporting period and the decrease of finance costs comprising (i) last year fair value loss on derivative component of convertible bonds of HK\$207 million was an one off item and (ii) interest on convertible bonds decreased by HK\$13.5 million this year.

Information contained herein represents a preliminary assessment by the management of the Company based on the unaudited Management Accounts of the Group for the period ended 31 December 2010. Further details of the Group’s financial information for the period ended 31 December 2010 will be disclosed in the audited annual results for the period ended 31 December 2010, which is expected to be published on 28 February 2011.

Shareholders of the Company and potential investors are advised to exercise caution in dealing in shares of the Company.

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

Hong Kong, 21 February, 2011

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, 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 for at least 7 days from the date of its publication and on the Company's website at www.kaisunenergy.com

** for identification purpose only*