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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)

(1) MEMORANDUM OF AGREEMENT REGARDING PROPOSED AMENDMENTS TO TERMS AND CONDITIONS OF CONVERTIBLE BONDS (2) POSSIBLE CONNECTED TRANSACTION AND (3) RESUMPTION OF TRADING

CONVERTIBLE 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 Bonds.

Under the Conditions, each Bond may be converted into a maximum of 1,000,000 Shares (being the Conversion Cap). If upon conversion of a 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 Bond not so converted (being the Unconverted Principal) shall be redeemed by the Company by payment in cash of the Conversion Cap Payment.

MEMORANDUM OF AGREEMENT

It is announced by the Board that on 29 June 2009, the Company and the Bondholders have entered into the MOA. Under the MOA, the Parties agreed in principle that the Conditions shall be amended such that if upon the conversion of any 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.

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

The MOA constitutes legally binding commitments upon the Parties to enter into the Definitive Agreement. The MOA shall terminate if the Definitive Agreement is not entered into by the Parties on or before 13 July 2009 or such other time as the Parties shall agree.

WARNING

The Proposed Amendments and terms and conditions of the Replacement Bonds are not final and may be subject to further amendments and alterations upon entering into the Definitive Agreement. If the Definitive Agreement is entered into, it and the transactions contemplated thereunder will constitute connected transactions of the Company under the GEM Listing Rules. Further announcements will be made by the Company as and when necessary.

The final terms and conditions of the Definitive Agreement are subject to agreement by the Parties and the transactions contemplated under the MOA may or may not proceed. If such transactions proceed, they will be in accordance with the terms of the Definitive Agreement which may or may not be the same as stated in the MOA. Shareholders of the Company and the investing public are advised to exercise extreme caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

Trading in the Shares has been suspended since 9:30 a.m. on 29 June 2009 pending the publication of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 2 July 2009.

CONVERTIBLE 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 Bonds in the original aggregate principal amount of HK\$920,000,000. At as the date hereof, the aggregate outstanding principal amount of the Bonds is HK\$770,000,000. Such outstanding principal amount will be reduced to HK\$610,000,000 if the exercise by Grand Pacific on 26 June 2009 of the conversion right attached to Bonds has been met by issue of Shares to Grand Pacific up to the Conversion Cap and the Conversion Cap Payment due to Grand Pacific has been fully paid.

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

The Bonds are convertible into Shares at a floating conversion price subject to the cap of HK\$1.30 per Share.

Under the Conditions, each 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 a 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 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 Bonds at any point in time after the third anniversary of the date of issue of the Bonds prior to the maturity date of 10 June 2013 at 135% of their principal amount together with accrued interest.

MEMORANDUM OF AGREEMENT

It is announced by the Board that on 29 June 2009, the Company and the Bondholders have entered into the MOA.

Date: 29 June 2009

Parties: the Company of the one part and Glimmer Stone Investments Limited, Pacific Top Holding Limited and Grand Pacific of the other part

The Bondholders are at present all the holders of the Bonds.

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

The MOA constitutes legally binding commitments upon the Parties to enter into the Definitive Agreement. The MOA shall terminate if the Definitive Agreement is not entered into by the Parties on or before 13 July 2009 or such other time as the Parties shall agree.

PROPOSED AMENDMENTS

Under the MOA, the Parties agreed that in principle, the Conditions shall be amended in the following manner:

- (1) if upon the conversion of any 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;
- (2) the Company's right to redeem the Bonds prior to maturity shall be cancelled;

- (3) a floor conversion price of HK\$0.20 per Share (subject to adjustment provisions) shall be incorporated into the Conditions; and
- (4) such other or further amendments as shall be ancillary or consequential to the above.

In the MOA, the Parties acknowledged that they may agree on such other or further amendments to the Conditions as may be contained in the Definitive Agreement.

TERMS OF THE REPLACEMENT BONDS

In the MOA, the Parties agreed that the terms and conditions of the Replacement Bonds shall incorporate the following:

Principal amount	:	Equal to the Conversion Cap Payment
Maturity	:	10 June 2013, being the same as the 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
Conversion Limit	:	No conversion right may be exercised, to the extent that following such exercise, a Bondholder 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. Prior to maturity, the Company shall have no obligation to redeem the Replacement Bonds in cash held by such Bondholder notwithstanding the reaching of such conversion limit. Otherwise there shall be no conversion limit.
Mandatory Conversion at Maturity	:	The Company has no right to compel mandatory conversion of the outstanding Replacement Bonds at maturity
Redemption Premium	:	If the Replacement Bonds are redeemed in cash at maturity, no redemption premium will be payable by the Company.
Other terms	:	Broadly speaking, save where otherwise agreed by the Parties in the Definitive Agreement, other terms and conditions of the Replacement Bonds shall follow the Conditions, to the extent applicable

DEFINITIVE AGREEMENT

The Proposed Amendments and detailed terms and conditions of the Replacement Bonds shall be set forth in the Definitive Agreement to be entered into by the Parties. The Definitive Agreement shall embody the terms of the MOA and such other terms as the Parties may reasonably agree, and shall be entered into on or before 12:00 noon (Hong Kong time) on 13 July 2009 or such other time as the Parties shall agree.

The Proposed Amendments and the Definitive Agreement shall be subject to fulfillment of all relevant conditions precedent, including (but not limited to) the following:

- (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 an extraordinary general meeting to be convened approving, inter alia, the Proposed Amendments and 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 up 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 Definitive Agreement.

CONVERSION CAP PAYMENT DUE TO GRAND PACIFIC

On 26 June 2009, Grand Pacific exercised the conversion right attached to Bonds in aggregate principal amount of HK\$160,000,000. Such conversion has caused the Conversion Cap under the relevant Bonds being converted to be exceeded and the Company is liable to pay to Grand Pacific a Conversion Cap Payment in the amount of HK\$113,671,822.22.

Until termination of the MOA or the entering into by the Parties of the Definitive Agreement, Grand Pacific agrees to withhold further action to seek cash payment by the Company of the Conversion Cap Payment.

VIEW OF THE BOARD

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 Bonds will enable the Company to retain cash in the Company for future development. Based on this, the Directors (excluding Mr. Chan Nap Kee Joseph and Mr. Yang Geyan who have abstained from voting on the resolution of the Board approving the MOA owing to possible conflict of interests by virtue of the position held by them in the Bondholders) considered that the terms of the MOA (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.

GEM LISTING RULES IMPLICATIONS OF THE FORMAL AGREEMENT

Grand Pacific is a substantial shareholder of the Company. All the other Bondholders are associates of Grand Pacific and are therefore connected persons of the Company under the GEM Listing Rules. The Definitive Agreement, if entered into by the Parties, and consummation of the transactions contemplated therein will constitute connected transactions of the Company under the GEM Listing Rules.

WARNING

The Proposed Amendments and terms and conditions of the Replacement Bonds are not final and may be subject to further amendments and alterations upon entering into the Definitive Agreement. If the Definitive Agreement is entered into, it and the transactions contemplated thereunder will constitute connected transactions of the Company under the GEM Listing Rules. Further announcements will be made by the Company as and when necessary.

The final terms and conditions of the Definitive Agreement are subject to agreement by the Parties and the transactions contemplated under the MOA may or may not proceed. If such transactions proceed, they will be in accordance with the terms of the Definitive Agreement which may or may not be the same as stated in the MOA. Shareholders of the Company and the investing public are advised to exercise extreme caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

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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 Code on Takeovers and Mergers of Hong Kong as in force from time to time
“Bondholders”	Glimmer Stone Investments Limited, Pacific Top Holding Limited and Grand Pacific collectively, and where the context so requires, a registered holder of any Bond for the time being
“Bonds”	the 1% convertible bonds due 2013 of HK\$1,000,000 principal amount each convertible into Shares in the original aggregate principal amount of HK\$920,000,000 issued by the Company on 10 June 2008
“Bond”	a Bond of HK\$1,000,000 principal amount, forming part of the series of Bonds
“associate(s)”	as such term is defined under the GEM Listing Rules
“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 the Cayman Islands with limited liability and the Shares are listed on the GEM
“Conditions”	the terms and conditions of the Bonds as currently in force
“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 Bond
“Conversion Cap Payment”	a sum equal to 120% of the Unconverted Principal plus accrued interest
“Definitive Agreement”	the agreement in writing to be entered into by the Parties setting forth in detail the Proposed Amendments and terms and conditions of the Replacement Bonds
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange

“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“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
“MOA”	the memorandum of agreement dated 29 June 2009 between the Company and the Bondholders
“Parties”	the parties to the MOA, being the Company and the Bondholders
“Proposed Amendments”	the amendments proposed to be made to the Conditions broadly in the manner set forth in the section headed “Proposed Amendments” above and such other or further amendments to the Conditions as may be agreed by the Parties in the Definitive Agreement
“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 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 to be agreed by the Parties in the Definitive 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
“Unconverted Principal”	the balance principal amount of a Bond that cannot be converted into Shares by reason of the Conversion Cap being reached
“%”	per cent.

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

Hong Kong, 30 June 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.

** for identification purpose only*