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## **KAISUN ENERGY GROUP LIMITED**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8203)**

### **VERY SUBSTANTIAL DISPOSAL INVOLVING DISPOSAL OF INTEREST IN KAFTAR HONA DEPOSIT MAJOR TRANSACTION INVOLVING ACQUISITION OF INTEREST IN UP ENERGY AND RESUMPTION OF TRADING**

Reference is made to the Company's announcement dated 5 July 2012 on the MOU regarding the proposed disposal by the Company of its interest in the Kaftar Hona Deposit located in Tajikistan to Up Energy.

The Board is pleased to announce that, further to the MOU and on 19 December 2012 (after trading hours), the Seller, the Buyer, the Company and Up Energy entered into the SPA pursuant to which the Seller has conditionally agreed to sell, and the Buyer has conditionally agreed to buy, the Sale Equity at a Consideration of HK\$394,648,800. The Sale Equity constitutes the Company's 52% indirect equity interest in Kamarob which is the licence holding company of the Kaftar Hona Deposit in Tajikistan.

The Consideration will be settled in part by the issue of new Consideration Shares by Up Energy to the Seller at Completion.

As the applicable percentage ratios (as calculated in accordance with Rule 19.07 of the GEM Listing Rules) for the Disposal are more than 75%, the Disposal constitutes a very substantial disposal of the Company under Rule 19.06 of the GEM Listing Rules. As the applicable percentage ratios (as calculated in accordance with Rule 19.07 of the GEM Listing Rules) for the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Rule 19.06 of the GEM Listing Rules.

A circular containing, among other things, further information on the Disposal, the Acquisition, the SPA, and a notice convening the EGM will be despatched to the Shareholders as soon as practicable. As additional time is required for preparing information to be contained in the circular, including the Technical Report and the Seller Valuation Report, it is expected that the circular will be despatched on or before 31 December 2013.

Shareholders and investors should note that Completion of the Disposal and the Acquisition are subject to fulfillment of various conditions and the SPA not being terminated by the Buyer prior to Completion as stated in the sections headed “Conditions Precedent” and “Buyer’s Right of Termination” in this announcement and therefore the Disposal and the Acquisition may or may not complete. As such, Shareholders and investors should exercise caution when dealing in the Shares.

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9 a.m. on 20 December 2012 pending the release of this announcement. The Company has applied for a resumption of trading in the Shares with effect from 9 a.m. on 11 January 2013.

Reference is made to the Company’s announcement dated 5 July 2012 on the MOU regarding the proposed disposal by the Company of its interest in the Kaftar Hona Deposit located in Tajikistan to Up Energy.

The Board is pleased to announce that, further to the MOU and on 19 December 2012 (after trading hours), the Seller, the Buyer, the Company and Up Energy entered into the SPA pursuant to which the Seller has conditionally agreed to sell, and the Buyer has conditionally agreed to buy, the Sale Equity at a Consideration of HK\$394,648,800. The Sale Equity constitutes the Company’s 52% indirect equity interest in Kamarob which is the licence holding company of the Kaftar Hona Deposit in Tajikistan.

The Consideration will be settled in part by the issue of new Consideration Shares by Up Energy to the Seller at Completion.

## **SPA DATED 19 December 2012**

### **Parties**

- (1) Alpha Vision Energy Limited, being the Seller and a wholly-owned subsidiary of the Company;
- (2) Up Energy Resources Company Limited, being the Buyer and a wholly-owned subsidiary of Up Energy;
- (3) the Company, as guarantor for the Seller’s obligations under the SPA; and
- (4) Up Energy, as guarantor for the Buyer’s obligations under the SPA.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Buyer and Up Energy are third parties independent of the Group and any of the Group’s connected persons.

### **Assets to be disposed of**

Pursuant to the SPA, the Seller has conditionally agreed to sell and the Buyer has conditionally agreed to acquire the Sale Equity comprising:

- (1) the Sale Shares, which is the entire issued share capital in West Glory; and
- (2) the Sale Loan, which are loans and indebtedness owed by members of the Sale Group to the Seller as at the Completion Date.

West Glory is the holding company of the Sale Group in which the Company's 52% indirect equity interest in Kamarob resides. Kamarob is the licence holding company of the Kaftar Hona Deposit.

Kamarob has commenced pilot production at the Kaftar Hona Deposit in year 2012 with approximately 15,600 tonnes of anthracite produced.

The reserves/resources level of the Kaftar Hona Deposit is:

Coal Type	Coal Tonnage (T)	Russian GKZ Resource Category	Broad Equivalent Jorc Resource Category
Anthracite	158,000,000	P1	Inferred/ Unclassified

### **Assets to be acquired**

Assuming that there will be no adjustment to the Benchmark Price and the Non-cash Settled Share Amount, the Seller will at Completion acquire up to 98,662,200 Consideration Shares as part settlement by the Buyer of the Consideration. Assuming that there will be no change in the total issued share capital of Up Energy during the Pre-completion Period, the 98,662,200 Consideration Shares will represent approximately 5.87% of the total issued share capital of Up Energy as enlarged by the issue of the Consideration Shares.

### **The Consideration**

Under the SPA, the Seller shall sell and the Buyer shall buy the Sale Equity at the Consideration of HK\$394,648,800. Out of the Consideration, a portion that is equal to the dollar amount of the Sale Loan as at the Completion Date will be allocated as consideration for the Sale Loan and the remainder will be allocated as consideration for the Sale Shares.

The Consideration is subject to adjustment in the manner described in the section headed "Adjustment to Consideration" below.

The Consideration shall be paid or satisfied by the Buyer and Up Energy to the Seller in the following manner:

- (1) the Deposit of HK\$98,662,200 to be paid by the Buyer by depositing cash into the Designated Account on the next Business Day following the date when the Company completes the public filing and registration formalities for perfecting the security interest created under the Security Deed;
- (2) at time of Completion, as to an amount equal to HK\$197,324,400, being the Non-cash Settled Dollar Amount:

- (a) if the Issue Price is equal to or higher than the Benchmark Price, to be satisfied by the issue and allotment by Up Energy to the Seller of such number of Consideration Shares as is equal to the Non-cash Settled Dollar Amount divided by the Issue Price; or
  - (b) if the Issue Price is lower than the Benchmark Price, to be satisfied by:
    - (i) the issue and allotment by Up Energy to the Seller of a total of 98,662,200 Consideration Shares, being the Non-cash Settled Share Amount, which shall be subject to adjustment in the manner set out in section headed “Adjustment to the Benchmark Price and Non-cash Settled Share Amount” in this announcement, each Consideration Share to be issued at the Issue Price, credited as fully paid; and
    - (ii) the Buyer making payment to the Seller of a cash sum in amount equal to the Non-cash Settled Dollar Amount minus the value of Consideration Shares issued (such value is taken to be the Non-cash Settled Share Amount times the Issue Price).
- (3) at time of Completion, payment of HK\$98,662,200 in cash, being the Balance, to the Seller.

As disclosed in an announcement dated 1 November 2012 published by Up Energy, on 12 October 2012 Up Energy entered into a conditional agreement for the acquisition of a coal mine in Xinjiang, the PRC involving the issue of certain new Up Energy Shares at the issue price of HK\$2 each as part settlement of the consideration for such acquisition. This pricing was adopted for fixing the Benchmark Price at HK\$2 per Up Energy Share.

### **Adjustment to Consideration**

During the Pre-completion Period, the Seller shall procure the Sale Group to continue the carrying on of its business in the ordinary and usual course, including mining activities at the Mine and construction of infrastructure and facilities (including access roads) for the conduct of such activities.

The Seller will finance the capital and operating expenditures and other cash outflows to be incurred by the Sale Group during the Pre-completion Period by the making of interest free shareholder’s loans or advances to the Sale Group in such amounts and at such times as the Seller shall determine to be appropriate having regard to the operating requirements of the Sale Group. All such loans and advances lent by the Seller will constitute part of and be accounted for as increment to the Sale Loan.

Receipts and income arising from revenue (less all related expenses) generating activities of the Sale Group during the Pre-completion Period can be paid back to the Seller by way of repayment of Sale Loan.

Amount of the Sale Loan outstanding at time of Completion is estimated at approximately HK\$162 million.

The Sale Loan is not subject to any maximum cap amount.

Amount of any increment to the Sale Loan is within the Seller's control because any shareholder's loans or advances to the Sale Group made will only be used for the purpose of financing capital and operating expenditure of Sale Group incurred during the Pre-completion Period. The Sale Group will incur capital and operating expenditure in the normal course of business during the Pre-completion Period irrespective of whether Completion occurs. The Seller will monitor loans and advances made to the Sale Group within reasonable bounds and increment to Sale Loan is not expected to be substantial. The purpose of allowing increment to the Sale Loan is merely to provide flexibility to the Seller during the Pre-completion Period for operating the Mine in the normal course of business. To the extent that receipts and income should arise from revenue generating activities of the Sale Group during the Pre-completion Period, the Sale Loan can be repaid to the Seller out of such receipts and income. On the foregoing basis, provisions of the SPA regulating the Sale Loan are fair and reasonable and in the interest of the Company and the Shareholders as a whole even though the Sale Loan is not subject to any maximum cap amount.

The Consideration is subject to adjustment according to the amount of NTAV of the Sale Group as at the Measurement Time. Under the SPA, the NTAV shall be the Sale Group's consolidated total tangible fixed assets over its consolidated total liabilities as shown in the Completion Accounts where:

- (a) the consolidated tangible fixed assets shall be the aggregate amount of all tangible fixed assets of the Sale Group as at the Measurement Time at net book cost which would, in accordance with IFRS be considered as tangible fixed assets provided that (i) value of the mining licence shall be disregarded; and (ii) all costs, expenses, fees and liabilities incurred in connection with certain drilling and road construction works and obtaining land use rights over the mining site shall be excluded;
- (b) the consolidated total liabilities shall be the aggregate of all indebtedness, liabilities and obligations which are required to be recognized as liabilities of the Sale Group as at the Measurement Time in accordance with IFRS provided that amount of the Sale Loan shall be disregarded; and
- (c) minority interests shall be included.

If according to the Completion Accounts:

- (a) the NTAV is a positive value and is more than the Agreed NTAV, the Consideration shall be increased by the lower of (i) 52% of the excess and (ii) the Adjustment Cap;
- (b) the NTAV is a positive value but is less than the Agreed NTAV, the Consideration shall be reduced by the lower of (i) 52% of the shortfall and (ii) the Adjustment Cap; or
- (c) the NTAV is a negative value, the Consideration shall be reduced by the lower of (i) 52% of sum total of the Agreed NTAV and the absolute value of the NTAV and (ii) the Adjustment Cap.

Core subject matter of the Disposal is the mining interest held by Kamarob at the Kaftar

Hona Deposit, not the tangible fixed assets held by the Sale Group. To the extent that the net consolidated total tangible fixed assets of the Sale Group should increase after signing of the SPA, the Buyer will have to pay for any such increment but subject to the Adjustment Cap of HK\$20 million. From the Seller's perspective, the Adjustment Cap represents the estimated maximum amount of mining equipment and facilities that may have to be acquired by the Sale Group for the purpose of carrying on of its business in the ordinary and usual course during the Pre-completion Period.

Kamarob is a 52% owned member of the Sale Group and is the operating entity in which the tangible fixed assets will reside. For this reason, adjustment is 52% of the NTAV variant.

The Seller will deliver to the Buyer the Pro-forma Completion Accounts at Completion. If the Pro-Forma Completion Accounts are agreed by them, adjustment to the Consideration will be made based on the Pro-Forma Completion Accounts.

If the Seller and the Buyer are unable to agree on the Pro-Forma Completion Accounts, they will jointly appoint a firm of independent certified public accountants in Hong Kong to audit the Pro-Forma Completion Accounts and to issue the audited Completion Accounts. If the audited Completion Accounts is issued, adjustments to the Consideration will instead be based the audited Completion Accounts.

### **Adjustment to the Benchmark Price and Non-cash Settled Share Amount**

The Benchmark Price of HK\$2 per Up Energy Share and the Non-cash Settled Share Amount of 98,662,200 Consideration Shares initially fixed at time of the SPA is based on each Up Energy Share having a par value of HK\$0.20. If and whenever at any time after the date of the SPA the Up Energy Shares by reason of any consolidation or sub-division become of a different par value, the Benchmark Price and the Non-cash Settled Share Amount then in force shall be proportionally adjusted to reflect the effect created by such consolidation or sub-division on the Benchmark Price and the Non-cash Settled Share Amount.

### **Basis for determining the Consideration**

The Consideration was determined after arm's length negotiations between the Company and the Buyer with reference to, inter alia, minimum value of the resources/reserves level of the Mine at HK\$1,000,000,000 as one of the conditions precedent under the SPA.

Taking into account the matters disclosed herein, the reasons and benefits as stated in the section headed "Reasons for and Benefits of the Disposal and the Acquisition" in this announcement and the financial effect as stated in the section headed "Financial Effect of the Disposal", the Board considers that the terms of the SPA, the Disposal, the Acquisition and the Consideration are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Conditions Precedent**

Under the SPA, completion of the Disposal and the Acquisition is conditional upon, among other things, fulfilment of the following conditions precedent:

- (1) if so required by the Listing Rules, approval from the Stock Exchange for (i) the Disposal, (ii) the issue and publication of announcement and circular in relation to the Disposal and the SPA;
- (2) if so required by the MB Listing Rules, the passing of all resolutions necessary for (i) consummation of the Disposal and (ii) the issue and allotment of the Consideration Shares to the Seller under specific mandate, in a special general meeting of Up Energy duly convened under Up Energy's bye-laws and the MB Listing Rules;
- (3) if so required by the GEM Listing Rules, the passing of all resolutions necessary for consummation of the Disposal in an extraordinary general meeting of the Company duly convened under the Company's articles of association and the GEM Listing Rules;
- (4) the Listing Committee of the Stock Exchange granting approval (either unconditionally or subject to conditions to which the Seller shall not unreasonably object) for the listing of, and permission to deal in the Consideration Shares;
- (5) delivery by the Seller to the Buyer of the completed Technical Report in compliance with Chapter 18 of the MB Listing Rules and Chapter 18A of the GEM Listing Rules and a certified true copy of the Seller Valuation Report in compliance with Chapter 18A of the GEM Listing Rules;
- (6) the following conditions being inserted for the exclusive benefit of the Seller:
  - (a) the Up Energy's listing status on the Stock Exchange not being revoked or withdrawn at Completion;
  - (b) there being no material unremedied breach by the Buyer or Up Energy of any of their respective undertakings and covenants contained in the SPA; and
  - (c) warranties given by the Buyer and Up Energy under the SPA remaining true and correct in all material respects;
- (7) the following conditions being inserted for the exclusive benefit of the Buyer:
  - (a) the average of the value of the resources/reserves level of the Mine as stated in the Buyer Valuation Report and in the Seller Valuation Report is not less than HK\$1,000,000,000;
  - (b) the anthracite resources level of the Mine as shown in the Technical Report is not less than 158 million tonnes under the JORC Code standard;
  - (c) obtaining all necessary approvals for exploration, mining, transportation of coal from the Mine and all relevant export quota and customs and duty clearance and taxation approval from government agencies where the annual production capacity and the export quota in respect of the Mine being not less than the annual production capacity adopted in the Valuation Reports;

- (d) there being no material unremedied breach by the Seller or the Company of any of their undertakings and covenants contained in the SPA;
- (e) the Seller Warranties remaining true and correct in all material respects; and
- (f) receipt by the Buyer from its Tajik legal advisers of the Tajik legal opinions which shall not contain any opinion or note or description of any matter or event or document that is (i) a breach of any of the key Seller Warranties concerning (among other things) validity of the mining licence or (ii) a breach of other Seller Warranties where such breach has a material adverse effect on the Sale Group as a whole.

Either the Buyer or the Seller may, by written notice to the other, waive any or all the conditions precedent inserted for its exclusive benefit either in whole or in part, save for conditions set out in (1) to (5) above which are not waiveable at the option of any party unilaterally.

If the conditions precedent have not been fulfilled or waived on or before the Longstop Date:

- (1) the SPA shall automatically terminate;
- (2) the Seller shall refund the Deposit (but without interest) to the Buyer. Upon the return by the Seller of the Deposit to the Buyer, the Buyer shall unconditionally release and discharge the Security Deed in favour of the Company; and
- (3) no party to the SPA shall have any claim of any nature whatsoever against any other party under the SPA, save as otherwise provided in the SPA or in respect of accrued rights arising from any prior breach of the SPA insofar as the non-fulfillment of the conditions precedent is not due to the default of a party to the SPA.

### **Completion of the Disposal and the Acquisition**

Completion shall take place on the 15<sup>th</sup> Business Day immediately following the date on which all conditions precedent have been fulfilled, performed or waived (or such other date as may be agreed by parties to the SPA which, in any event, shall be no later than the 30<sup>th</sup> Business Day immediately following the date on which all conditions precedent have been fulfilled or waived.

### **Designated Account and Security Deed**

Under the SPA, the Buyer has agreed to pay the Deposit in cash to the Seller, by depositing the same into the Designated Account. The Designated Account is opened by the Seller in its name specifically for the receipt and disposal of the Deposit which can be operated only by the joint instructions of one representative from each of the Buyer and the Seller.

The Seller and the Company have covenanted with the Buyer (i) not to create any encumbrance over the Designated Account and the funds therein; (ii) save the Buyer's prior written consent, not to alter the joint signing authority required to operate the



Designated Account; and (iii) not to draw funds from the Designated Account save with joint instructions of one representative from each of the Buyer and the Seller.

At time of signing of the SPA, the Company has entered into the Security Deed with the Buyer pursuant to which the Company has charged to the Buyer the entire issued share capital in Active Million as security for the Seller's contingent obligations to refund the Deposit (where applicable, after deduction of the Compensation) to the Buyer under the SPA.

Active Million is the Group's holding company of its 95% indirect equity interest in the Mienadu coal deposit located in Tajikistan.

The Deposit will be paid by the Buyer by depositing cash into the Designated Account on the next Business Day following the date when the Company completes the public filing and registration formalities for perfecting the security interest created under the Security Deed.

The Security Deed will be released if (i) the Deposit has been applied towards part payment of the Consideration at Completion; or (ii) the Deposit has been refunded to the Buyer pursuant to the SPA.

Until Completion has occurred and the Deposit has been applied towards part payment of the Consideration or (as the case may be) refund of the Deposit to the Buyer in accordance with the terms of the SPA, the Buyer is an unsecured creditor of the Seller in relation to the Deposit. Given the sizeable amount of the Deposit, it is reasonable for the Buyer to seek security to protect against its exposure as an unsecured creditor as a condition to its agreement to put up the Deposit. The payment of the Deposit by the Buyer will reduce to a significant extent the risk of the Buyer failing to proceed with Completion and in the circumstance the directors of the Company consider that the entering into of the Security Deed is fair and reasonable and in the interest of the Company and its shareholders as a whole.

### **Buyer's Right of Termination**

At any time on or prior the 10<sup>th</sup> Business Day before the Completion Date, the Seller may issue and deliver to the Buyer a disclosure letter making specific disclosure against the Seller Warranties. If such disclosure letter is issued, the Buyer may terminate the SPA by notice if the Buyer is not prepared to accept the disclosure made in such disclosure letter.

The Buyer and Up Energy are entitled to carry out legal due diligence review on the Sale Group companies, the Mine, the mining interests controlled by Kamarob, the business and operations for the purpose of ascertaining the truth and accuracy of the Seller Warranties and the disclosure materials. Such due diligence review to be completed on or prior to the date falling 5 Business Days prior to the date of fulfilment or waiver of the last in time to be fulfilled of the conditions precedent. At any time on or prior to the end of the due diligence review period, the Buyer or Up Energy may terminate the SPA by issuing and delivering to the Seller or the Company a letter stating that:

- (a) the Seller or the Company has not complied with any reasonable request for due diligence documents; or

- (b) there is a breach of any of the key Seller Warranties concerning (among other things) validity of the mining licence; or
- (c) there is a breach of the Seller Warranties and such breach has a material adverse effect on the Sale Group as a whole.

At any time prior to Completion, if there is any breach of the Security Deed, the Buyer may by notice require the Company to rectify such breach to the reasonable satisfaction of the Buyer. If such breach is not remedied to the reasonable satisfaction of the Buyer within 10 Business Days of demand, the Buyer may by a further notice terminate the SPA.

### **Refund of Deposit and Compensation**

The Buyer shall pay the Compensation to the Seller as agreed liquidated damages for breach of the SPA and balance of the Deposit less the Compensation shall be refunded to the Buyer if:

- (a) the SPA is terminated owing to the non-fulfilment of one or more of the conditions precedent for which the Buyer and/or Up Energy are responsible for fulfillment and such non-fulfilment shall be due solely to the default of the Buyer and/or Up Energy; or
- (b) all conditions precedent have been fulfilled (save as waived) and the Buyer's right of terminating the SPA is not exercised, but the Buyer or Up Energy fails to proceed to Completion (other than as a result of default by the Seller or the Company) and the SPA is terminated by the Seller as a result.

The Seller shall refund the Deposit and pay the Compensation to the Buyer as agreed liquidated damages for breach of the SPA if:

- (a) the SPA is terminated owing to the non-fulfilment of one or more of the conditions precedent for which the Seller and/or the Company are responsible for fulfillment and such non-fulfilment shall be due solely to the default of the Seller and/or the Company; or
- (b) the SPA is terminated by the Buyer owing to a breach of the Security Deed by the Company; or
- (c) all conditions precedent have been fulfilled (save as waived) and the Buyer's right of terminating the SPA is not exercised, but the Seller or the Company fails to proceed to Completion (other than as a result of default by the Buyer or Up Energy) and the SPA is terminated by the Buyer as a result; or
- (d) there is a breach by the Seller or the Company of their covenants in respect of the Designated Account.

### **FINANCIAL EFFECT OF THE DISPOSAL**

Upon completion of the Disposal, West Glory will cease to be a subsidiary of the Company and its financial results will not be consolidated into the Group's financial statements.

R19.60(6)

Included in the audited consolidated financial statements of the Group as at 31 December 2011, the net consolidated liabilities of West Glory was approximately HK\$24,221,000 as at 31 December 2011.

The Disposal is expected to record an estimated gain of approximately HK\$252,367,000 (after relevant expenses and subject to audit) for the Group, which was arrived at by subtracting the Consideration from the net liabilities attributable to the Disposal of approximately HK\$56,375,000. The net liabilities of West Glory was substantially decreased at the time of acquisition due to injection of capital expenditure. The total amount of capital expenditure made by the Group in West Glory since its acquisition on 30 September 2012 was approximately HK\$20,846,000, which was incurred for building and leasehold improvement, plant and machinery and motor vehicle, office equipment and furniture and fixtures and construction in progress, the amount of which was approximately about HK\$1,456,000, HK\$18,189,000 and HK\$267,000 and HK\$934,000 respectively.

The estimated gain on Disposal of approximately HK\$252,367,000 is arrived at after charging (i) legal, accountancy and financial advisory fees of approximately HK\$14 million; (ii) agency and arranger fees of approximately HK\$18 million and (iii) consultancy fee for seeking Tajikistan regulatory approval and clearance to the Disposal of approximately HK\$16 million.

The Company has not entered, or proposed to enter, into any agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) and negotiation (whether concluded or not) and intention to dispose of or downsize its remaining business.

#### **INTENDED USE OF PROCEEDS FROM DISPOSAL**

It is intended that the sale proceeds of the Disposal will be used for further developing Zeddi and Mienadu mines, expanding the Group's operation in the provision of supply chain management for mineral business, and capture other suitable investment opportunities when they arise. The Company has not identified any investment targets or commenced any negotiation in this regard.

#### **INFORMATION ON WEST GLORY AND THE GROUP**

West Glory is a limited liability company incorporated in the BVI, the entire issued share capital of which is owned by the Seller, a wholly-owned subsidiary of the Company. West Glory is an indirect wholly-owned subsidiary of the Company.

West Glory is the holding company of the Group's 52% indirect equity interest in Kamarob. Kamarob is the holder of the mining licence in respect of the Kaftar Hona Deposit.

Included in the audited consolidated financial statements of the Group made up to 31 December 2011, the net consolidated liabilities of West Glory was approximately HK\$24,221,000 as at 31 December 2011.

For the year ended 31 December 2010, the net loss before and after taxation and extraordinary items attributable to the Sale Group amounted to HK\$5,489,000. For the year ended 31 December 2011, the net loss before and after taxation and extraordinary

items attributable to the Sale Group amounted to HK\$64,090,000. For the period ended 30 June 2012, the net loss before and after taxation and extraordinary items attributable to the Sale Group amounted to HK\$32,041,000.

For the year ended 31 December 2012, the net book value of West Glory was approximately HK\$17,573,000 and the net loss before and after taxation was approximately HK\$22,077,000.

For the year ended 31 December 2011 and 2012, the revenue attributable to West Glory was HK\$19,048,496 and HK\$5,548,151 respectively.

The Group is principally engaged in the investments in coal and anthracite mining and exploration in Tajikistan as well as mining, sale and processing of coking coal in the People's Republic of China.

### **INFORMATION ON REMAINING BUSINESS OF THE GROUP**

The Group is currently running two business operations: (i) provision of supply chain management services for mineral business, and (ii) the Tajikistan mining operation. The Tajikistan mining operation is further divided into three units, each unit representing one mine, namely the Kafta Hona Deposit, the Zeddi coal deposit and the Mienadu deposit.

As stated in note 4 of the unaudited financial statements contained in the Company's 2012 third quarterly report, during the first 9 months of the year 2012, the provision of supply chain management services for mineral business accounted for approximately HK\$581 million out of the total revenue for the Group which was approximately HK\$601 million (96.6%); while the sale of coal from Tajikistan operation accounted for the remaining 3.4%.

As the Kafta Hona Deposit is currently in early stage of development, it constitutes only a small percentage of turnover and profit for the Group. Hence, impact of the Disposal on the existing financial and business operation of the Group is not expected to be significant.

After the proposed Disposal, the Group's remaining business operation includes the provision of supply chain management for mineral business, and the Tajikistan mining operation at the Zeddi coal deposit and the Mienadu deposit. All applicable mining/ business licenses of the remaining two mines in Tajikistan have been obtained. The number of employees engaged in the remaining business of the Group will be approximately 95.

The quality of assets, reserves and the relevant reporting standard of the reserves/resources of remaining two mines, Zeddi and Mienadu are stated in the following table provided by AsiaMin Consulting Limited:

Mine	Coal Type	Coal Tonnage (T)	Russian GKZ Resource Category	Broad Equivalent JORC Resource Category
Zeddi	Bituminous coal	6,558,000	C2	Indicated/Inferred
	Bituminous coal	11,140,000	P1	Inferred/Unclassified
Mienadu	Bituminous coal	2,252,000	C1	Measured/Indicated
	Bituminous coal	2,549,000	C2	Indicated/Inferred

The current status of Zeddi is producing while that of Mienadu is exploration.

The expansion plan for the remaining Tajikistan mines is as follows:

Mienadu: Road renovation will be carried out in 2013, and a pilot production feasibility study will be conducted in 2013.

Zeddi: New machinery will be acquired in 2013 in order to raise production level.

## **INFORMATION ON THE BUYER AND UP ENERGY**

The Buyer is a wholly-owned subsidiary of Up Energy. Up Energy and its subsidiaries are principally engaged in the mining of coal for coking as well as production and sales of raw coking coal, clean coking coal and coking coal products.

### **Financial information of Up Energy**

Set out below is a summary of the audited results of Up Energy for the years ended 31 March 2011 and 31 March 2012 respectively, prepared in accordance with the relevant accounting principles and financial regulations applicable to the Hong Kong Financial Reporting Standards:

	As at	
	31 March 2011	31 March 2012
	(audited)	(audited)
	<i>(HK\$ '000)</i>	<i>(HK\$ '000)</i>
Total assets	15,531,530	15,759,123
Total liabilities	(9,072,567)	(8,256,805)
Net assets	6,458,963	7,502,318
	For the year ended	
	31 March 2011	31 March 2012
	(audited)	(audited)
	<i>(HK\$ '000)</i>	<i>(HK\$ '000)</i>
Turnover	26,121	5,078
Net Profit/(loss) before taxation	943,570	(97,690)
Net Profit/(loss) after taxation	943,654	(101,266)

## **REASONS FOR AND BENEFITS OF THE DISPOSAL AND THE ACQUISITION**

The Company currently owns mining rights and interests in three mines in Tajikistan: the Kaftar Hona Deposit, the Zeddi coal deposit and the Mienadu coal deposit. It also engages in the business of mining, processing and sale of coal.

The Disposal represents an opportunity for the Company to liquidate its investment in the Kaftar Hona Deposit at a reasonable price yielding an investment return for the Shareholders within a shorter time span. The Disposal could also give the Company the ability to seize investment opportunity as and when it arises and in the meantime allows the Company to focus the Group's resources on the exploitation activities at the two remaining mines in Tajikistan.

Up Energy, the Buyer's parent company, is listed on the Main Board of the Stock Exchange (stock code: 307). It is one of the largest non-state owned coking coal operators in Xinjiang. Xinjiang and Tajikistan are in close geographical proximity to each other. The Company is in the early stage of extending its coal trading operation in Xinjiang. The Disposal will result in the Company becoming a shareholder of Up Energy. The Company's shareholding in Up Energy will lay the foundation for the strategic co-operative efforts between them and the Company's coal trading operation in Xinjiang can be expected to benefit as a result.

The Directors consider that the terms of the SPA are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **LISTING RULES IMPLICATION**

As the relevant applicable percentage ratios in respect of the Disposal as referred to in Chapter 19 of the GEM Listing Rules exceed 75%, the Disposal constitutes a very substantial disposal under the GEM Listing Rules and is conditional upon the approval of the Shareholders at the EGM.

As the relevant applicable percentage ratios in respect of the Acquisition as referred to in Chapter 19 of the GEM Listing Rules exceed 25% but less than 100%, the Acquisition constitutes a major transaction under the GEM Listing Rules and is conditional upon the approval of the Shareholders at the EGM.

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Disposal and the Acquisition. Such approval shall be obtained by way of a poll. As at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder will be required to abstain from voting at the EGM as no Shareholder has any interest in the Disposal and the Acquisition which is different from other Shareholders.

A circular containing, among other things, further information on the Disposal, the Acquisition, the SPA, and a notice convening the EGM will be despatched to the Shareholders as soon as practicable. As additional time is required for preparing information to be contained in the circular, including the Technical Report and the Seller Valuation Report, it is expected that the circular will be despatched on or before 31 December 2013.

Shareholders and investors should note that Completion of the Disposal and the Acquisition are subject to fulfillment of various conditions and the SPA not being terminated by the Buyer prior to Completion as stated in the sections headed "Conditions Precedent" and "Buyer's Right of Termination" in this announcement and therefore the Disposal and the Acquisition may or may not complete. As such, Shareholders and investors should exercise caution when dealing in the Shares..

### **RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 20 December 2012 pending the release of this announcement. The Company has applied for a resumption of trading in the Shares with

effect from 9:30 a.m. on [\*] 2013.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Acquisition”	Acquisition by the Seller of the Consideration Shares at Completion as part settlement by the Buyer of the Consideration
“Active Million”	Active Million Holdings Limited, a wholly-owned subsidiary of the Company incorporated in the BVI
“Adjustment Cap”	the sum of HK\$20 million
“Agreed NTAV”	the sum of HK\$4,870,000, being the NTAV of the Sale Group as at 16 November 2012, as agreed by the Buyer and the Seller based on unaudited management accounts of the Sale Group
“Balance”	the sum of HK\$98,662,200, being a portion of the Consideration to be paid by the Buyer in cash at time of Completion, subject to increment or reduction in accordance with terms of the SPA
“Benchmark Price”	HK\$2 per Up Energy Share, subject to adjustment in the manner set out in section headed “Adjustment to the Benchmark Price and Non-cash Settled Share Amount” in this announcement
“Board”	board of Directors
“Business Day”	a day (other than a Saturday, a Sunday, a public holiday in Hong Kong) on which licensed banks in Hong Kong are open for business
“Buyer”	Up Energy Resources Company Limited, a wholly-owned subsidiary of Up Energy
“Buyer Valuation Report”	a valuation report prepared by an independent consultant and engaged by Up Energy, based on the resources/reserves level of the Mine in accordance with Chapter 18 of the MB Listing Rules, and approved by the Stock Exchange for inclusion in the circulars to be issued by Up Energy to its shareholder in connection with its acquisition of West Glory
“BVI”	the British Virgin Islands
“Compensation”	the sum of HK\$30 million
“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 (stock code: 8203)

“competent person”	has the meaning ascribed to it in the MB Listing Rules and the GEM Listing Rules
“Completion”	completion of the Disposal and the Acquisition in accordance with terms of the SPA
“Completion Accounts”	the Pro-Forma Completion Accounts, or if prepared, the audited Pro-Forma Completion Accounts
“Completion Date”	the date on which Completion occurs
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the sum of HK\$394,648,800 to be paid and satisfied by the Buyer and Up Energy to the Seller as consideration for the Sale Equity under the SPA, subject to adjustment in the manner set out in the section headed “Adjustment to Consideration” in this announcement
“Consideration Shares”	new Up Energy Shares to be issued by Up Energy to the Seller at Completion as part payment of the Consideration
“Deposit”	the sum of HK\$98,662,200, being 25% of the Consideration (before any applicable adjustment)
“Designated Account”	a bank account opened by the Seller in its name specifically for the receipt and disposal of the Deposit paid by the Buyer under the SPA
“Directors”	directors of the Company
“Disposal”	the proposed sale by the Seller of the Sale Equity to the Buyer pursuant to the SPA, including the entering into and performance by the Seller and the Company of the SPA and consummation of the transactions contemplated thereunder
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving by the Shareholders of the Disposal and the Acquisition
“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 from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong



“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“IFRS”	the International Financial Reporting Standards promulgated by the International Accounting Standards Board
“Issue Price”	the arithmetic mean of the daily VWAP for the duration of the Price Tracking Period
“Issue Price Fixing Date”	the 5 <sup>th</sup> Business Day immediately preceding (and exclusive of) the Completion Date
“JORC Code”	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004, as amended, revised, updated and supplemented from time to time
“Kamarob”	Limited Liability Company “Kamarob LLC”, a member of the Sale Group incorporated in Tajikistan and the operating vehicle of the Mine
“Listing Rules”	(i) in reference to the Buyer or Up Energy, the MB Listing Rules and (ii) in reference to the Seller or the Company, the GEM Listing Rules
“Longstop Date”	5:00 pm on 31 December 2013 (or such later date as parties to the SPA may agree)
“Main Board”	the main board of the Stock Exchange
“MB Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Measurement Time”	the close of business in Hong Kong on the last Business Day preceding the Completion Date
“Mine” or “Kaftar Hona Deposit”	the Nazar-Aylok deposit of the area known as Kaftar-Hona located within Tajikistan
“MOU”	the memorandum of understanding dated 5 July 2012 entered into by Limited Liability Company “Saddleback Gold Corporation” (currently known as “Kaisun Mining Corporation”) as vendor, the Company and Up Energy as purchaser
“Non-cash Settled Dollar Amount”	a portion of the Consideration in the amount of HK\$197,324,400
“Non-cash Settled Share Amount”	a total of 98,662,200 Consideration Shares, subject to adjustment in the manner set out in section headed “Adjustment to the Benchmark Price and Non-cash Settled Share Amount” in

	this announcement
“NTAV”	the net tangible fixed assets at net book value of the Sale Group, determined on a consolidated basis and in accordance with relevant provisions of the SPA
“Pre-completion Period”	the period commencing from the date of the SPA and ending on (and inclusive of) (i) the Completion Date or (ii) in the event of termination of the SPA, the date of such termination
“Price Tracking Period”	the period of 20 consecutive Trading Days ending on (and inclusive of) the Trading Day immediately preceding the Issue Price Fixing Date
“Pro-Forma Completion Accounts”	the unaudited pro-forma management accounts of the Sale Group Companies made up to the Completion Date adopting IFRS
“Sale Equity”	the Sale Shares and the Sale Loan together
“Sale Group”	West Glory and its subsidiaries
“Sale Loan”	loans and indebtedness owed by members of the Sale Group to the Seller as at the Completion Date
“Sale Shares”	10,000 ordinary shares of US\$1 par value each, representing the entire issued share capital in West Glory held by the Seller and agreed to be sold under the SPA
“Security Deed”	the security deed dated 19 December 2012 executed by the Company and the Buyer pursuant to which the Company has charged to the Buyer the entire issued share capital in Active Million as security for the Seller’s contingent obligations to refund the Deposit to the Buyer under the SPA
“Seller”	Alpha Vision Energy Limited, a wholly-owned subsidiary of the Company incorporated in the BVI
“Seller Valuation Report”	a valuation report prepared by an independent consultant engaged by the Company, based on the resources/reserves level of the Mine in accordance with Chapter 18A of the GEM Listing Rules, and approved by the Stock Exchange for inclusion in the circulars to be issued by the Company to its shareholder in connection with the Disposal
“Seller Warranties”	warranties given by the Seller and the Company under the SPA
“Shareholder(s)”	registered holder(s) of Share(s) from time to time
“Shares(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of

	the Company
“SPA”	the conditional sale and purchase agreement dated 19 December 2012 entered into by the Seller, the Buyer, the Company and Up Energy regulating the Disposal and the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tajikistan”	the Republic of Tajikistan
“Technical Report”	a competent person’s technical report prepared by an independent consultant engaged by the Seller on the resources/reserves level of the Mine in accordance with the JORC Code, Chapter 18 of the MB Listing Rules and Chapter 18A of the GEM Listing Rules, and approved by the Stock Exchange for inclusion in the circulars to be issued by the Company and Up Energy to their respective shareholders in connection with the Disposal
“Trading Day”	a day on which the Up Energy Shares are traded on the Stock Exchange for a minimum of three hours and in respect of which a VWAP is quoted or reported
“Up Energy”	Up Energy Development Group Limited (優派能源發展有限公司*), a company incorporated in Bermuda with limited liability and its shares are listed on the Main Board (stock code: 307)
“Up Energy Shares”	ordinary shares of par value of HK\$0.20 each in the capital of Up Energy
“US\$”	United States dollars, the lawful currency of the United States
“Valuation Reports”	the Buyer Valuation Report and the Seller Valuation Report
“VWAP”	in respect of a Trading Day, the volume weighted average traded price of one Up Energy Share as quoted or reported by Bloomberg Financial Markets for such Trading Day
“West Glory”	West Glory Development Limited, a wholly-owned subsidiary of the Seller incorporated in the BVI
“%”	per cent.

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

Hong Kong, 10 January 2013

*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 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.*

R17.56A

*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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or in this announcement misleading.*

R19.58(2)

R2.18

*This announcement will remain on the “Latest Company Announcements” page of the GEM website for at least 7 days from the date of its publication and on the Company’s website at [www.kaisunenergy.com](http://www.kaisunenergy.com).*

*\* for identification purpose only*