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福 山 國 際 能 源 集 團 有 限 公 司

FUSHAN INTERNATIONAL ENERGY GROUP LIMITED

(Incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance)

(Stock Code: 639)

POSSIBLE CONTINUING CONNECTED TRANSACTIONS

Financial Advisers to the Company



BOCI ASIA LIMITED

Morgan Stanley

Further to the announcement of the Company dated 21 May 2008 in relation to the very substantial acquisition and connected transaction of the Company, the Board announces that on 2 June 2008, the PRC Subsidiaries entered into (a) the Tenancy Agreement with Luensang A; (b) the Supply Contract with Party D; and (c) the Mutual Coal Supply Contract.

The PRC Subsidiaries currently lease the Office from Luensang A, a company controlled by Mrs. Xing and an associate of Mr. Xing, for operational purpose. After Completion, PRC Subsidiaries will continue to lease the Office from Luensang A under the Tenancy Agreement. The rental fee under the Tenancy Agreement is RMB1,866,975 (approximately HK\$2,079,000) per annum. As the Tenancy Agreement is conditional on Completion and Luensang A is a connected person of the Company, the Tenancy Agreement constitutes a possible continuing connected transaction of the Company under Rule 14A.34 of the Listing Rules and is exempt from the independent shareholders' approval requirement but will be subject to the annual review requirement and the reporting requirement under the Listing Rules.

As Mr. Xing is a substantial shareholder of Luenshan, a non-wholly owned subsidiary of the Company, Mr. Xing and his associates are connected persons of the Company. Upon Completion, the PRC Subsidiaries will become non-wholly owned subsidiaries of the Company. Accordingly, the transactions contemplated under the Supply Contract and the Mutual Coal Supply Contract will also constitute possible continuing connected transactions of the Company under Rule 14A.34 of the Listing Rules. In addition, as the annual cap of each of the Supply Contract and the Mutual Coal Supply Contract exceeds 2.5% of the applicable percentage ratios, the Supply Contract and the Mutual Coal Supply Contract therefore are subject to the approval of the Independent Shareholders at the EGM with vote to be taken on a poll.

As Mr. Wong is a shareholder of the seller of the Agreement, and according, he has interests in the Agreement, Mr. Wong and his associates (the controlling Shareholder interested in 1,239,950,000 Shares, representing approximately 50.83% of the issued share capital of the Company as at the date of this announcement) will be required to abstain from voting at the EGM. The Company will establish an independent board committee to advise the Independent Shareholders on the terms of the Supply Contract and the Mutual Coal Supply Contract (and the respective annual caps thereof) and voting in respect of the Supply Contract and the Mutual Coal Supply Contract. An independent financial adviser will be appointed to advise the independent board committee and the Independent Shareholders in this regard.

A circular containing, among other things, details of the Supply Contract and the Mutual Coal Supply Contract, the recommendation from the independent board committee, the advice of the independent financial adviser and a notice to convene the EGM, will be despatched to the Shareholders as soon as practicable.

Please refer to the announcement of the Company dated 21 May 2008 in relation to the very substantial acquisition and connected transaction of the Company.

THE TENANCY AGREEMENT DATED 2 JUNE 2008

Parties

Party A as landlord: Luensang A, an investment holding company and a company controlled by Mrs. Xing and which is an associate of Mr. Xing

Party B as tenants: the PRC Subsidiaries, companies indirectly controlled by Mr. Xing, which will become non-wholly owned subsidiaries of the Company upon Completion

As Mr. Xing is a substantial shareholder of Luenshan, a non-wholly owned subsidiary of the Company, Mr. Xing and his associates are connected persons of the Company. Mr. Xing's associates are principally engaged in investment holding, exploitation of raw coking coal and production of cleaned coking coal.

The Office

The property is situated at Luensheng Office Tower, No. 38 Qing He West Road, Liulin County, Shanxi Province, PRC. The property has an area of 2,046 square metres and is currently used by the PRC Subsidiaries as office space.

Rental Fee and Annual cap

The PRC Subsidiaries have agreed to pay Luensang A a daily rental of RMB5,115 (exclusive of electricity, heat, water and other charges) for the financial years ending 31 December 2008 and 2009 and a maximum daily rental of RMB5,626.50 for the financial year ending 31 December 2010 (subject to adjustment). The annual rental payable to Luensang A is therefore RMB1,866,975 (approximately HK\$2,079,000) for the financial years ending 31 December 2008 and 2009 and up to RMB2,053,672.50 (approximately HK\$2,287,000) for the financial year ending 31 December 2010.

Term

The term of the lease under the Tenancy Agreement shall commence on the Completion Date and terminate on 31 December 2010.

THE SUPPLY CONTRACT DATED 2 JUNE 2008

Parties

| | | |
|----------------|---|-----------------------------|
| <i>Party A</i> | : | PRC Subsidiary A |
| <i>Party B</i> | : | PRC Subsidiary B |
| <i>Party C</i> | : | PRC Subsidiary C |
| <i>Party D</i> | : | Mr. Xing and his associates |

The PRC Subsidiaries are currently controlled by Mr. Xing and will become non-wholly owned subsidiaries of the Company upon Completion. Upon Completion, as PRC Subsidiary B will become a substantial shareholder of PRC Subsidiary A and an associate of Mr. Xing, PRC Subsidiary B is a connected person of the Company. PRC Subsidiary A is an associate of PRC Subsidiary B and is also a connected person of the Company.

Backgrounds

Each of the PRC Subsidiaries is a sino-foreign joint venture company established in the PRC and operates coal mine which is located at Liulin in Shanxi Province in the PRC. PRC Subsidiary A also operates a coal preparation plant with a designed input and output capacity of 1.2Mtpa and 0.9Mtpa respectively and an electricity plant. Currently, PRC Subsidiary A blends 60% of low sulphur raw coking coal and 40% of high sulphur raw coking coal to produce the cleaned coking coal for sale. As PRC Subsidiary A and PRC Subsidiary B are only producing low sulphur raw coking coal and PRC Subsidiary C is only producing high sulphur raw coking coal, PRC Subsidiary B and PRC Subsidiary C currently sell raw coking coal to PRC Subsidiary A as only PRC Subsidiary A has the coal preparation plant. Since Party D has its own coal preparation plants and coal mines, the PRC Subsidiaries have entered into the supply contracts with Party D in relation to the sale of raw coking coal to Party D. Since only PRC Subsidiary A has its own coal preparation plant and electricity plant, Party D also entered into the supply contracts with PRC Subsidiary A in relation to the sales of high sulphur raw coking coal to PRC Subsidiary A and the purchase of electricity from PRC Subsidiary A. The PRC Subsidiaries purchase accessories and small tools in a centralized order from Party D.

As the PRC Subsidiaries will become non-wholly owned subsidiaries of the Company upon Completion, the Supply Contract has been entered into in order to comply with the Listing Rules, pursuant to which the PRC Subsidiaries will continue to purchase raw coking coal, accessories and small tools from Party D and Party D will continue to purchase raw coking coal and electricity from the PRC Subsidiaries.

Terms

The term of the Supply Contract will commence from the effective date of the Supply Contract (which is expected to be the Completion Date) and terminate on 31 December 2010.

The annual caps on the quantity of the raw coking coal that may be purchased under the Supply Contract are as follows:

| Supplier | Purchaser | For the financial year ending 31 December | | |
|------------------|------------------|---|-----------------|-----------------|
| | | 2008 (tones) | 2009 (tones) | 2010 (tones) |
| Party D | PRC Subsidiary A | 335,000 | 157,000 | 480,000 |
| Party D | PRC Subsidiary B | – | – | 215,000 |
| Party D | PRC Subsidiary C | – | – | 611,000 |
| PRC Subsidiary A | Party D | 15,000 | – | – |
| PRC Subsidiary B | Party D | 86,165 | – | – |
| PRC Subsidiary C | Party D | 104,625 | – | – |

The annual caps on the quantity of the electricity that PRC Subsidiary A may sell to Party D under the Supply Contract are as follows:

| Supplier | Purchaser | For the financial year ending 31 December | | |
|------------------|-----------|---|-----------------|-----------------|
| | | 2008 (meter) | 2009 (meter) | 2010 (meter) |
| PRC Subsidiary A | Party D | 6,256,500 | 6,256,500 | 6,256,500 |

The actual amount and the annual caps on the amounts of raw coking coal that may be purchased under the Supply Contract in monetary terms are as follows:

| Supplier | Purchaser | Actual amount for the financial year ended 31 December 2007 | 2008 (Note) | For the financial year ending 31 December | |
|------------------|------------------|---|------------------------|---|--------------------------------|
| | | RMB (exclusive of VAT) | RMB (exclusive of VAT) | 2009 RMB (exclusive of VAT) | 2010 RMB (exclusive of VAT) |
| Party D | PRC Subsidiary A | 89,502,000 | 220,863,000 | 111,790,000 | 369,119,000 |
| Party D | PRC Subsidiary B | – | – | – | 165,335,000 |
| Party D | PRC Subsidiary C | – | – | – | 469,858,000 |
| PRC Subsidiary A | Party D | 5,884,000 | 13,009,000 | – | – |
| PRC Subsidiary B | Party D | 37,105,000 | 74,727,000 | – | – |
| PRC Subsidiary C | Party D | 50,251,000 | 68,978,000 | – | – |
| Total | | <u>182,742,000</u> | <u>377,577,000</u> | <u>111,790,000</u> | <u>1,004,312,000</u> |

Currently, Party D's coal mines (including the mines owned by PRC Subsidiaries) supply raw coking coal with the coal preparation plants of each other due to different timing and quality requirements. As each of PRC Subsidiary B and PRC Subsidiary C is currently constructing coal preparation plant with a designed input and output capacity of 3.0Mtpa and 2.1Mtpa and such plants are scheduled for completion in 1st quarter of 2009 and June of 2009 respectively, it is expected that the PRC Subsidiaries will (1) continue to supply raw coking coal to Party D in 2008; (2) supply raw coking coal to their own coal preparation plants in 2009; and (3) purchase raw coking coal from Party D in 2010 when their coal preparation plants are in full operation. In 2008, PRC Subsidiary A has purchased high sulphur raw coking coal from Party D and PRC Subsidiary C. It is planned that PRC Subsidiary A will basically purchase the majority of the high sulphur raw coking coal from PRC Subsidiary C and the purchase of high sulphur raw coking coal from Party D will decrease substantially in 2009. In 2010, each of the coal preparation plants of the PRC Subsidiaries will be in full operation. It is expected that the PRC Subsidiaries will purchase more raw coking coal from Party D in 2010 when the coal preparation plants of the PRC Subsidiaries fully utilize the raw coking coal of their own mines.

As the current unit prices (exclusive of VAT) of the low sulphur and high sulphur coking coal of RMB867 per tone and RMB659 per tone respectively has increased substantially as compared to the average unit price of the raw coking coal of RMB514 per tone and RMB268 per tone respectively for the financial year ended 31 December 2007, the 2008 annual caps of raw coking coal to be purchased under the Supply Contract increased significantly as compared with that purchased in 2007.

The actual amount and the annual caps on the amounts of the electricity in monetary terms that PRC Subsidiary A may sell to Party D under the Supply Contract are as follows:

| Supplier | Purchaser | Actual amount for the financial year ended 31 December 2007 | 2008 (Note) | For the financial year ending 31 December | |
|------------------|-----------|---|-------------|--|---------------|
| | | (RMB) | (RMB) | 2009 (RMB) | 2010 (RMB) |
| PRC Subsidiary A | Party D | 2,454,000 | 2,651,000 | 2,863,000 | 3,092,000 |

The actual amount and the annual caps on the amounts of accessories and small tools in monetary terms that the PRC Subsidiaries may purchase from Party D under the Supply Contract are as follows:

| Supplier | Purchaser | Actual amount for the financial year ended 31 December 2007 | 2008 (Note) | For the financial year ending 31 December | |
|----------|------------------|---|------------------|--|------------------|
| | | (RMB) | (RMB) | 2009 (RMB) | 2010 (RMB) |
| Party D | PRC Subsidiary A | 3,157,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Party D | PRC Subsidiary B | 10,152,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Party D | PRC Subsidiary C | 2,737,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Total | | <u>16,046,000</u> | <u>3,000,000</u> | <u>3,000,000</u> | <u>3,000,000</u> |

Note: The caps for the financial year ending 31 December 2008 will be set based on the period from the effective date of the Supply Contract to 31 December 2008 on a pro rata basis.

As it is expected that the PRC Subsidiaries will purchase most of the accessories and small tools from other suppliers directly other than through Party D upon Completion and the annual caps of accessories and small tools under the Supply Contract is obtained to provide more flexibility for the PRC Subsidiaries, the annual caps of accessories and small tools under the Supply Contract will decrease substantially as compared with that of the financial year ended 31 December 2007.

The quantity and specification of each of the raw coking coal, accessories and small tools to be supplied by the supplier to the purchaser will be subject to individual orders placed by the purchaser from time to time. The unit price of the raw coking coal, accessories and small tools payable by the purchaser to supplier will be no less favourable than the unit price offered to the purchaser by independent suppliers for the same type of raw coking coal, accessories and small tools. Such unit price benchmarks shall be determined with consideration to the existing unit price of raw coking coal, accessories and small tools offered to the Group by independent suppliers, the expected year-on-year increase in the unit price of raw coking coal, accessories and small tools and the quantity of raw coking coal, accessories and small tools to be supplied under the Supply Contract. Amounts payable by the purchaser to the supplier shall be settled in cash within 30 days upon receipt of the purchase.

Conditions of the Supply Contract

The Supply Contract is conditional on the Company's compliance with relevant Listing Rules requirements (including, but not limited to, obtaining approval by the Independent Shareholders at the EGM).

THE MUTUAL COAL SUPPLY CONTRACT DATED 2 JUNE 2008

Parties

Party A : PRC Subsidiary A

Party B : PRC Subsidiary B

Party C : PRC Subsidiary C

The PRC Subsidiaries will become non-wholly owned subsidiary of the Company upon Completion. Upon Completion, as PRC Subsidiary B will become a substantial shareholder of PRC Subsidiary A and an associate of Mr. Xing, PRC Subsidiary B is a connected person of the Company. PRC Subsidiary A is an associate of PRC Subsidiary B and is also a connected person of the Company.

Backgrounds

As mentioned above, as the coal preparation plants of PRC Subsidiary B and PRC Subsidiary C will commence operation in 1st quarter of 2009 and June 2009 respectively, it is expected that PRC Subsidiary C will continue to supply raw coking coal to PRC Subsidiary A for 2008 and the supplies among the PRC Subsidiaries will be increased substantially in 2009 when the coal preparation plants of PRC Subsidiary B and PRC Subsidiary C commence operations. The shortage of raw coking coal for making cleaned coking coal by the coal preparation plants of the PRC Subsidiaries will be supplied by Party D pursuant to the Supply Contract.

The actual production and future production plan of each of the PRC Subsidiaries are as follows:

| | Actual amount of raw coal output for the financial year ended 31 December 2007 | Expected amount of raw coal output for the financial year ending 31 December | | | Actual amount of cleaned coal for the financial year ended 31 December 2007 | Expected amount of cleaned coal output for the financial year ending 31 December | | |
|------------------|---|---|--------------------|--------------------|--|--|--------------------|--------------------|
| | | 2008 | 2009 | 2010 | | 2008 | 2009 | 2010 |
| | | (Million tones) | (Million tones) | (Million tones) | | (Million tones) | (Million tones) | (Million tones) |
| PRC Subsidiary A | 1.639 | 1.560 | 1.551 | 1.553 | 0.83 | 0.84 | 0.84 | 0.84 |
| PRC Subsidiary B | 1.508 | 1.479 | 2.246 | 2.156 | – | – | 2.10 | 2.10 |
| PRC Subsidiary C | 1.936 | 1.706 | 2.123 | 2.185 | – | – | 1.05 | 2.10 |
| Total | 5.083 | 4.745 | 5.920 | 5.894 | 0.83 | 0.84 | 3.99 | 5.04 |

Terms

The term of the Mutual Coal Supply Contract will commence from the effective date of the Mutual Coal Supply Contract (which is expected to be the Completion Date) and terminate on 31 December 2010.

The annual caps on the quantity of the raw coking coal that may be purchased under the Mutual Coal Supply Contract are as follows:

| Supplier | Purchaser | For the financial year ending 31 December | | |
|------------------|------------------|--|-----------------|-----------------|
| | | 2008 (tones) | 2009 (tones) | 2010 (tones) |
| PRC Subsidiary A | PRC Subsidiary C | – | 600,000 | 833,000 |
| PRC Subsidiary B | PRC Subsidiary C | – | 300,000 | 356,000 |
| PRC Subsidiary C | PRC Subsidiary A | 145,000 | 323,000 | – |
| PRC Subsidiary C | PRC Subsidiary B | – | 1,200,000 | 985,000 |

The actual amount and annual cap amounts of raw coking coal in monetary terms that may be purchased under the Mutual Coal Supply Contract are as follows:

| Supplier | Purchaser | Actual amount for the financial year ended 31 December 2007 | 2008 (Note) | For the financial year ending 31 December | |
|------------------|------------------|---|------------------------------|--|--------------------------------------|
| | | | RMB (exclusive of VAT) | 2009 RMB (exclusive of VAT) | 2010 RMB (exclusive of VAT) |
| PRC Subsidiary A | PRC Subsidiary C | – | – | 561,982,000 | 842,636,000 |
| PRC Subsidiary B | PRC Subsidiary C | – | – | 280,991,000 | 360,118,000 |
| PRC Subsidiary B | PRC Subsidiary A | 2,117,000 | – | – | – |
| PRC Subsidiary C | PRC Subsidiary A | 35,964,000 | 95,592,000 | 229,987,000 | – |
| PRC Subsidiary C | PRC Subsidiary B | – | – | 854,442,000 | 757,463,000 |
| Total | | <u>38,081,000</u> | <u>95,592,000</u> | <u>1,927,402,000</u> | <u>1,960,217,000</u> |

Note: The caps for the financial year ending 31 December 2008 will be set based on the period from the effective date of the Supply Contract to 31 December 2008 on a pro rata basis.

The quantity and specification of raw coking coal to be supplied by the supplier to the purchaser will be subject to individual orders placed by the purchaser from time to time. The unit price of raw coking coal payable by the purchaser to supplier will be no less favourable than the unit price offered to the purchaser by independent suppliers for the same type of raw coking coal. Such unit price benchmarks will be determined with consideration to the existing unit price of raw coking coal offered to the Group by independent suppliers, the expected year-on-year increase in the unit price of raw coking coal and the quantity of raw coking coal to be supplied under the Mutual Coal Supply Contract. Amounts payable by the purchaser to the supplier shall be settled in cash within 30 days upon receipt of the raw coking coal purchased.

Conditions of the Mutual Coal Supply Contract

The Mutual Coal Supply Contract is conditional on the Company's compliance with relevant Listing Rules requirements (including, but not limited to, obtaining approval by the Independent Shareholders at the EGM).

REASONS FOR THE TRANSACTIONS

The Company is an investment holding company and the Group is principally engaged in the production and sales of coking coal products and side products.

With reference to the announcement of the Company dated 21 May 2008 in relation to the very substantial acquisition and connected transaction, the purpose of entering into the Tenancy Agreement, the Supply Contract and the Mutual Coal Supply Contract is to ensure a smooth transition of ownership from the seller to the buyer in relation to the Agreement and to minimize any disruptions to the operations of the PRC Subsidiaries resulting from such transfer of ownership. By entering into the Supply Contract and the Mutual Coal Supply Contract, the PRC Subsidiaries can continue to benefit from a lower transaction cost for the supply of raw coking coal as each of the PRC Subsidiaries and Mr. Xing' coal mines are within

Liulin Area of Shanxi Province and to secure the supply of raw coking coal to the PRC Subsidiaries. By entering into the Tenancy Agreement, the PRC Subsidiaries can continue to lease its existing office premises after Completion.

The terms of the Tenancy Agreement, the Supply Contract and the Mutual Coal Supply Contract have been agreed upon after arm's length negotiations among the relevant parties. The Directors believe that the transactions contemplated under the Tenancy Agreement, the Supply Contract and the Mutual Coal Supply Contract are on normal commercial terms and in the ordinary and usual course of business of the Group. The independent non-executive Directors will provide their recommendations to the Independent Shareholders regarding the merits of the continuing connected transactions upon receiving the advice from the independent financial adviser.

GENERAL

As the Tenancy Agreement is conditional on Completion and Luensang A is a connected person of the Company, the Tenancy Agreement constitutes a possible continuing connected transaction of the Company under Rule 14A.34 of the Listing Rules and is exempt from the independent shareholders' approval requirement but will be subject to the annual review requirement and the reporting requirement under the Listing Rules.

As Mr. Xing is a substantial shareholder of Luenshan, a non-wholly owned subsidiary of the Company, Mr. Xing and his associates are connected persons of the Company. Upon Completion, the PRC Subsidiaries will become non-wholly owned subsidiaries of the Company. Accordingly, the transactions contemplated under the Supply Contract and the Mutual Coal Supply Contract will also constitute possible continuing connected transactions of the Company under Rule 14A.34 of the Listing Rules. In addition, as the annual cap of each of the Supply Contract and the Mutual Coal Supply Contract exceeds 2.5% of the applicable percentage ratios, the Supply Contract and the Mutual Coal Supply Contract therefore are subject to the approval of the Independent Shareholders at the EGM with vote to be taken on a poll.

As Mr. Wong is a shareholder of the seller of the Agreement, and according, he has interests in the Agreement, Mr. Wong and his associates (the controlling Shareholder interested in 1,239,950,000 Shares, representing approximately 50.83% of the issued share capital of the Company as at the date of this announcement) will be required to abstain from voting at the EGM. The Company will establish an independent board committee to advise the Independent Shareholders on the terms of the Supply Contract and the Mutual Coal Supply Contract (and the respective annual caps thereof) and voting in respect of the Supply Contract and the Mutual Coal Supply Contract. An independent financial adviser will be appointed to advise the independent board committee and the Independent Shareholders in this regard.

A circular containing, among other things, details of the Supply Contract and the Mutual Coal Supply Contract, the recommendation from the independent board committee, the advice of the independent financial adviser and a notice to convene the EGM, will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

| | |
|----------------------------|--|
| “Agreement” | the conditional sale and purchase agreement dated 9 May 2008 among the Company, Jade Green Investments Limited as buyer, Mr. Wong, Fortune Dragon Group Limited as seller, and Mr. Xing, pursuant to which Jade Green Investments Limited agreed to acquire from Fortune Dragon Group Limited the sale shares and the sale loans, details of which please refer to the announcement of the Company dated 21 May 2008 |
| “associates” | has the meaning ascribed to in the Listing Rules |
| “Board” | the board of Directors |
| “Company” | Fushan International Energy Group Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange |
| “Completion” | completion of the Agreement |
| “connected person(s)” | has the meaning ascribed to in the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “EGM” | the extraordinary general meeting of the Company to be convened for approving the Agreement, the Supply Contract, the Mutual Coal Supply Contract and the transactions contemplated therein |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Shareholders” | Shareholders other than Mr. Wong and his associates |
| “Listing Rules” | The Rules Governing the Listing of Securities on the Stock Exchange |
| “Luensang A” | 山西聯盛能源有限公司 (Shanxi Luensheng Energy Limited), a company established under the laws of the PRC |
| “Luenshan” | 柳林縣聯山煤化有限公司 (Liulin Luenshan Coking Co., Ltd), a company established under the laws of the PRC and a non-wholly owned subsidiary of the Company |
| “Mr. Wong” | Mr. Wong Lik Ping, the controlling Shareholder, executive Director and Chairman of the Company |
| “Mr. Xing” | Mr. Xing Libin, the controlling shareholder of the Seller |

| | |
|-------------------------------|--|
| “Mrs. Xing” | 李風曉 (Li Feng Xiao), being the spouse of Mr. Xing |
| “Mutual Coal Supply Contract” | the mutual coal supply contract entered into among PRC Subsidiaries dated 2 June 2008 in relation to the trading of raw coking coal among PRC Subsidiaries |
| “Office” | the property situated at Luensheng Office Tower, No. 38 Qing He West Road, Liulin County, Shanxi Province, PRC |
| “Party D” | Mr. Xing and his associates |
| “PRC” | the People’s Republic of China, for the purpose of this announcement only, excludes Hong Kong, Taiwan and Macau Special Administrative Region |
| “PRC Subsidiaries” | PRC Subsidiary A, PRC Subsidiary B and PRC Subsidiary C |
| “PRC Subsidiary A” | Shanxi Liulin Xingwu Coalmine Company Limited (山西柳林興無煤礦有限責任公司), a company incorporated in the PRC with limited liability |
| “PRC Subsidiary B” | Shanxi Liulin Jinjiazhuang Coal Company Limited (山西柳林金家莊煤業有限公司), a company incorporated in the PRC with limited liability |
| “PRC Subsidiary C” | Shanxi Liulin Zhaiyadi Coal Company Limited (山西柳林寨崖底煤業有限公司), a company incorporated in the PRC with limited liability |
| “Share(s)” | existing ordinary share(s) of HK\$0.10 each in the share capital of the Company |
| “Shareholders” | holders of Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Supply Contract” | the supply contract entered into among PRC Subsidiaries and Party D dated 2 June 2008, pursuant to which PRC Subsidiaries will purchase raw coking coal, electricity, accessories and small tools from Party D and Party D will purchase raw coking coal from PRC Subsidiaries |
| “Tenancy Agreement” | the tenancy agreement dated 2 June 2008 entered into between PRC Subsidiaries and Luensang A in relation to the lease of the Office for the operation of the business of PRC Subsidiaries |
| “Transactions” | the entering into the Tenancy Agreement, the Supply Contract and the Mutual Coal Supply Contract |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “RMB” | Renminbi, the lawful currency of the PRC |

“VAT” Value added tax

“%” per cent.

For the purpose of this announcement, all amounts in RMB are translated into HK\$ at an exchange rate of RMB1:HK\$1.11346 and all amounts in US\$ are translated into HK\$ at an exchange rate of US\$1: HK\$7.8.

By order of the Board
SO KWOK HOO
Executive Director

Hong Kong, 4 June 2008

As at the date of this announcement, the Board comprises Mr. Wong Lik Ping, Mr. So Kwok Hoo, Mr. Li King Luk as executive Directors, Mr. Kee Wah Sze, Mr. Choi Wai Yin and Mr. Chan Pat Lam as independent non-executive Directors.