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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)

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF 86% EQUITY INTEREST IN FARTON GROUP LIMITED INVOLVING ISSUE OF NEW SHARES UNDER GENERAL MANDATE AND RESUMPTION OF TRADING

THE ACQUISITION

The Board is pleased to announce that on 23 June 2013, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the Agreement pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares at the Consideration of HK\$50 million, which will be satisfied by the issue and allotment by the Company to the Vendor of the 250,000,000 Consideration Shares at HK\$0.2 each. In connection with the Acquisition, the Purchaser also agreed to inject an amount of HK\$50 million to Riseway within five Business Days from the Completion Date for the Target Group's future operation. The Total Investment under the Agreement is therefore HK\$100 million.

The Target Company is an investment holding company which, through Riseway, indirectly held 70% equity interest in the PRC Subsidiary. The PRC Subsidiary holds the Coal Trading License and is principally engaged in coal processing and trading of coal and other related products in Inner Mongolia, the PRC.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the relevant percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the GEM Listing Rules. The Consideration Shares will be issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 28 May 2012.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the issued Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 24 June 2013, pending the release of this

announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 25 June 2013.

INTRODUCTION

The Board is pleased to announce that on 23 June 2013, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the Agreement pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares at the Consideration of HK\$50 million. In connection with the Acquisition, the Purchaser also agreed to inject an amount of HK\$50 million to Riseway within five Business Days from the Completion Date for the Target Group's future operation. The Total Investment under the Agreement is therefore HK\$100 million. Principal terms of the Agreement are set out below.

THE AGREEMENT

Date 23 June 2013

Parties

Purchaser: First Concept Development Limited, a wholly-owned subsidiary of the Company

Vendor: Mr. Lau Siu Hung, Ricky

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Vendor is a third party independent of the Company and its connected persons.

Assets to be acquired

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares. The Sale Shares represent 86% of issued share capital of the Target Company.

The Target Company is an investment holding company which, through Riseway, indirectly held 70% equity interest in the PRC Subsidiary. The PRC Subsidiary holds the Coal Trading License and is principally engaged in coal processing and trading of coal and other related products in Inner Mongolia, the PRC.

Capital injection by the Purchaser

Pursuant to the Agreement, the Purchaser shall procure a member of the Group to inject to Riseway, within five Business Days from the Completion Date, an amount of HK\$50 million in cash for the purpose of funding the working capital requirement of the Target Group. Such amount shall be interest free, unsecured and shall not be repayable until the later of (i) expiry of two years from the Completion Date; and (ii) the accumulated net profits after taxation of the Target Group arising after the Completion Date having first reached HK\$45 million.

Total Investment

Pursuant to the terms of the Agreement, the Consideration payable by the Purchaser to the Vendor for the Acquisition shall be HK\$50 million, which shall be wholly satisfied by the Purchaser at time of Completion by the allotment and issue of the 250,000,000 Consideration Shares by the Company to the Vendor at the Issue Price of HK\$0.2 each, subject to the custodian arrangement as detailed below.

The cash injection by the Group of HK\$50 million to Riseway will be satisfied by the Group's internal cash resources.

The Total Investment was determined after arm's length negotiations between the Purchaser and the Vendor taking into account of, among other things, the Guaranteed Profits, the future business potential of the Target Group and the financial position of the Target Group. The Directors are of the view that the Consideration is fair and reasonable.

Consideration Shares

The Consideration Shares will be issued at the Issue Price under the general mandate granted to the Directors at the annual general meeting of the Company held on 28 May 2012 to allot and issue a maximum of 523,401,140 new Shares. As at the date of this announcement, no Share has been issued under such general mandate. The Company has not conducted any fund raising activities involving issue of securities in the 12 months immediately preceding the date of this announcement. As at the date of this announcement, the 250,000,000 Consideration Shares represent approximately 9.55% of the existing issue share capital of the Company. Assuming that there will be no change in the total issued share capital of the Company from the date of this announcement, the 250,000,000 Consideration Shares represent approximately 8.72% of the total issued share capital of the Company as enlarged by the issue of the Consideration Shares.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects among themselves and with other Shares in issue on the date of allotment and issue including the right to all dividends, distributions and other payments made or to be made the record date for which shall fall on or after the date of such allotment and issue.

Conditions precedent

Completion shall be conditional upon the fulfillment or waiver (as the case may be) of the following conditions precedent:

- (i) the Purchaser having carried out and completed the due diligence review on the Target Group and being satisfied with the results thereof in all respects;
- (ii) the Purchaser having obtained from its PRC legal advisers an opinion in form and substance satisfactory to the Purchaser in respect of the PRC Subsidiary;
- (iii) the Vendor having delivered to the Purchaser documentary evidence confirming that all fees required to be paid by the PRC Subsidiary prior to the Completion Date under all permits held by the PRC Subsidiary have been fully paid (to the extent payable prior to the Completion Date);

- (iv) the Listing Committee of the Stock Exchange granting approval (either unconditionally or subject to conditions to which the Vendor shall not unreasonably object) for the listing of, and permission to deal in the Consideration Shares;
- (v) the compliance by the Purchaser and the Company of all applicable requirements under the GEM Listing Rules or otherwise of the Stock Exchange or other government agency or any applicable laws which requires compliance by the Purchaser and/or the Company at any time prior to Completion in relation to the Agreement and the transactions contemplated thereunder;
- (vi) the Purchaser and the Vendor having entered into a custodian agreement with a custodian in connection with the custodian arrangement in respect of the Consideration Shares;
- (vii) as at the date of fulfilment or waiver of the last in time to be fulfilled of the conditions precedent (other than this condition):
 - (a) there being no material unremedied breach by the Vendor of any of his undertakings and covenants contained in the Agreement; and
 - (b) the warranties given by the Vendor remaining true and correct in all material respects (other than in respect of those representations and warranties which are already subject to a materiality qualification);
- (viii) there is no occurrence of any material adverse change on the financial position, business or property, results of operations, prospects of any member of the Target Group nor certain events as defined under the Agreement with respect to any members of the Target Group.

The Purchaser may at its absolute discretion at any time on or prior to 5:00 p.m. on the Long Stop Date, by written notice to the Vendor, waive any of the conditions above other than conditions (iv), (v), and (vi) above (to the extent they are capable of being waived). If all of the conditions precedent above have not been fulfilled or waived before 5:00 p.m. on the Long Stop Date, the Agreement shall automatically terminate and either the Purchaser or the Vendor shall have any claim of any nature whatsoever against the other party under the Agreement save for accrued rights arising from any prior breach of the Agreement and certain other provisions under the Agreement.

Guaranteed Profits

Pursuant to the Agreement, the Vendor unconditionally and irrevocably guaranteed to the Purchaser that the Net Profits shall be no less than HK\$20 million and HK\$25 million for the First Relevant Period and the Second Relevant Period respectively. The amount of the Net Profits shall be calculated in accordance with the International Financial Reporting Standards after deduction of all relevant tax and after exclusion of, among other things, any income arising from or attributable to (i) revaluation of assets; (ii) activities other than in the ordinary course of business of the Target Group; (iii) exceptional, extraordinary and other non-recurring items; (iv) any business or companies acquired by the Target Group after Completion; and (v) any adjustment of income arising from prior years. The Net Profits in respect of each of the First Relevant Period and the Second Relevant Period shall be certified by the auditors of the Company at the relevant time.

If the Net Profits for each of the Relevant Periods is more than zero but less than the relevant Guaranteed Profits, the Vendor shall compensate the Purchaser in cash (the “**Shortfall Payment**”) within ten Business Days of the issue date of certificate issued by the auditors of the Company in an amount calculated in accordance with the following equation:

The Shortfall Payment = (Guaranteed Profits – Net Profits) x 2

In the event that the Net Profits of the Target Group is less than zero for any of the Relevant Periods, the Purchaser shall be entitled to an aggregate amount (the “**Net Loss Payment**”) equivalent to the sum of (i) the absolute value of the Net Profits for the particular Relevant Period; and (ii) two times the amount of Guaranteed Profits for the particular Relevant Periods, which is payable by the Vendor within ten Business Days of the issue date of certificate issued by the auditors of the Company. The aggregation of the Shortfall Payment and the Net Loss Payment (if any) for the Relevant Periods, in any event, shall not exceed HK\$100 million (being the Total Investment) less the aggregate amount of damages, compensations, payments, costs and expenses already paid by the Vendor in relation to the Agreement.

Custodian arrangement

In connection with the Guaranteed Profits, the Vendor and the Purchaser also agreed to enter into a custodian agreement regarding the appointment of a custodian to hold, deal with and dispose of the Consideration Shares. Upon Completion, the Consideration Shares will be held by the custodian on behalf of the Vendor. If the Purchaser makes any claim against the Vendor and the relevant cash payment is not made by the Vendor within ten Business Days, the Purchaser shall be entitled to instruct the custodian to sell through dealings at the Stock Exchange or any other available means a specified number of the Consideration Shares and pay the net proceeds to the Purchaser directly to cover the amount of such claim in full. If the Net Profits in respect of the First Relevant Period is more than the First Guaranteed Profit, then the Purchaser shall instruct the custodian to release to the Vendor 45% of the total number of the Consideration Shares within 10 Business Days after issue of the relevant auditors’ certificate.

The custodian arrangement will be terminate on the 30th days after the issue of by the auditors of the Company the certification for the Net Profits for the Second Relevant Period if no amount of cash compensation shall then be owing by the Vendor to the Purchaser under the Agreement and if any amount of cash compensation shall then be owing by the Vendor to the Purchaser under the Agreement, such custodian arrangement shall not end until the sooner of (i) the full amount of cash compensation owed by the Vendor to the Purchaser shall have been paid or settled; or (ii) if all the Consideration Shares shall have been sold by the custodian.

Completion

Completion shall take place on the third Business Day (or such other date as the Company and the Vendor shall agree in writing) after the fulfillment or waivers (as the case may be) of the conditions precedent under the paragraph headed “Conditions precedent” above.

First right of refusal

Pursuant to the terms of the Agreement, the Vendor and the Purchaser will also enter into a deed of first right of refusal pursuant to which the Vendor irrevocably grants the first rights of refusal to the Purchaser in connection with any proposed disposal by the Vendor of any or all of the shares of the Target Company held by the Vendor immediately after Completion (the “**Remaining Shares**”). Unless the Vendor has made an offer to sell the Remaining Shares in

whole or part to the Purchaser and such offer is not wholly accepted by the Purchaser within 20 Business Days from the time of such offer is communicated to the Purchaser, the Vendor shall not effect any disposal of the Remaining Shares to any party other than the Purchaser. If the acceptance of such offer is subject to fulfillment of requisite regulatory approvals or compliance such as compliance requirements under the GEM Listing Rules or governmental approval, and if such acceptance does not become unconditional upon expiry of two months from the time of acceptance of the offer, the offer shall be deemed to be rejected by the Purchaser .

THE ISSUE PRICE

The Issue Price of HK\$0.2 per Consideration Share which represents:

- (i) a premium of approximately 26.6% over the closing price of HK\$[0.158] per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a premium of approximately 29.4% over the average closing price of HK\$[0.1546] per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Date; and
- (iii) a premium of approximately 30.5% over the average closing price of HK\$[0.1532] per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Date.

The Issue Price of HK\$0.2 was determined after arm's length negotiations between the Purchaser and the Vendor taking into account the market prices of the Shares in the past 12 months. The Directors consider that the Issue Price is fair and reasonable.

INFORMATION ON THE TARGET GROUP

The Target Company is an investment holding company incorporated on 18 January 2013, the material asset of which is the holding of the entire issued share capital of Riseway. Riseway is an investment holding company incorporated on 31 January 2013 and is the beneficial owner of 70% equity interest in the PRC Subsidiary. Since the respective incorporation of the Target Company and Riseway, save for the aforesaid investment holdings, the Target Company and Riseway have not carried on other business and have no other material assets.

The PRC Subsidiary is a limited liability company established in the PRC on 27 April 2010. The PRC Subsidiary is currently the holder of the Coal Trading License and is principally engaging in coal processing, and trading of coal and other related products. The Coal Trading License was granted to the PRC Subsidiary for conducting its coal trading business in [Inner Mongolia], the PRC. Since the incorporation of the PRC Subsidiary, the PRC Subsidiary has been gradually developing its coal trading business. The PRC Subsidiary has entered into an operating lease of a property of area of approximately 10,000 square metres located in 土右旗沟门镇(Goumenzhen of Tumed Youqi*), Inner Mongolia which is accessible to railway transportation network. The PRC Subsidiary has also developed its own processing plant on the aforesaid leased property for coal processing and coal storage. The suppliers of the PRC Subsidiary are principally from coal mining companies in Mongolia. With the abundance supply of coal from suppliers in Mongolia and the continuous demand for coal in the PRC, the Directors expect that the business of the PRC Subsidiary has a good development potential.

Set out below is the historical financial information on the PRC Subsidiary prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended 31 December 2012	For the period from 27 April 2010 to 31 December 2011
	RMB	RMB
	<i>(unaudited)</i>	<i>(unaudited)</i>
Turnover	49,141,380	3,036,411
Profit/(Loss) before taxation	2,991,601	(4,133,698)
Profit/(Loss) after taxation	2,991,601	(4,133,698)

The unaudited combined net assets of the Target Group as at 31 May 2013 amounted to approximately RMB13.7 million. Upon Completion, the Company will be interested in 86% issued share capital in the Target Company which will become a subsidiary of the Company. The financials of the Target Group will be consolidated into the financial statements of the Group upon Completion.

REASONS FOR THE ACQUISITION

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 Group currently owns mining rights and interests in three mines in Tajikistan, being the Kaftar Hona anthracite deposit, the Zeddi coal deposit and the Mienadu coal deposit. In addition, the Group also obtained the mining lease with right to mine the Eastern Zone of Fon Yagnob coal deposit in Tajikistan in October 2012.

According to the audited consolidated financial statements of the Company for the year ended 31 December 2012, the Group recorded audited turnover of approximately HK\$583.2 million, over 90% of which is attributable to the provision of supply chain management services for mineral business. With a view to diversifying its income source and enhancing the profitability of the Group, the Group has been actively exploring investment opportunities in relation to coal trading business in the north western part of the PRC.

As stated in the annual report of the Company for the year ended 31 December 2012, according to the “Twelfth Five-Year” plan by the government of the PRC, the total investment in coal and related industry in Inner Mongolia up to year 2015 will amount to more than RMB200 billion. The Directors expect that the coal and related industry in Inner Mongolia will be benefit from the support from the government of the PRC.

Before the disposal of the Group’s 70% equity interest in Inner Mongolia Mengxi Minerals Limited in December 2011, the Group was engaged in exploitation of coal and coal processing business in Inner Mongolia. Leveraging on the Group’s past experience in Inner Mongolia and the capital base of the Group, the Directors are optimistic to the future business development of the Target Group. The Directors consider that the Acquisition would enable the Group to become a fully fledged supply chain management player in Inner Mongolia and provides a stable income stream to the Group. The Directors also expect to realise synergetic effect as a result of the

consolidation of the Group's existing supply chain management services for mineral business and the coal trading business of the PRC Subsidiary.

Taking into account the above factors and the trading prospects of the Target Group, the Directors consider that the terms of the Agreement are fair and reasonable and the Acquisition is in the interests of the Shareholders and the Company as a whole.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following illustrates the Company's shareholding structure (i) as at the date this announcement and (ii) immediately upon Completion and the issue of the Consideration Shares, assuming there is no other change to the share capital of the Company:

	As at the date of this announcement		Immediately upon Completion and the issue of the Consideration Shares	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Chan Nap Kee, Joseph	23,270,000	0.89	23,270,000	0.81
Yang Yongcheng	100,000	0.00	100,000	0.00
Liew Swee Yean	540,000	0.02	540,000	0.02
Siu Siu Ling, Robert	540,000	0.02	540,000	0.02
Wong Yun Kuen	2,000,000	0.08	2,000,000	0.07
Subtotal of the Directors	26,450,000	1.01	26,450,000	0.92
The Vendor (<i>Note</i>)	-	-	250,000,000	8.72
Other public Shareholders	2,590,555,700	98.99	2,590,555,700	90.36
Total	2,617,005,700	100.0	2,867,005,700	100.0

Note: The shareholding of the Vendor in the Company upon Completion will be treated as public.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the relevant percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the GEM Listing Rules. The Consideration Shares will be issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 28 May 2012.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the issued Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 24 June 2013, pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 25 June 2013.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Purchaser under the Agreement
“Agreement”	the conditional sale and purchase agreement dated 23 June 2013 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Board”	the board of Directors
“Business Day(s)”	any day(s) on which licensed banks in Hong Kong are open for business
“Coal Trading License”	the coal trading license granted to the PRC Subsidiary for its coal trading business in Inner Mongolia, the PRC
“Company”	Kaisun Energy Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM (stock code: 8203)
“Completion”	completion of the Acquisition
“Completion Date”	the date of Completion
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the consideration of HK\$50 million for the Sale Shares pursuant to the Agreement
“Consideration Share(s)”	the 250,000,000 new Shares to be issued by the Company to the Vendor for satisfying the Consideration
“Director(s)”	director(s) of the Company
“First Guaranteed Profit”	the Net Profits of RMB20 million, being the profit guaranteed by the Vendor under the Agreement for the First Relevant Period
“First Relevant Period”	the 12-months period commencing from the first day of the calendar month next following the Completion Date
“GEM”	The Growth Enterprise Market of the Stock Exchange

“GEM Listing Rules”		The Rules Governing the Listing of Securities on GEM
“Group”		the Company and its subsidiaries
“Guaranteed Profits”		the First Guaranteed Profit or the Second Guaranteed Profit
“HK\$”		Hong Kong dollars, the lawful currency of Hong Kong
“Issue Price”		HK\$0.2 per Share, being the issue price of each Consideration Share
“Last Trading Date”		21 June 2013, being the last trading date for the Shares before suspension pending the release of this announcement
“Long Stop Date”		23 September 2013 (or such later date as the Vendor and the Purchaser may agree in writing)
“Net Profits”		the audited consolidated or combined net profits of the Target Group after taxation for each of the Relevant Periods as calculated in accordance with the terms and conditions under the Agreement
“PRC”		the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Subsidiary”		包头市鑫鼎煤化工有限公司 (Baotou Xin Ding Coal Chemical Co. Ltd.)*, a company established in the PRC with limited liability, 70% of its equity interest is owned by Riseway
“Purchaser”		First Concept Development Limited, a wholly-owned subsidiary of the Company
“Relevant Periods”		the First Relevant Period or the Second Relevant Period
“Riseway”		Riseway Investment Limited, a company incorporated in Hong Kong with limited liability, the entire issued share capital of which is owned by the Target Company
“RMB”		Renminbi, the lawful currency of the PRC
“Sale Shares”		43,000 ordinary shares of US\$1 each in the share capital of the Target Company, representing 86% issued share capital of the Target Company
“Second Guaranteed Profit”	Guaranteed	the Net Profits of RMB25 million, being the profit guaranteed by the Vendor under the Agreement for the Second Relevant Period
“Second Relevant Period”	Relevant	the 12-months period immediately following the last day of the First Relevant Period
“Share(s)”		ordinary share(s) of HK\$0.01 each in the share capital of the

	Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Farton Group Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	together, the Target Company, Riseway and the PRC Subsidiary
“Total Investment”	the total investment amount of HK\$100 million for (i) the acquisition of the Sale Shares; and (ii) capital injection by the Group to Riseway for funding the working capital requirement of the Target Group upon Completion
“US\$”	United States dollars, the lawful currency of the United States
“Vendor”	Mr. Lau Siu Hung, Ricky (劉少雄), the vendor of the Sale Shares
%	per cent

By order of the Board

Kaisun Energy Group Limited
CHAN Nap Kee, Joseph
Chairman

Hong Kong, 24 May, 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.

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*