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KAISUN ENERGY GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8203)

**VERY SUBSTANTIAL DISPOSAL
SALE OF EQUITY INTEREST IN MENGXI MINERALS
AND RESUMPTION OF TRADING**

The Board is pleased to announce that on 15 June 2011 (after trading hours), the Vendor and the Purchaser entered into the Equity Transfer Agreement pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire 70% of the registered capital in Mengxi Minerals (being the Equity Interest) at a cash Consideration of RMB810 million (equivalent to approximately HK\$976 million).

As the applicable percentage ratios (as calculated in accordance with Rule 19.07 of the GEM Listing Rules) for the Equity Transfer are more than 75%, the Equity Transfer constitutes a very substantial disposal of the Company under Rule 19.06 of the GEM Listing Rules.

A circular containing, among other things, further information on the Equity Transfer, the Equity Transfer Agreement, the Group's Tajikistan coal and anthracite mining projects and a notice convening the EGM will be despatched to the Shareholders as soon as practicable. As additional time is required for preparing and finalising the information to be contained in the circular, including without limitation, the pro forma income statement, balance sheet, cash flow statement and working capital statement of the Group (other than Mengxi Minerals), it is expected that the circular will be despatched on or before 31 August, 2011.

The Board is pleased to announce that on 15 June 2011 (after trading hours), the Vendor and the Purchaser entered into the Equity Transfer Agreement pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire 70% of the registered capital in Mengxi Minerals (being the Equity Interest) at a cash Consideration of RMB810 million (equivalent to approximately HK\$976 million).

EQUITY TRANSFER AGREEMENT DATED 15 June 2011

Parties

- (1) 鄂托克旗新亚煤焦有限公司(Otog Banner Xin Ya Coking Coal Co. Ltd) (for identification purposes only), a company incorporated in the PRC (as the Purchaser); and

- (2) Joy Harvest Holdings Limited (鴻欣集團有限公司), a wholly-owned subsidiary of the Company incorporated in Hong Kong (as the Vendor)

To the Directors' best knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Group and any of the Group's connected persons. The Purchaser is a company principally engaged in coal mining in Inner Mongolia.

Assets to be disposed of

Pursuant to the Equity Transfer Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Equity Interest, representing 70% equity interest in the entire registered capital of Mengxi Minerals.

The Equity Transfer and the Consideration

Under the Equity Transfer Agreement, the Vendor shall sell and the Purchaser shall acquire the Equity Interest at a cash Consideration of RMB810 million (equivalent to approximately HK\$976 million), which is to be paid in the following manner:

- (a) as to RMB220 million (equivalent to approximately HK\$265 million), already paid by the Purchaser in cash to the Vendor prior to signing of the Equity Transfer Agreement as deposit and part payment of the Consideration; and
- (b) as to the remaining balance of the Consideration, namely RMB590 million (equivalent to approximately HK\$711 million), to be paid by the Purchaser to the Vendor immediately upon the fulfillment of the conditions precedent (c) and (e) as described in the paragraph headed "Completion of the Equity Transfer and conditions precedent" below.

The sum of RMB220 million (equivalent to approximately HK\$265 million) was paid to the Vendor on 24 May 2011 initially as earnest money. No letter of intent or memorandum of understanding was entered into at time of such payment. When the Equity Transfer Agreement was entered into, such sum was on the terms of the Equity Transfer Agreement treated as deposit and part payment of the Consideration.

The Consideration was determined after arm's length negotiations between the Company and the Purchaser with reference to, inter alia, the coking coal reserves and production capacity of Mengxi Minerals, the NAV, the original investment costs, impairment on value of the Equity Interest as a result of introduction of the Inner Mongolian Government policy on proposed merger and restructuring of coal mining industry and transacted prices of equity interest in mining companies in Inner Mongolia, the PRC.

Taking into account the matters disclosed herein, the reasons and benefits as stated in the paragraph headed "Reasons for and Benefits of the Equity Transfer" below and the financial effect as stated in the paragraph headed "Financial Effect of the Equity Transfer", the Board considers that the terms of the Equity Transfer Agreement, the Equity Transfer and the Consideration are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Completion of the Equity Transfer and conditions precedent

Under the Equity Transfer Agreement, completion of the Equity Transfer is conditional upon, among other things, fulfilment of the following conditions precedent:

- (a) Mengxi HT waiving its pre-emptive right over the Equity Transfer;
- (b) the board of directors and shareholders of Mengxi Minerals approving the Equity Transfer and the making of amendments to the articles of Mengxi Minerals consequential to consummation of the Equity Transfer;
- (c) the passing of an effective resolution by the Shareholders at a general meeting to be convened approving the Equity Transfer Agreement and the Equity Transfer contemplated thereby;
- (d) compliance with all requirements under the GEM Listing Rules or of the Stock Exchange or other regulatory authorities applicable to the Equity Transfer all necessary approvals and compliance with all legal and regulatory requirements applicable to the Equity Transfer at time of execution of the Equity Transfer Agreement;
- (e) the Bureau of Commerce of the Inner Mongolia Autonomous Region (內蒙古自治區商務廳) granting its approval to the Equity Transfer;
- (f) the issuance of a new business licence upon the conversion of Mengxi Minerals from a sino-foreign equity joint venture into a PRC domestic enterprise;
- (g) China Construction Bank Corporation, Ordos Branch (“CCB”) granting its written consent to the Equity Transfer and agreeing to release or vary the equity pledge agreement entered into by CCB and the Vendor concerning the Equity Interest; and
- (h) full payment of the Consideration by the Purchaser to the Vendor in accordance with the terms of the Equity Transfer Agreement and payment by the Purchaser in accordance with applicable laws of all taxes and charges levied upon the Equity Transfer and other administrative or registration fees chargeable upon consummation of the Equity Transfer and production by the Purchaser to the Vendor of evidence of due payment of such taxes.

If the resolution proposed at the general meeting of the Shareholders for approving the Equity Transfer Agreement and the Equity Transfer is not passed by the Shareholders, the Vendor shall refund to the Purchaser all amounts of Consideration received under the Equity Transfer Agreement, without interest.

If by 31 December 2011, conditions (c), (d) and (e) have been fulfilled and the other conditions shall remain outstanding, the Purchaser may require the Vendor to transfer the management of and control in Mengxi Minerals to the Purchaser and Mengxi Minerals would accordingly cease to become a subsidiary of the Group. As by that time full amount of the Consideration would have been received, the Board is of the view that this arrangement is in the interest of the Shareholders and the Company’s position is well protected.

If non-fulfillment of any of the conditions set out above by 31 December 2011 shall be caused by the Purchaser, the Vendor shall be entitled to terminate the Equity Transfer Agreement and refuse to refund the Consideration received to the Purchaser.

Neither party to the Equity Transfer Agreement may unilaterally waive any of the conditions set out above.

Completion shall take place on the date on which all the above conditions precedents have been fulfilled.

Purchaser's right to participate in management of Mengxi Minerals

After signing of the Equity Transfer Agreement, the Purchaser may appoint a finance officer to participate in the management of Mengxi Minerals. Approval from the Purchaser has to be sought prior to the entry into of any contract by Mengxi Minerals in relation to production or conduct of its business of an amount greater than RMB3 million.

Acquisition by the Purchaser of remaining 30% interest in Mengxi Mineral from Mengxi HT

The Purchaser has entered into separate agreement with Mengxi HT for its acquisition from Mengxi HT the remaining 30% interest in Mengxi Minerals. As a result, the Purchaser will own 100% of Mengxi Minerals. It is a term of the Equity Transfer Agreement that the Purchaser's acquisition of remaining interest in Mengxi Minerals will be consummated either at the same time as or after consummation of the Equity Transfer.

FINANCIAL EFFECT OF THE EQUITY TRANSFER

Upon completion of the Equity Transfer, Mengxi Minerals will cease to be a subsidiary of the Company and its financial results will not be consolidated into the financial statements of the Group.

Included in the audited consolidated financial statements of the Group as at 31 December 2010, the net asset value of Mengxi Minerals was approximately RMB2,152.6 million (equivalent to approximately HK\$2,593.5 million) and the net asset value attributable to the Equity Interest was approximately RMB1,506.8 million (equivalent to approximately HK\$1,815.4 million). The Equity Transfer is expected to record an estimated loss of approximately HK\$800 million (after relevant expenses and subject to audit) for the Group, which was arrived at by subtracting the Consideration from the NAV. The original investment costs of Mengxi Minerals were approximately HK\$901.37 million, which was arrived at by adding up original investment cost of acquiring 49% and 21% interests in Mengxi Minerals on 10 June 2008 and 10 December 2009 respectively. The investment costs of acquiring 49% interests in Mengxi Minerals comprised the (i) share capital and convertible bonds issued as partial consideration; (ii) cash paid for the investment cost and loan and debt; and (iii) the professional fee incurred, which was approximately about HK\$305.7 million, HK\$545.9 million and HK\$29.9 million respectively. The investment costs of acquiring 21% interests in Mengxi Minerals mainly consisted of the cash paid for additional investment costs of approximately HK\$19.8 million. If the Consideration is compared to the original investments costs, the Equity Interest would be disposed of at a premium of approximately

HK\$74.6 million. The net asset value of Mengxi Minerals was substantially increased at the time of acquisition due to different accounting treatment between the Hong Kong Financial Reporting Standards and the relevant PRC accounting standards. The total amount of capital expenditure made by the Group in Mengxi Minerals since its acquisition was approximately HK\$299 million, which was incurred for acquiring and construction of building, plant and machinery, for construction in progress, for deposit paid for construction in progress, and for other items, the amount of which was approximately about HK\$27.6 million, HK\$13.8 million, HK\$34 million, HK\$221.7 million and HK\$1.9 million respectively.

It is intended that the sale proceeds of the Equity Transfer will be used as to HK\$250 million for making provision for cash redemption of the outstanding convertible bonds falling due on 10 June 2013; as to HK\$49.5 million planned for expanding the production capacity of the three mines held by the Group in Tajikistan for the year 2011; as to the remaining balance of Consideration, for general working capital and potential investment opportunity.

The Group is negotiating with the Tajikistan government to obtain the rights for other coal mines in Tajikistan. The Company is also actively seeking other energy and resources based investment opportunities and at preliminary stage of reviewing a few potential investment opportunities. However apart from the on-going negotiation with the Tajikistan government for other coal mines in Tajikistan, the Company has not started negotiation with the counterparties on the pricing and commercial terms of the potential investments. At present, no legally binding agreements have been entered into by the Company to acquire or inject new business or assets into the Group. Furthermore, the Company has not entered into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether express or implied, nor negotiation (whether concluded or not) and intention to dispose of or downsize its remaining business after the completion of the Equity Transfer. The Company will make appropriate disclosure in accordance with the GEM Listing Rules upon the occurrence of any price sensitive development concerning the Group or the entering into of legally binding agreements for the acquisition or injection of new business or assets into the Group.

INFORMATION ON MENGXI MINERALS AND THE GROUP

Mengxi Minerals is a sino-foreign equity joint venture established in the PRC and is owned as to 70% by the Company indirectly and 30% by Mengxi HT. Mengxi Minerals is a subsidiary of the Company. As disclosed in the Company's announcements dated 11 June 2008 and 15 December 2009, the Company acquired 49% equity interest in Mengxi Minerals on 10 June 2008 and a further 21% equity interest in Mengxi Minerals on 10 December 2009. The equity interest in Mengxi Minerals to be disposed of in favour of the Purchaser represents the entire interest held by the Vendor.

Mengxi Minerals is principally engaged in the sale of coal, the building of early stage infrastructure for exploitation of sagger, washing and choosing of mine run coal and processing of coke. Mengxi Minerals holds a mining license giving the right of exploitation of a coal mine located at the Zhou Zi Shan Kulihuoshatu Coal Mine, Inner Mongolia Autonomous Region, the PRC.

Included in the audited consolidated financial statements of the Group made up to 31 December 2010, the net asset value of Mengxi Minerals is approximately RMB2,152.6

million (equivalent to approximately HK\$2,593.5 million) and the net asset value attributable to the Equity Interest is approximately RMB1,506.8 million (equivalent to approximately HK\$1,815.4 million) as at 31 December 2010. For the period ended 31 December 2010, the net profit before and after taxation and extraordinary items attributable to the Equity Interest amounted to RMB9.38 million and RMB7.28 million respectively. For the year ended 31 March 2010, the net loss before and after taxation and extraordinary items attributable to the Equity Interest amounted to RMB2.45 million and RMB2.66 million respectively.

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

The Purchaser is a company principally engages in coal mining in Inner Mongolia.

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER

Following the consolidation of the coal mining industry in Henan, Guizhou and Shanxi, Inner Mongolia is also implementing such kind of consolidation exercise and therefore merger and acquisition of coal mines in Inner Mongolia is expected to materialize.

A notice entitled 內蒙古自治區人民政府關於印發自治區煤炭企業兼併重組工作方案的通知 (notice issued by the Inner Mongolian Autonomous Region Government on the printing and distribution of the working proposal on merger and reorganisation of Otog Banner local coal enterprises) was published by the Inner Mongolian Government on 18 March 2011 regarding the proposed merger and restructuring of coal mining industry in the Inner Mongolia Autonomous Region. Objective of the proposal is that by the end of year 2013 all operators of coal mines with annual production capacity below 1.2 million tonnes will be eliminated, and for areas with potential, the minimum annual production capacity requirement could be raised to 3 million tonnes. The elimination will be effected by a process of mergers, acquisitions and restructuring. The list of the mine operators to be classified as acquirers or acquirees is expected to be announced by the Inner Mongolian Government shortly. Mengxi Minerals has not received any formal notice or official document from any relevant authorities of the Inner Mongolian Government regarding the Policy as at the date of this announcement. The Company sought legal advice from its PRC legal advisers on how the Inner Mongolian Government policy on proposed merger and restructuring of coal mining industry may impact Mengxi Minerals. The responses received were mixed and inconclusive. According to the Notice, the proposed merger and restructuring of the coal mining industry in Inner Mongolia will be implemented in the period from the second half of year 2011 and to year 2013. Settlement of the list of mine operators to be classified as acquirers or acquirees is expected to be among the first steps to be taken in the implementation process of the Policy. Since implementation of the Notice will commence in the second half of year 2011, the list of mine operators to be classified as acquirers or acquirees can be expected to be announced some time within the second half of year 2011.

The underground mining license operated by Mengxi Minerals is currently 1.2 million tonnes per annum. Mengxi Minerals is located in the regulatory region of Ordos in Inner Mongolia. Based on discussion with the Company's joint venture partner, Mengxi HT, having regard to the fact that the mine held by Mengxi Minerals is located in an area which is conventionally regarded as an area which produces coal of above average quality, the minimum annual production requirement imposed for Ordos is very likely to be substantially higher than the general requirement of 1.2 million tonnes per annum, and highly likely to reach 2.4 million

tonnes per annum. As such Mengxi Minerals is subject to the government restructuring proposal and is liable to be eliminated unless its annual production capacity can be increased to above 2.4 million tonnes by acquisition of other coal mines. Since announcement of the restructuring proposal, prospects and outlook of small coal mine operators in the Inner Mongolia Autonomous Region have become uncertain. In light of the uncertain prospects and outlook brought by this recently imposed government policy, the short time given to mining operators before the Inner Mongolian Government officially announce the classification of mine operators as acquirers and acquirees, and the current unfavorable sentiment in the capital market for the Company to raise capital needed to acquire other mines, the Directors consider the Equity Transfer to be necessary for the Company to eliminate the uncertainty by liquidating its investment in Mengxi Minerals at a reasonable price.

The Purchaser is a coal producer in Otog, Ordos, holding production license of total up to 1.8 million tonnes per annum. After acquiring Mengxi Minerals, the Purchaser's production capacity can reach above 2.4 million tonnes per annum, which is likely to be the minimum annual production requirement by the Inner Mongolian Government.

The Directors therefore consider that the terms of the Equity Transfer Agreement 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 as referred to in Chapter 19 of the GEM Listing Rules exceed 75%, the Equity Transfer constitutes a very substantial disposal under the GEM Listing Rules and is conditional upon the approval of the Shareholders at the EGM. As at the date of this announcement, to the best knowledge of the Directors, no Shareholder will be required to abstain from voting at the EGM as no Shareholder has any interest in the Equity Transfer which is different from other Shareholders. A circular containing, among other things, further information on the Equity Transfer, the Equity Transfer Agreement, the Group's Tajikistan coal and anthracite mining projects and a notice convening the EGM will be despatched to the Shareholders as soon as practicable. As additional time is required for preparing and finalising the information to be contained in the circular, including without limitation, the pro forma income statement, balance sheet, cash flow statement and working capital statement of the Group (other than Mengxi Minerals), it is expected that the circular will be despatched on or before 31 August, 2011.

Under Rule 19.82 of the GEM Listing Rules if the assets of a listed issuer consist wholly or substantially of cash or short-dated securities, it will not be regarded as suitable for listing and trading in its securities will be suspended. Under Rule 19.84 of the GEM Listing Rules, the listed issuer may apply to the Stock Exchange to lift the suspension once it has a business suitable for listing. The Stock Exchange will treat its application for lifting of the suspension as if it were an application for listing from a new applicant. The Stock Exchange has right to cancel the listing if such suspension continues for more than 6 months or in any other case where it considers it necessary.

Upon Completion, the Company may become a "cash company" under Rule 19.82 of the GEM Listing Rules. It is the Company's intention to maintain its listing status on the Stock Exchange and will take appropriate action to warrant its listing status. Such action may

include application of proceeds arising from Completion of the Equity Transfer in making further capital investment in the Group's Tajikistan coal and anthracite mining projects and funding of suitable investment opportunities identified by the Group.

The Company has no current intention to enter into any acquisition or series of acquisitions which will constitute a "reverse takeover" under Rule 19.06(6) of the GEM Listing Rules. If the Company should undertake any acquisition or series of acquisitions in the future, the Stock Exchange will assess the implication thereof and may consider whether such acquisition(s) will constitute a reverse takeover under Rule 19.06(6) of the GEM Listing Rules. If such acquisition(s) is deemed by the Stock Exchange to be a reverse takeover, the Stock Exchange will treat the Company as if it were a new listing applicant pursuant to Rule 19.54 of the GEM Listing Rules.

In view of the possible implications under Rules 19.82 and 19.06(6) of the GEM Listing Rules on the Company, and the possibility that Completion may or may not take place, Shareholders and investors should exercise caution when dealing in the Shares.

RESUMPTION OF TRADING

Application has been made by the Company for resumption of trading in the Shares with effect from 9:00 a.m. on 19 July 2011.

DEFINITIONS

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

"Board"	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
"Completion"	completion of the Equity Transfer Agreement
"Consideration"	RMB810 million, being the total consideration payable by the Purchaser to the Vendor for the Equity Transfer
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Directors"	the directors of the Company
"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 Equity Transfer Agreement and the Equity Transfer contemplated thereunder
"Equity Interest"	70% of the registered capital in Mengxi Minerals held by the Vendor

“Equity Transfer”	the disposal and transfer of the Equity Interest by the Vendor to the Purchaser pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	a conditional sale and purchase agreement entered into between the Vendor and the Purchaser on 15 June 2011 in connection with the Equity Transfer
“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Inner Mongolian Government”	the People’s Government of the Inner Mongolia Autonomous Region (內蒙古自治區人民政府)
“Mengxi HT”	內蒙古蒙西高新技術集團有限公司 (Inner Mongolia Mengxi Gaoxing High Tech Limited), a company incorporated in the PRC and owner of 30% equity interest in Mengxi Minerals
“Mengxi Minerals”	內蒙古蒙西礦業有限公司 (Inner Mongolia Mengxi Minerals Co., Ltd.), an indirect non wholly owned subsidiary of the Company
“NAV”	the net asset value attributable to the Equity Interest of approximately RMB1,506.8 million (equivalent to approximately HK\$1,815.4 million), included in the audited consolidated financial statements of the Group as at 31 December 2010 prepared in accordance with Hong Kong Financial Reporting Standards
“Notice”	A notice entitled 內蒙古自治區人民政府關於印發自治區煤炭企業兼併重組工作方案的通告 (notice issued by the Inner Mongolian Autonomous Region Government on the printing and distribution of the working proposal on merger and reorganisation of Otog Banner local coal enterprises) published on 18 March 2011 regarding the proposed merger and restructuring of coal mining industry in the Inner Mongolia Autonomous Region
“PRC”	the People’s Republic of China
“Purchaser”	鄂托克旗新亞煤焦有限責任公司 (Otog Banner Xin Ya Coking Coal Co. Ltd)(for identification purposes only), a company incorporated in the PRC
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Joy Harvest Holdings Limited (鴻欣集團有限公司), a wholly-owned subsidiary of the Company incorporated in Hong Kong
“%”	per cent.

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

Hong Kong, 18 July 2011

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; and (2) there are no other matters the omission of which would make any statement herein or in this announcement misleading.

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.

Exchange rate used in this announcement for translating RMB into HK dollars is: HK\$1 = RMB0.83.

** for identification purpose only*