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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)

MEMORANDUM OF UNDERSTANDING IN RESPECT OF PROPOSED DISPOSAL OF THE COMPANY'S INTEREST OF KAFTAR HONA DEPOSIT IN TAJIKISTAN

The Board is pleased to announce that on 5 July 2012, the Vendor, the Company and the Purchaser entered into the non-binding MOU which sets out the basic terms and conditions for the Proposed Disposal by the Company of its 52% indirect equity interest in Kamarob, at the consideration of HK\$394,648,800, and on further terms and conditions to be agreed. Half of the consideration (being HK\$197,324,400) will be paid in cash and the other half of the consideration will be satisfied by the issue and allotment of the Consideration Shares by the Purchaser to the Company. Kamarob is the licence holding company of the Kafta Hona Deposit in Tajikistan. Main terms of the MOU and information on the Purchaser are given below.

As at the date of this announcement, no formal definitive agreement in relation to the Proposed Disposal had been entered into and the Proposed Disposal may or may not proceed. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares or securities of the Company. Further announcement(s) will be made to inform Shareholders of any further developments in relation to the Proposed Disposal as and when appropriate in accordance with the GEM Listing Rules.

The non-binding Memorandum of Understanding

This announcement is made pursuant to Rule 17.10 of the GEM Listing Rules.

The Board is pleased to announce that on 5 July, 2012, the Vendor, the Company and the Purchaser entered into the non binding MOU which sets out the basic terms of the Proposed Disposal by the Company of its 52% indirect equity interest in Kamarob at the consideration of HK\$394,648,800, and on further terms and conditions to be agreed.

The Proposed Disposal shall be subject to, among other things, the execution and delivery of all definitive contractual documentation in respect thereof, including a SPA.

Kamarob is the holder of the relevant licences to conduct geological exploration and coal mining at the Kaftar-Hona Deposit.

Purchaser: Up Energy Development Group Limited, a company incorporated in Bermuda whose shares are listed and traded on the Main Board of the Stock Exchange with stock code 307. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser is a third party independent of the Company and not a connected person of the Company.

Vendor: Limited Liability Company "Saddleback Gold Corporation", a subsidiary of the Company

The Vendor is the beneficial owner of 52% equity interest in Kamarob, being the entire equity interest in Kamarob owned by the Group. If the Proposed Disposal is completed, the Group will not have any equity interest in Kamarob and it will cease to be a subsidiary of the Company.

Under the MOU, half of the consideration (being HK\$197,324,400) will be paid in cash and the other half of the consideration will be satisfied by the issue and allotment of the Consideration Shares by the Purchaser credited as fully paid. Part of the consideration will be paid upon signing of the SPA, as an initial deposit. Balance of the consideration will be paid and satisfied upon closing of the Proposed Disposal in accordance with the terms of the SPA. The SPA will contain detailed provisions regulating the payment and satisfaction of the consideration.

The Proposed Disposal will be subject to certain conditions precedent being fulfilled, performed or waived on or prior to 31 December 2013 (or extended to a later date by agreement of the parties). The conditions precedent will be set forth in the SPA and they will include

- (i) the parties executing the SPA regulating the Proposed Disposal;
- (ii) the passing at general meeting of the respective shareholders of the Company and the Purchaser of resolution to approve the Proposed Disposal;
- (iii) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Consideration Shares;
- (iv) the completion and delivery of the Technical Report and Valuation Report on the Kaftar-Hona Deposit by the Company to the Purchaser;
- (v) value of the resources/reserves level of the Kaftar Hona Deposit as shown in the Valuation Report will be not less than HK\$1,000,000,000;
- (vi) the anthracite resources level of the Kaftar Hona Deposit as shown in the Valuation Report will be not less than 158 million tonnes under the JORC code standard;
- (vii) the obtaining by Kamarob of all necessary exploration, mining and other license in respect of Kaftar Hona Deposit issued by the proper Tajikistan government authority and the annual production permit or capacity of Kaftar Hona Deposit and the export quota granted to the Kamarob is not less than 1 million tonnes per annum..

Selection and appointment of the independent consultant for preparation of the Technical Report and Valuation Report will be subject to the consent of the Purchaser.

Details of the SPA will be set out in the announcement to be issued by the Company as soon as the SPA is entered into.

Under the MOU, the Purchaser was granted the exclusivity right to negotiate with the Company the detailed terms and conditions of the Proposed Disposal for a period of 60 days from the date of the MOU.

Other than the provisions relating to the Purchaser's exclusive negotiation right, confidentiality, governing law and jurisdiction, the MOU does not have any legally binding effect.

Subject to the terms of the SPA, if the Proposed Disposal is effected, the Proposed Disposal may constitute a notifiable transaction for the Company under the GEM Listing Rules.

As at the date of this announcement, no formal definitive agreement in relation to the Proposed Disposal had been entered into and the Proposed Disposal may or may not proceed. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares or securities of the Company. Further announcement(s) will be made to inform Shareholders of any further developments in relation to the Proposed Disposal as and when appropriate in accordance with the GEM Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“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
“connected person(s)”	as such term is defined under the GEM Listing Rules
“Consideration Shares”	the issue and allotment of new shares in the capital of the Purchaser as part of the consideration for the Proposed Disposal
“Director(s)”	the director(s) of the Company
“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
“JORC code”	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004

“Kaftar Hona Deposit”	the Nazar-Aylok deposit of the area known as Kaftar-Hona located within the Republic of Tajikistan
“Kamarob”	Limited Liability Company “Kamarob”, a company incorporated and registered in the Republic of Tajikistan, an indirect non-wholly owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the non-legally binding memorandum of understanding dated 5 July 2012 entered into by the Vendor, the Company and the Purchaser
“Proposed Disposal”	Proposed disposal by the Vendor of the 52% of equity interest in Kamarob to the Purchaser (or its subsidiary).
“SPA”	the definitive conditional sale and purchase agreement to be entered into by the Vendor, the Company, the Purchaser and any other relevant parties regulating the terms and conditions of the Proposed Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Technical Report”	the technical report to be prepared by an independent consultant to be engaged by the Company on the resources/reserves level of the Kaftar Hona Deposit which shall be in compliance with Chapter 18 of the Listing Rules and Chapter 18A of the GEM Listing Rules.
“Valuation Report”	the valuation report to be prepared by an independent consultant to be engaged by the Company on the resources/reserves level of the Kaftar Hona Deposit which shall be in compliance with Chapter 18 of the Listing Rules and Chapter 18A of the GEM Listing Rules.
“Vendor”	Limited Liability Company “Saddleback Gold Corporation”, a company incorporated and registered in the Republic of Tajikistan and a wholly-owned subsidiary of the Company

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

Hong Kong, 5 July, 2012

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*