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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)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



KINGSTON SECURITIES LIMITED

THE PLACING

On 14 August 2009 (after trading hours), the Placing Agent and the Company entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a fully underwritten basis, 240,000,000 Placing Shares to not fewer than six Placees who and whose ultimate beneficial owners will not be connected persons of the Company and its connected persons.

The 240,000,000 Placing Shares under the Placing represent 20.00% of the existing issued share capital of the Company of 1,200,000,000 Shares as at the date of this announcement and approximately 16.67% of the then issued share capital of 1,440,000,000 Shares as enlarged by the Placing. The aggregate nominal value of the Placing Shares under the Placing will be HK\$2,400,000.

The Placing Price of HK\$0.70 represents a discount of approximately 11.39% to the benchmarked price of the Shares, which is the higher of (i) the closing price of HK\$0.790 as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) the average closing price of HK\$0.736 in the last 5 trading days prior to the date of the Placing Agreement. The Placing Price of HK\$0.70 also represents a discount of 7.89% to the average closing price of HK\$0.760 in the last 10 trading days prior to the date of the Placing Agreement.

The Placing is conditional upon, among other things, (i) the GEM Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares and (ii) the obligations of the Placing Agent under the Placing Agreement not being terminated in accordance with the terms of the Placing Agreement, including provisions regarding force majeure event.

The gross proceeds from the Placing will be HK\$168.0 million. The net proceeds from the Placing will amount to approximately HK\$159.1 million which is intended to be used for future business development and general working capital. The net price raised per Share upon the completion of the Placing will be approximately HK\$0.663 per Share.

THE PLACING AGREEMENT

Date

14 August 2009 (after trading hours)

Issuer

The Company

Placing Agent

The Placing Agent has conditionally agreed to place 240,000,000 Placing Shares on a fully underwritten basis and will receive a placing commission of 5.0% on the gross proceeds of the number of Placing Shares being placed. The Directors are of the view that the placing commission of 5.0% is fair and reasonable.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the Placing Agent and its ultimate beneficial owners are not connected persons of the Company and its connected persons.

Placees

The Placing Agent will place the Placing Shares to not fewer than six Placees who and whose ultimate beneficial owners are not connected persons of the Company and are third parties independent of and not connected with the Company, connected persons of the Company and any of the Directors, chief executive or substantial shareholder(s) of the Company or any of its subsidiaries or their respective associates. None of the Placees will become a substantial Shareholder (as defined under the GEM Listing Rules) of the Company immediately after the Placing.

Number of Placing Shares

The 240,000,000 Placing Shares under the Placing represent 20.00% of the existing issued share capital of the Company of 1,200,000,000 Shares as at the date of this announcement and approximately 16.67% of the then issued share capital of 1,440,000,000 Shares as enlarged by the Placing. The aggregate nominal value of the Placing Shares under the Placing will be HK\$2,400,000.

Ranking of Placing Shares

The Placing Shares under the Placing will rank, upon issue, pari passu in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK\$0.70 represents a discount of approximately 11.39% to the benchmarked price of the Shares, which is the higher of (i) the closing price of HK\$0.790 as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) the average closing price of HK\$0.736 in the last 5 trading days prior to the date of the Placing Agreement. The Placing Price of HK\$0.70 also represents a discount of 7.89% to the average closing price of HK\$0.760 in the last 10 trading days prior to the date of the Placing Agreement.

The Placing Price was determined with reference to the prevailing market price of the Share and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Placing are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

The Placing Shares

The Placing Shares will be issued under the General Mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the AGM subject to the limit up to 20% of the then issued share capital of the Company as at the date of the AGM. Under the General Mandate, the Company is authorized to issue up to 240,000,000 Shares. Up to the date of this announcement, no Share has been issued under the General Mandate.

Conditions of the Placing Agreement

Completion of the Placing Agreement is conditional upon:

- (i) the GEM Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares under the Placing; and
- (ii) the obligations of the Placing Agent under the Placing Agreement not being terminated in accordance with the terms of the Placing Agreement, including provisions regarding force majeure event.

Termination and force majeure

- (i) Unless otherwise agreed between the Company and the Placing Agent, the Placing Agent’s appointment shall terminate upon the earlier of (a) the Completion and (b) termination of the Placing by the Placing Agent in accordance with the terms and conditions of the Placing Agreement, whereby the Company will be formally notified by the Placing Agent in writing in accordance with the terms of the Placing Agreement.**
- (ii) The Placing Agent reserves its right to terminate the arrangements set out in the Placing Agreement by notice in writing prior to 10:00 a.m. on the Completion Date, if in the absolute opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by any force majeure events (as defined below).**

For this purpose, a “force majeure event” refers to

- (a) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Company and its subsidiaries (together the “Group”) as a whole; or**
- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances (inclusive of any pandemics or epidemics) which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group or adversely prejudices the success of the placing of the Placing Shares to potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or**
- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction or trading in securities) occurs which affect the success of the Placing (such success being the placing of the Placing Shares to potential investor(s)) or otherwise in the absolute opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.**

(iii) If, at or prior to 10:00 a.m. on the Completion Date;

- (a) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement; or**
- (b) any suspension in the trading of the Shares on GEM for more than ten consecutive trading days save for the purposes of clearing of the announcement relating to the Placing Agreement or circulars relating to the Placing; or**
- (c) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated the Placing Agent shall determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or will otherwise likely to have a material prejudicial effect on the Placing.**

The Placing Agent shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Placing Agent from its obligations under the Placing Agreement.

Upon giving of notice pursuant to the paragraph above, all obligations of the Placing Agent hereunder shall cease and determine and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Placing Agreement, save for any antecedent breaches.

The Directors are not aware of the occurrence of any of such events as at the date of this announcement.

Completion of the Placing

Completion of the Placing will take place within four business days after the fulfillment of the conditions set out in the Placing Agreement but not later than 30 September 2009 or such later date as may be agreed between the Company and the Placing Agent.

The Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Company was incorporated in Cayman Islands with limited liability. The principal business activities of the Group are investments in mining, sale and processing of coking coal in the PRC and engage in provision of auto repairing/detailing services.

The gross proceeds from the Placing will be HK\$168.0 million. The net proceeds from the Placing will amount to approximately HK\$159.1 million is intended to be used for future business development and general working capital. The net price raised per Share upon the completion of the Placing will be approximately HK\$0.663 per Share.

The Directors have considered different types of fund raising arrangement and consider that the Placing is the most efficient way in terms of cost for the Company. In the meantime, the Company can take this opportunity to broaden the capital case of the Company.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any fund raising activity in the past twelve months immediately before the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE

The existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon completion of the Placing is set out as below:

Name of Shareholders	As at the date of this announcement		Immediately upon the completion of the Placing	
	Number of shares	%	Number of shares	%
Glimmer Stone Investment Limited (Note 1)	190,000,000	15.84	190,000,000	13.19
Pacific Top Holding Limited (Note 2)	70,000,000	5.84	70,000,000	4.86
Grand Pacific Source Limited (Note 2)	40,000,000	3.33	40,000,000	2.78
Mr. Yang Geyan (Note 3)	9,800,000	0.82	9,800,000	0.68
Subtotal	309,800,000	25.83	309,800,000	21.51
Public				
Other public Shareholders	890,200,000	74.17	890,200,000	61.82
Placees	–	0.00	240,000,000	16.67
Subtotal	890,200,000	74.17	1,130,200,000	78.49
Total	<u>1,200,000,000</u>	<u>100.00</u>	<u>1,440,000,000</u>	<u>100.00</u>

Notes:

1. Glimmer Stone Investment Limited (“Glimmer Stone”) and Pacific Top Holding Limited (“Pacific Top”) and Grand Pacific Source Limited are the holders of the convertible bonds (the “Bonds”) issued by the Company on 10 June 2008.
2. Pacific Top Holding Limited and Grand Pacific Source Limited are the associates of Glimmer Stone and the connected persons of the Company.
3. Mr. Yang Geyan is an executive Director
4. The shareholding table above does not take into account the impact upon full conversion of the 66,673,750 outstanding share options into shares and the Bonds.

GENERAL

Application will be made by the Company to the GEM Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Placing Shares.

TERMS AND DEFINITIONS

“AGM”	the annual general meeting of the Company held on 31 July 2009;
“Board”	the board of Directors;
“Company”	Kaisun Energy Group Limited (凱順能源集團有限公司*) (formerly known as Challenger Group Holdings Limited) (挑戰者集團控股有限公司), a company incorporated in Cayman Islands with limited liability and the shares of which are listed on the GEM;
“connected person(s)”	has the meaning given that term in the GEM Listing Rules;
“Director(s)”	director(s) of the board of the Company;
“GEM”	the Growth market Enterprise of the Stock Exchange;
“GEM Listing Rules”	The Rules Governing the Listing of Securities on the GEM;
“General Mandate”	the mandate granted to the Directors by the Shareholders at the AGM to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM;
“Group”	the Company and its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;

“Placing”	the placing of 240,000,000 new Shares pursuant to the terms of the Placing Agreement;
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 14 August 2009 in relation to the Placing;
“Placing Price”	HK\$0.70 per Placing Share;
“Placing Share(s)”	240,000,000 new Shares to be placed pursuant to the Placing Agreement;
“Placee(s)”	any professional, institutional or other investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agreement;
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“PRC”	The People’s Republic of China;
“Shareholder(s)”	holder(s) of the Share(s);
“Share(s)”	ordinary share(s) of HK\$0.01 in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“%”	per cent.

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

Hong Kong, 14 August 2009

As of the date of this announcement, the executive Directors are Mr. Chan Nap Kee Joseph, Mr. Yeap Soon P Jonathan, Dr. Chow Pok Yu Augustine, Mr. Yang Geyan 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; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its publication.

** For identification purposes only*