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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*)

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8203)

AGREEMENT REGARDING PROPOSED AMENDMENTS TO TERMS AND CONDITIONS OF EXISTING BONDS, CONNECTED TRANSACTION AND RESUMPTION OF TRADING

MEMORANDUM OF AGREEMENT

Reference is made to the Company's announcements dated 30 June and 13 July 2009 respectively concerning the MOA entered into by the Company and the Bondholders on 29 June 2009. Under the MOA, the Parties agreed in principle that the Conditions shall be amended such that if upon the conversion of any Existing Bond, the Conversion Cap will be exceeded, the Company will be required to issue a Replacement Bond to the converting Bondholder in principal amount equal to the Conversion Cap Payment in satisfaction of the Company's obligation to make the Conversion Cap Payment in cash.

The Proposed Amendments and detailed terms and conditions of the Replacement Bonds shall be set forth in a definitive agreement to be entered into by the Parties.

VARIATION AGREEMENT

It is announced by the Board that on 20 July 2009, the Company and the Bondholders have entered into the Variation Agreement. The Variation Agreement is the definitive agreement contemplated in the MOA and sets forth in detail the Proposed Amendments and terms and conditions of the Replacement Bonds which, in broad terms, are the same as those disclosed in the Company's announcement dated 30 June 2009.

* *for identification purpose only*

Settlement of Conversion Cap Payments due to the Bondholders

On 26 June and 2 July 2009, the Bondholders exercised the conversion right attached to Existing Bonds in the aggregate principal amount of HK\$430 million. The Conversion Cap has been exceeded under each of these exercises. As a result, the Due Conversion Cap Payments have become payable by the Company to the Bondholders under the Existing Bonds. Under the Variation Agreement the Company has agreed to issue the Replacement Bonds to the Bondholders in principal amount equal to the Due Conversion Cap Payment in satisfaction of the Company's obligation to make the Due Conversion Cap Payment in cash.

Conditions Precedent

The coming into effect of the Proposed Amendments and the transactions contemplated under the Variation Agreement are subject to fulfillment of certain Conditions Precedent, namely: (i) approval by the Independent Shareholders; (ii) obtaining by the Company of listing approval for Shares falling to be issued upon conversion of the Replacement Bonds and (iii) obtaining by the Company from the Stock Exchange and other relevant authorities of all requisite approval or consent.

GEM LISTING RULES IMPLICATIONS OF THE VARIATION AGREEMENT

Glimmer is a substantial shareholder of the Company. All other Bondholders are associates of Glimmer and are connected persons of the Company. The Variation Agreement and consummation of the transactions contemplated therein will constitute connected transactions of the Company under the GEM Listing Rules.

EXTRAORDINARY GENERAL MEETING

The Company will convene the EGM for the purposes of seeking approval by the Independent Shareholders to the Proposed Amendments and the transactions contemplated under the Variation Agreement. The Bondholders and their respective associates will abstain from voting on the relevant resolutions to be proposed at the EGM in respect of the Proposed Amendments and the transactions contemplated under the Variation Agreement.

An independent board committee of the Company will be appointed to advise the Independent Shareholders on whether the Proposed Amendments, terms of the Replacement Bonds and the transactions contemplated under the Variation Agreement are fair and reasonable so far as the Independent Shareholders are concerned. An independent financial adviser will be appointed to advise the independent board committee of the Company regarding the Proposed Amendments, terms of the Replacement Bonds and the transactions contemplated under the Variation Agreement. A circular containing further details of, among other matters, the Proposed Amendments, terms of the Replacement Bonds and the transactions contemplated under the Variation Agreement together with a notice of the EGM will be dispatched to the Shareholders as soon as practicable.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended since 9:30 a.m. on 21 July 2009 pending the publication of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 27 July 2009.

Reference is made to the Company's announcements dated 30 June and 13 July 2009 concerning the MOA entered into by the Company and the Bondholders on 29 June 2009.

EXISTING BONDS

On 10 June 2008, the Company completed its acquisition of (i) 49% interest in Inner Mongolia Mengxi Minerals Company Limited, a Sino-foreign joint venture company set up to own and operate a coking coal mine in Inner Mongolia in the People's Republic of China; and (ii) 70% stake in Ordos GEM Coal & Chemical Co., Ltd., another Sino-foreign joint venture company established to build and operate coal processing plants. Details of such acquisition are set out in the Company's circular dated 30 April 2008.

The acquisition was financed in part by the issue of Existing Bonds in the aggregate principal amount of HK\$770,000,000. The Existing Bonds were created in the original aggregate principal amount of up to HK\$920,000,000 but at completion of the acquisition, only HK\$770,000,000 aggregate principal amount of the Existing Bonds were issued. At as the date hereof, the aggregate outstanding principal amount of the Existing Bonds in respect of which no conversion right has been exercised is HK\$340,000,000 and are held by Glimmer and Pacific Top in the proportion shown below:

Bondholder	Principal Amount of Outstanding and Unconverted Existing Bonds held
Glimmer	HK\$211,000,000
Pacific Top	<u>HK\$129,000,000</u>
Total	<u><u>HK\$340,000,000</u></u>

Currently interest on the Existing Bonds is charged at the rate of 1% per annum and is payable at the time of conversion or redemption.

The Existing Bonds are convertible into Shares at a floating conversion price (but not less than HK\$0.01 per Share, being the par value of one Share) subject to the cap of HK\$1.30 per Share.

Under the Conditions, each Existing Bond may be converted into a maximum of 1,000,000 Shares (being the Conversion Cap), which is subject to increase and adjustment in the manner stipulated in the Conditions. If upon conversion of an Existing Bond, the number of Shares required to be issued by the Company exceeds the Conversion Cap, only the amount of Shares up to the Conversion Cap will be issued and the balance of the principal amount of such Existing Bond not so converted (being the Unconverted Principal) shall be redeemed by the Company by payment in cash of the Conversion Cap Payment.

Currently, the Company is entitled to cancel and to redeem in cash all the Existing Bonds at any point in time after the third anniversary of the date of issue of the Existing Bonds and prior to the Maturity Date of 10 June 2013 at 135% of their principal amount together with accrued interest.

MEMORANDUM OF AGREEMENT

Under the MOA, the Parties agreed in principle that the Conditions shall be amended such that if upon the conversion of any Existing Bond, the Conversion Cap will be exceeded, the Company will be required to issue a Replacement Bond to the converting Bondholder in principal amount equal to the Conversion Cap Payment in satisfaction of the Company's obligation to make the Conversion Cap Payment in cash.

The Proposed Amendments and detailed terms and conditions of the Replacement Bonds shall be set forth in a definitive agreement to be entered into by the Parties.

Details of the MOA were disclosed in the Company's announcements dated 30 June and 13 July 2009.

VARIATION AGREEMENT

It is announced by the Board that on 20 July 2009, the Company and the Bondholders have entered into the Variation Agreement.

Date: 20 July 2009

Parties: the Company of the one part and Glimmer, Pacific Top and Grand Pacific of the other part

The Bondholders (other than Grand Pacific) are at present all the holders of the outstanding Existing Bonds.

Glimmer is a substantial shareholder of the Company. All the other Bondholders are associates of Glimmer and are connected persons of the Company.

The Variation Agreement is the definitive agreement contemplated in the MOA and sets forth in detail the Proposed Amendments and terms and conditions of the Replacement Bonds which, in broad terms, are the same as those disclosed in the Company's announcement dated 30 June 2009.

Proposed Amendments

Under the Variation Agreement, the Parties agreed that subject to fulfillment of the Conditions Precedent, the Conditions shall be amended in the following manner:

- (1) if upon the conversion of any Existing Bond, the Conversion Cap will be exceeded, the Company will be required to issue a Replacement Bond to the converting Bondholder in principal amount equal to the Conversion Cap Payment in satisfaction of the obligation to make the Conversion Cap Payment in cash;
- (2) the Company shall have no right to require the early cancellation or redemption of any of the Existing Bonds prior to the Maturity Date;
- (3) the conversion price shall not be lower than the floor price of HK\$0.20 per Share (subject to adjustment if there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification); and
- (4) further amendments of editorial nature that are ancillary or consequential to the above, as stipulated in the Variation Agreement.

Under the Conditions of the Existing Bonds, the conversion price cannot be lower than HK\$0.01 per Share, being the par value of one Share. The setting of a floor conversion price at HK\$0.20 per Share under the Proposed Amendments will raise the conversion floor by 20 times and reduce the impact of potential dilutive effect to the existing Shareholders.

Effects of the Proposed Amendments are that the Company will not be compelled to redeem the Unconverted Principal of the Existing Bonds and related premium charges by immediate cash payments and that the conversion floor will be raised by 20 times. In return for these concessions given by the Bondholders, the Company will have to give up its right to redeem the Existing Bonds prior to the Maturity Date. As such, the Proposed Amendments can increase the liquidity and cashflow of the Company and ease the financial feasibility situation. In addition, the Proposed Amendments can reduce the impact of potential dilutive effect to the existing Shareholders. On balance, the Board considers that the making of the Proposed Amendments is an appropriate measure to improve the liquidity and cashflow position of the Company.

If the Proposed Amendments come into effect, the conversion price of the Existing Bonds will be the lower of either:

- (a) HK\$1.30 per Share; or
- (b) 100% of the average of the 3 lowest closing prices for a Share on the Stock Exchange or, if trading in the Shares is suspended and there is no closing price at the Stock Exchange on a relevant day, the last traded price reported per Share on such day, during the 20 trading days period prior to the date of issue of the conversion notice (“**Variable Price**”) save that the lowest Variable Price shall not be less than HK\$0.20 per Share.

The fixed conversion price of HK\$1.30 per Share is subject to adjustment provisions which are standard for convertible securities of similar type. The adjustment events include alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification, capitalization of profits or reserves, capital distribution in cash or specie or subsequent issue of securities in the Company.

Terms of the Replacement Bonds

The detailed terms and conditions of the Replacement Bonds are set forth in the Variation Agreement. Following is a summary of the principal terms:

Principal amount	:	Equal to the Conversion Cap Payment due by the Company to a converting Bondholder, rounded down to the nearest minimum denomination of HK\$10,000 for each Replacement Bond
Maturity	:	10 June 2013, being the same as the Existing Bonds
Interest	:	3.75% compounded annually and payable (i) in conversion shares on conversion; or (ii) in cash at maturity
Conversion Period	:	At any time from issue date up to full redemption
Conversion Price	:	HK\$0.70 per Share subject to adjustment provisions which are standard for convertible securities of similar type. The adjustment events include alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification, capitalization of profits or reserves, capital distribution in cash or specie or subsequent issue of securities in the Company (excluding the issue of Shares upon exercise of conversion rights attaching to the Existing Bonds and the Replacement Bonds).

Conversion Limit	:	<p>No conversion right may be exercised, to the extent that following such exercise:</p> <p>(a) a holder of the Replacement Bonds and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 30% or more of the voting rights in respect of all the issued Shares (or in such lower percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer); or</p> <p>(b) the public float of the Shares will fall below the minimum public float requirements stipulated under Rule 11.23 of the GEM Listing Rules.</p>
Redemption on maturity		<p>Any outstanding Replacement Bonds on the Maturity Date shall be redeemed by the Company at a redemption amount equal to the outstanding principal amount of the Replacement Bonds together with interest accrued. No redemption premium shall be payable by the Company</p>
No early redemption by the Company	:	<p>The Company has no right to require the early cancellation or redemption of any of the Replacement Bonds prior to the Maturity Date</p>
Early redemption by holders	:	<p>Holders of the Replacement Bonds may terminate and request immediate redemption of the Replacement Bonds at 135% of their principal amount together with accrued interest upon occurrence of any of the following events:</p> <p>(a) the Company fails to deliver the conversion Shares as required and such failure shall subsist for more than 10 days after notice of non-delivery; or</p> <p>(b) the Company fails to comply with any other material obligation under the Replacement Bonds, unless such failure is cured within 30 days after request; or</p> <p>(c) performance by the Company of its obligations under the Replacement Bonds shall breach any applicable law.</p>
Transferability	:	<p>The Replacement Bonds may be transferred, in minimum principal amount of HK\$5,000,000, by the holder to any third party.</p>

Voting rights : The Replacement Bonds do not confer upon their holders any voting rights at general meetings of the Company.

Ranking The Replacement Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and shall rank, pari passu, without preference or priority amongst themselves.

Settlement of Conversion Cap Payments due to the Bondholders

On 26 June and 2 July 2009, the Bondholders exercised the conversion right attached to Existing Bonds in the aggregate principal amount of HK\$430 million. The Conversion Cap has been exceeded under each of these exercises. As a result, the Due Conversion Cap Payments in amounts set forth below have become payable by the Company to the Bondholders under the Existing Bonds:

Exercise Date	Holder	Principal Amount of Existing Bonds Exercised (HK\$)	No. of Shares Issued on Conversion	Conversion Price per Share (HK\$)	Amount of Due Conversion Cap Payments (HK\$) (Note)
26 June 2009	Grand Pacific	160 million	160 million	0.4167	113,671,822.22
2 July 2009	Grand Pacific	10 million	10 million	0.425	7,006,172.22
2 July 2009	Glimmer	190 million	190 million	0.425	133,117,272.22
2 July 2009	Pacific Top	70 million	70 million	0.425	49,043,205.56
	Total:	<u>430 million</u>	<u>430 million</u>		<u>302,838,472.22</u>

Note: The Due Conversion Cap Payment is the sum of 120% of the balance of principal amount of the Existing Bonds that cannot be converted into Shares by reason of the Conversion Cap being reached plus interest accrued from the date of issue of the Existing Bonds to the day before the date of conversion of the Existing Bonds.

Under the Variation Agreement the Company has agreed to issue the Replacement Bonds to the Bondholders in principal amount equal to the Due Conversion Cap Payments in satisfaction of the Company's obligation to make the Due Conversion Cap Payments in cash. Such issue is to be made within 5 business days from the date on which the Variation Agreement shall have become unconditional.

The aggregate principal amounts of Replacement Bonds (rounded down to the nearest minimum denomination of HK\$10,000 for each Replacement Bond) to be issued to the respective Bondholders under the Variation Agreement are shown below:

Bondholder	Principal Amount of Replacement Bonds to be issued under the Variation Agreement
Glimmer	HK\$133,110,000
Grand Pacific	HK\$120,670,000
Pacific Top	<u>HK\$49,040,000</u>
Total	<u><u>HK\$302,820,000</u></u>

Until termination of the Variation Agreement or expiry of the time limited for issue of the Replacement Bonds in settlement of the Due Conversion Cap Payments, the Bondholders agree to withhold any action to seek cash payment by the Company of the Due Conversion Cap Payments due to them.

Conditions Precedent

The coming into effect of the Proposed Amendments and the transactions contemplated under the Variation Agreement are subject to fulfillment of the following Conditions Precedent:

- (1) the passing of ordinary resolutions by the Shareholders (at which such Shareholders as are required under the GEM Listing Rules to abstain from voting shall so abstain) at the EGM to be convened approving:
 - (a) the Variation Agreement and the transactions contemplated thereby (including issue by the Company of the Replacement Bonds in settlement of the Due Conversion Cap Payments);
 - (b) the Proposed Amendments; and
 - (c) the issue of the Replacement Bonds and, upon the exercise of the conversion rights attaching to the Replacement Bonds, the allotment and issue of Shares in accordance with the terms of the Replacement Bonds;
- (2) the GEM Listing Committee of the Stock Exchange having granted or having agreed to grant the listing of, and permission to deal in, the Shares falling to be issued upon an exercise of the conversion rights attaching to the Replacement Bonds; and
- (3) the Company having obtained from the Stock Exchange and other relevant authorities all requisite approval or consent to the Proposed Amendments and consummation of the transactions contemplated by the Variation Agreement.

None of the Conditions Precedent may be unilaterally waived by any of the Parties.

If the Conditions Precedent are not fulfilled on or before 5:00 p.m. on 31 October 2009 or such later date as the Parties may agree in writing, the Variation Agreement shall lapse and be of no further effect and no Party shall have any claim against or liability to the other Parties, save in respect of any antecedent breaches of the Variation Agreement.

Other Terms of the Variation Agreement

Until termination of the Variation Agreement or the coming into effect of the Proposed Amendments pursuant to its terms, no Bondholder shall transfer any of the Existing Bonds held by it save with the prior written approval of all other Parties.

For the avoidance of doubt, the Bondholders shall be permitted to exercise the conversion rights attached to the Existing Bonds held by them despite the entering into of the Variation Agreement.

Maximum Aggregate Principal Amount of the Replacement Bonds

The maximum aggregate principal amount of the Replacement Bonds to be issued upon settlement of the Due Conversion Cap Payments and those issuable upon conversion of the outstanding principal amount of the Existing Bonds of HK\$340 million is HK\$643.01 million. This is calculated by rounding down to the nearest whole multiple of the denomination of one Replacement Bond (i.e. HK\$10,000) of the amount of (i) the Due Conversion Cap Payments to each of the Bondholders as disclosed under the section headed "Settlement of Conversion Cap Payments due to the Bondholders" of this announcement; and (ii) the Conversion Cap Payment to become due to each of the Bondholders upon the conversion of outstanding Existing Bonds of HK\$340 million based on the assumption that the outstanding Existing Bonds will be converted at the floor conversion price of HK\$0.20 per Share on the business day preceding the Maturity Date.

The maximum number of new Shares that may be issued upon the full conversion of the principal amount of HK\$643.01 million of the Replacement Bonds, together with the interest accrued thereon, is 985.04 million Shares. This is calculated based on the assumption that the Replacement Bonds in relation to the settlement of the Due Conversion Cap Payments will be issued on the VA Last Trading Day and be converted into new Shares on the business day preceding the Maturity Day and the outstanding Existing Bonds will be converted into the Replacement Bonds on the sixth business day before the Maturity Date and such Replacement Bonds be converted into new Shares on the business day preceding the Maturity Date. The number of Shares to be issued to each converting Bondholder upon conversion of the Replacement Bonds will be rounded down to the nearest whole multiple of a board lot of the Shares (i.e. 10,000 Shares) and the remaining balance unconverted will be paid to the converting Bondholders in cash.

The 985.04 million Shares to be issued upon conversion of the Replacement Bonds, together with the interest accrued thereon, represents approximately 82.09% of the existing issued share capital of the Company and approximately 45.08% of the issued share capital of the Company as enlarged by the new Shares to be issued upon full conversion of the Replacement Bonds.

Conversion Price of the Replacement Bonds

The conversion price of the Replacement Bonds at HK\$0.70 per Share (subject to adjustments) was fixed under and at time of the MOA. Such fixed conversion price was arrived at after arm's length negotiation between the Company and the Bondholders by reference to the average closing price per Share of approximately HK\$0.695 as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the MOA Last Trading Day.

Such fixed conversion price represents:

- (1) a discount of approximately 13.58% to the closing price of HK\$0.810 per Share as quoted on the Stock Exchange on the MOA Last Trading Day;
- (2) a discount of approximately 1.13% to the average closing price per Share of approximately HK\$0.708 as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the MOA Last Trading Day;
- (3) a premium of approximately 0.72% to the average closing price per Share of approximately HK\$0.695 as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the MOA Last Trading Day; and
- (4) a discount of approximately 11.39% to the closing price of HK\$0.79 per Share as quoted on the Stock Exchange on the VA Last Trading Day;
- (5) a discount of approximately 11.17% to the closing price of HK\$0.788 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the VA Last Trading Day;
- (6) a discount of approximately 8.85% to the closing price of HK\$0.768 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the VA Last Trading Day; and
- (7) a premium of approximately 92.84% to the audited consolidated net assets value per Share of approximately HK\$0.363 as at 31 March 2009.

The Directors (excluding the Interested Directors) consider that the terms of the Replacement Bonds, including the fixed conversion price at HK\$0.70 per Share (subject to adjustments), are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Application for Listing

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Shares falling to be issued upon an exercise of the conversion rights attaching to the Replacement Bonds.

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

IMPACT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The maximum number of Shares issuable under the Replacement Bonds is 898.86 million Shares, assuming that the outstanding Existing Bonds of HK\$340 million will be converted at the floor conversion price of HK\$0.20 per Share and without taking into account accrued interest on the outstanding Existing Bonds and interest to be accrued on the Replacement Bonds to be issued in settlement of the Due Conversion Cap Payments as well as those issuable upon conversion of the outstanding Existing Bonds.

The table at the end of this section illustrates the shareholding structure of the Company in the following scenarios:

- Scenario (1): as at the date of this announcement;
- Scenario (2): upon full conversion of the outstanding Existing Bonds up to the Conversion Cap;
- Scenario (3): upon full conversion of the Replacement Bonds (at the fixed conversion price of HK\$0.70 per Share) to be issued by the Company in settlement of the Due Conversion Cap Payments (in the aggregate amount of HK\$302,838,472.22, rounded down to the nearest minimum denomination of HK\$10,000 for each Replacement Bond) following the Variation Agreement becoming unconditional; and
- Scenario (4): upon full conversion of the Replacement Bonds issuable by the Company under the amended Conditions of the Existing Bonds and on the assumptions that (i) the aggregate outstanding principal amount of the Existing Bonds in respect of which no conversion right has yet been exercised (being the sum of HK\$340,000,000) will be converted at the floor conversion price of HK\$0.20 per Share; and (ii) all such Replacement Bonds will be converted at the fixed conversion price of HK\$0.70 per Share.

Name of Shareholder	Scenario (1)		Scenario (2)		Scenario (3)		Scenario (4)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Bondholders (Notes 1 and 2)	300,000,000	25.00	446,600,000	29.00	580,000,000	29.40	719,410,000	29.50
Yang Geyan (Note 3)	9,800,000	0.82	9,800,000	0.64	9,800,000	0.50	9,800,000	0.40
Subtotal	309,800,000	25.82	456,400,000	29.64	589,800,000	29.90	729,210,000	29.90
Public								
Other Shareholders	890,200,000	74.18	1,083,600,000	70.36	1,382,780,000	70.10	1,709,650,000	70.10
Total	<u>1,200,000,000</u>	<u>100.00</u>	<u>1,540,000,000</u>	<u>100.00</u>	<u>1,972,580,000</u>	<u>100.00</u>	<u>2,438,860,000</u>	<u>100.00</u>

1. As at the date of this announcement, the Bondholders together holds a total of 300 million Shares, of which 190 million Shares are held by Glimmer, 70 million Shares are held by Pacific Top and 40 million Shares are held by Grand Pacific.
2. Subject to the Conversion Cap, the maximum number of the Conversion Shares falling to be issued upon exercising the conversion rights attached to the outstanding Existing Bonds is 340 million Shares. The Bondholders will sell down their shareholding such that the number of Shares held by the Bondholders and their respective associates and parties acting in concert with them is subject to a maximum of 29.9% of the Company's voting rights.
3. YANG Geyan is a Director and a substantial shareholder of Glimmer, a Bondholder.
4. The shareholding table above does not take into account (i) the impact upon full conversion of the 53,005,000 outstanding share options into shares; and (ii) the interest to be accrued on the outstanding Existing Bonds to be issued in settlement of the Due Conversion Cap Payment and those issuable upon conversion of the outstanding Existing Bonds.

VIEW OF THE BOARD

Upon conversion of the Existing Bonds under the existing Conditions, the Company will be required to pay the Conversion Cap Payments in cash if the Conversion Cap is exceeded. Under the Proposed Amendments, the cash payment obligation will be substituted by a Replacement Bond with interest charged at 3.75% per annum. Due to the liquidity and cashflow management policy of the Company, the Company is willing to offer a comparatively higher interest rate in order to encourage the Bondholders not to demand for immediate cash payment and to take a Replacement Bond instead.

The Company has considered other means of financing the Conversion Cap Payment such as debts financing, loan financing, placing of shares and right issue. However, the terms and conditions of debts/loan financing from banks and other financial institutions were less favourable than those of the Replacement Bonds. The Company also considered the placing of shares and right issue but the response of the potential underwriters and the placing agents were not that favourable to the Company. In order to meet the requirement of making Conversion Cap Payments to the Bondholders under the terms of the Existing Bonds, the Company decided to issue the Replacement Bonds to settle its obligation to pay the Conversion Cap Payment in cash.

The Proposed Amendments and the issue of the Replacement Bonds in lieu of payment in cash of the Conversion Cap Payment upon conversion of the Existing Bonds will enable the Company to retain cash in the Company for future development. Based on this, the Directors (excluding the Interested Directors) considered that the terms of the Variation Agreement (including the Proposed Amendments and the Replacement Bonds) are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE COMPANY AND THE BONDHOLDERS

The Company is an investment holding company, and the existing subsidiaries of the Company are principally engaged in the investments in mining, sale and processing of coking coal in the PRC and the provision of auto repairing/detailing services and on-line distribution of office supplies and equipment.

The principal business activities of the Bondholders are investment holding.

GEM LISTING RULES IMPLICATIONS OF THE VARIATION AGREEMENT

Glimmer is a substantial shareholder of the Company. All the other Bondholders are associates of Glimmer and are therefore connected persons of the Company under the GEM Listing Rules. The Variation Agreement and consummation of the transactions contemplated therein will constitute connected transactions of the Company under the GEM Listing Rules and is subject to approval by the Independent Shareholders.

EXTRAORDINARY GENERAL MEETING

The Company will convene the EGM for the purposes of seeking approval by the Independent Shareholders to the Proposed Amendments and the transactions contemplated under the Variation Agreement. The Bondholders and their respective associates will abstain from voting on the relevant resolutions to be proposed at the EGM in respect of the Proposed Amendments and the transactions contemplated under the Variation Agreement.

An independent board committee of the Company will be appointed to advise the Independent Shareholders on whether the Proposed Amendments, terms of the Replacement Bonds and the transactions contemplated under the Variation Agreement are fair and reasonable so far as the Independent Shareholders are concerned. An independent financial adviser will be appointed to advise the independent board committee of the Company regarding the Proposed Amendments, terms of the Replacement Bonds and the transactions contemplated under the Variation Agreement. A circular containing further details of, among other matters, the Proposed Amendments, terms of the Replacement Bonds and the transactions contemplated under the Variation Agreement together with a notice of the EGM will be dispatched to the Shareholders as soon as practicable.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended since 9:30 a.m. on 21 July 2009 pending the publication of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 27 July 2009.

DEFINITIONS

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

“acting in concert”	as such term is defined under the Takeovers Code
“associate(s)”	as such term is defined under the GEM Listing Rules
“Board”	the board of Directors
“Bondholders”	Glimmer, Pacific Top and Grand Pacific collectively, and where the context so requires, a registered holder of any Existing Bonds for the time being
“Bonds”	the Existing Bonds and the Replacement Bonds collectively
“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 the Cayman Islands with limited liability and the Shares are listed on the GEM
“Conditions”	the terms and conditions of the Existing Bonds as currently in force
“Conditions Precedent”	the conditions precedent to which the Variation Agreement is subject, as summarized in the section headed “Conditions Precedent” above
“connected person(s)”	as such term is defined under the GEM Listing Rules
“Conversion Cap”	the limit of 1,000,000 Shares imposed under the Conditions on the maximum number of Shares that can be converted on the conversion of each Existing Bond
“Conversion Cap Payment”	a sum equal to 120% of the Unconverted Principal plus accrued interest under the Existing Bonds

“Director(s)”	the director(s) of the Company
“Due Conversion Cap Payments”	the Conversion Cap Payments that have become due by the Company to the respective Bondholders as at the date of the Variation Agreement and any further Conversion Cap Payments that may thereafter become due from the Company to the Bondholders arising from the exercise of conversion rights attaching to the Existing Bonds by the Bondholders at any time after the date of the Variation Agreement but before settlement of such payments pursuant to the terms of the Variation Agreement
“EGM”	the extraordinary general meeting of the Company to be convened for the purposes of considering, and if thought fit, approving the Proposed Amendments and the transactions contemplated under the Variation Agreement
“Existing Bonds”	the HK\$920,000,000 1% convertible bonds due 2013 of HK\$1,000,000 principal amount each convertible into Shares in the original aggregate principal amount of HK\$770,000,000 issued by the Company on 10 June 2008
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Glimmer”	Glimmer Stone Investments Limited, a company incorporated in the British Virgin Islands and one of the Bondholders
“Grand Pacific”	Grand Pacific Source Limited, a company incorporated in the British Virgin Islands and one of the Bondholders
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	Shareholders other than Bondholders, their associates and parties acting in concert with them

“Interested Directors”	Mr. Chan Nap Kee Joseph and Mr. Yang Geyan who are Directors and have abstained from voting on the resolution of the Board approving the MOA and the Variation Agreement owing to possible conflict of interests by virtue of (i) Mr. Chan Nap Kee Joseph being a director of Glimmer and Grand Pacific and a director of an associate of Pacific Top and (ii) Mr. Yang Geyan being a substantial shareholder of Glimmer and Grand Pacific
“Maturity Date”	10 June 2013, being the maturity date of the Existing Bonds and the Replacement Bonds
“MOA”	the memorandum of agreement dated 29 June 2009 between the Company and the Bondholders as supplemented by a supplemental agreement dated 10 July 2009
“MOA Last Trading Day”	26 June 2009, being the last trading day on which Shares were traded on the GEM immediately prior to trading suspension pending the publication of the announcement in respect of the MOA
“Pacific Top”	Pacific Top Holding Limited, a company incorporated in the British Virgin Islands and one of the Bondholders
“Parties”	the parties to the Variation Agreement, being the Company and the Bondholders
“Proposed Amendments”	the amendments agreed by the Parties under the Variation Agreement to be made to the Conditions and as summarized in the section headed “Proposed Amendments” above
“Replacement Bond(s)”	the convertible bonds required to be issued by the Company in satisfaction of its obligation to make the Conversion Cap Payment following an exercise of conversion rights attaching any Existing Bond which would cause the Conversion Cap to be exceeded, such bonds to be convertible into Shares at a fixed conversion price and shall be subject to the terms and conditions agreed by the Parties under the Variation Agreement
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“substantial shareholder”	as such term is defined under the GEM Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong as in force from time to time
“Unconverted Principal”	the balance principal amount of an Existing Bond that cannot be converted into Shares by reason of the Conversion Cap being reached
“Variation Agreement”	the agreement dated 20 July 2009 entered into by the Parties setting forth in detail the Proposed Amendments and terms and conditions of the Replacement Bonds
“VA Last Trading Day”	20 July 2009, being the last trading day on which Shares were traded on the GEM immediately prior to trading suspension pending the publication of this announcement
“%”	per cent.

By order of the Board
Kaisun Energy Group Limited
Yeap Soon P Jonathan
Director and Chief Executive Officer

Hong Kong, 24 July 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. Wu Kam Hung, 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 for at least 7 days from the date of its publication.