

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 17 June 2008 in relation to, inter alia, the Long Term Strategic Cooperation Agreement, pursuant to which the Company agreed to supply to Shougang Holding or any companies designated by Shougang Holding not less than two million tonnes of premier clean coking coal for each calendar year from 2009 onwards. Reference is made to the announcement of the Company dated 10 February 2009. Upon completion of the Share Sale Agreement which took place on 24 February 2009, Shougang Holding would become a connected person of the Company and transactions contemplated under the Coal Supply Framework Agreement would become continuing connected transactions of the Company. As such, the Board announces that on 24 February 2009, the Company entered into (i) the Supplemental Long Term Strategic Cooperation Agreement with Shougang Holding and Mr. Wong (as a guarantor of the Company); and (ii) the Supplemental Coal Supply Framework Agreement with Shougang Corporation (holding company of Shougang Holding).

As Shougang Corporation has become a connected person of the Company upon completion of the Sale Share Agreement, transactions contemplated under the Coal Supply Framework Agreement (as amended by the Supplemental Coal Supply Framework Agreement) will constitute continuing connected transactions of the Company under Rule 14A.14 of the Listing Rules. In addition, as the annual caps for the coal supply under the Supplemental Coal Supply Framework Agreement exceeds 2.5% of the applicable percentage ratios, the Coal Supply Framework Agreement (as amended by the Supplemental Coal Supply Framework Agreement) therefore are subject to the approval of the Independent Shareholders at the EGM with vote to be taken on a poll.

Shougang Corporation and Shougang Holding and their respective associates (who interested in an aggregate of 1,000,000,000 Shares, representing approximately 21.91% 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 Coal Supply Framework Agreement (as amended by the Supplemental Coal Supply Framework Agreement) (and the respective annual caps thereof) and voting in respect thereof. 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 Supplemental Long Term Strategic Cooperation Agreement and the Coal Supply Framework Agreement (as amended by the Supplemental Coal Supply Framework Agreement), 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.

THE SUPPLEMENTAL LONG TERM STRATEGIC COOPERATION AGREEMENT DATED 24 FEBRUARY 2009

On 24 February 2009, the Company entered into the Supplemental Long Term Strategic Cooperation Agreement with Shougang Holding (which is principally engaged in investment holding with diversified businesses and has substantial interests in certain listed companies in Hong Kong) and Mr. Wong (as a guarantor of the Company).

Pursuant to clause 5 (the “Clause”) of the Long Term Strategic Cooperation Agreement, the Company (or procure its subsidiaries) agrees to supply to Shougang Holding (or any companies designated by Shougang Holding) premier clean coking coal, and Shougang Holding (or any companies designated by Shougang Holding) agrees to purchase and not less than two million tonnes of premier clean coking coal for each calendar year from 2009 onwards, and will be increased according to the actual production of the Company and its subsidiaries for each calendar year thereafter (the “Transactions”); (ii) the price for the premier clean coking coal to be supplied by the Company to Shougang Holding and/or its designated companies shall be not higher than the Group offers to any other customers on similar coking coal quality, terms and delivery terms. Shougang Holding shall also be entitled to similar bulk purchase price discounts; and (iii) the parties shall negotiate in good faith for the entering into of formal supply agreements for the supply of premier clean coking coal in due course.

As Shougang Holding has become a connected person of the Company upon completion of the Sale Share Agreement, the Transactions will constitute continuing connected transactions of the Company under Listing Rules. Accordingly, the Company entered into the Supplemental Long Term Strategic Cooperation Agreement to comply with the Listing Rules.

Pursuant to the Supplemental Long Term Strategic Cooperation Agreement, inter alia, in order to comply with the requirements under the Listing Rules, Shougang Holding agrees to suspend the Transactions (only under the circumstance that the Transactions constitute continuing connected transactions of the Company; only limited to the part of the Transactions constitute continuing connected transactions of the Company; and only limited to the period which the Transactions constitute continuing connected transactions of the Company) of the Clause upon the completion of the Share Sale Agreement and under the circumstance that the Company has yet to comply with the relevant requirements under the Listing Rules in relation to the Transactions and until the Company’s compliance with relevant Listing Rules requirements (including, convening general meeting to obtain approval in relation to the Transactions, if required).

Save for the terms of the Supplemental Long Term Strategic Cooperation Agreement, the terms of the Long Term Strategic Cooperation Agreement remain unchanged.

THE SUPPLEMENTAL COAL SUPPLY FRAMEWORK AGREEMENT DATED 24 FEBRUARY 2009

On 24 February 2009, the Company entered into the Supplemental Coal Supply Framework Agreement with Shougang Corporation (which is one of the largest steel producers in the PRC).

Background

According to the Long Term Strategic Cooperation Agreement, the Company entered into the Coal Supply Framework Agreement with Shougang Corporation on 20 August 2008 to set out the details of supply of not less than two million tonnes of premier clean coking coal for each calendar year from 2009 onwards.

As Shougang Corporation has become a connected person of the Company upon completion of the Sale Share Agreement, the transactions contemplated under the Coal Supply Framework Agreement will constitute continuing connected transactions of the Company under Listing Rules. Accordingly, the Company entered into the Supplemental Coal Supply Framework Agreement to comply with the Listing Rules.

Terms

According to the Supplemental Coal Supply Framework Agreement, the term of the Coal Supply Framework Agreement will be amended from the date on which the Company can fulfill the requirements for continuing connected transaction under the Listing Rules (including obtaining independent shareholders approval) for the transactions contemplated under the Coal Supply Framework Agreement (as amended by the Supplemental Coal Supply Framework Agreement) (which is expected to be the date of the EGM) and terminate on 31 December 2011.

The following table sets out the caps for the quantity and in monetary terms (exclusive of VAT) of the premier clean coking coal that may be purchased under the Supplemental Coal Supply Framework Agreement:

Proposed caps from the effective date of the Supplemental Coal Supply Framework Agreement to 31 December 2009	Proposed caps for the financial year ending 31 December	
	2010	2011
2,000,000 tonnes	3,000,000 tonnes	5,000,000 tonnes
RMB3,634,000,000 (approximately HK\$4,121,724,000)	RMB5,886,000,000 (approximately HK\$6,675,967,000)	RMB10,595,000,000 (approximately HK\$12,016,968,000)

Prior to completion of the Share Sale Agreement on 24 February 2009, Shougang Corporation has placed purchase orders to the Group for approximately 50,000 tonnes of premier clean coking coal under the Coal Supply Framework Agreement. Approximately 3,500 tonnes of premier clean coking coal has been delivered and the monetary value thereof would be determined after quality tests being completed by Shougang Corporation. The annual caps were determined based on the demand set out by Shougang Corporation and the Group's production capacity of premier clean coking coal. It is expected that the Group will produce premier clean coking coal with intended output of approximately 3,525,000 tonnes per annum, 8,100,000 tonnes per annum and 8,100,000 tonnes per annum for the three years ending 31 December 2011. The annual caps on the quantity of the premier clean coking coal represent approximately 57%, 37% and 62% of the respective total intended output of premier clean coking coal of the Group for the financial year ending 2009, 2010 and 2011 respectively.

The ranges of realized selling prices (exclusive of VAT) of premier clean coking coal in the past 6 months are from RMB971 (approximately HK\$1,100) per tonne to RMB1,867 (approximately HK\$2,120) per tonne. The monetary values of the caps are calculated based on the highest selling prices of RMB1,867 (approximately HK\$2,120) per tonne.

The quantity and specification of the premier clean 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 the premier clean coking coal payable by the purchaser to the supplier will be no less favourable than the unit price offered to the independent purchaser by the supplier for the same type of premier clean coking coal. Such unit price benchmarks shall be based on the price as set out in the long term strategic agreement prepared by 山西焦煤集團銷售總公司(Xishan Coal and Electricity (Group) Sales Corporation) and the Company will give a bulk volume discount of 3% to the market price of the premier clean coking coal that the Company will also offer to other bulk purchase buyers. Amounts payable by the purchaser to the Group shall be settled by the end of the month.

Conditions of the Supplemental Coal Supply Framework Agreement

The Coal Supply Framework Agreement (as amended by the Supplemental Coal Supply Framework Agreement) is conditional on the Company's compliance with relevant Listing Rules requirements (including, but not limited to, obtaining approval by the Shareholders at the EGM).

Save for the amendments under the Supplemental Coal Supply Framework Agreement, the terms of the Coal Supply Framework Agreement remain unchanged.

REASONS FOR THE TRANSCCTIONS

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.

As Shougang Corporation has become a connected person of the Company upon completion of the Sale Share Agreement, the transactions contemplated under the Coal Supply Framework Agreement will constitute continuing connected transactions of the Company under Listing Rules. Accordingly, the Company entered into the Supplemental Long Term Strategic Cooperation Agreement and the Supplemental Coal Supply Framework Agreement to comply with the Listing Rules.

The terms of the Supplemental Long Term Strategic Cooperation Agreement and the Supplemental Coal Supply Framework Agreement have been agreed upon after arm's length negotiations among the relevant parties. The Directors believe that the transactions contemplated under the Coal Supply Framework Agreement (as amended by the Supplemental Coal Supply Framework Agreement) are on normal commercial terms and in the ordinary and usual course of business of the Group. The Directors (excluding the independent non-executive Directors) consider that the continuing connected transactions under the Coal Supply Framework Agreement (as amended by the Supplemental Coal Supply Framework Agreement) are fair and reasonable and in the interests of the Company and its shareholders as a whole. The independent non-executive Directors will provide their recommendations to the Shareholders regarding the merits of the continuing connected transactions upon receiving the advice from the independent financial adviser.

GENERAL

As Shougang Corporation has become a connected person of the Company upon completion of the Sale Share Agreement, the transactions contemplated under the Coal Supply Framework Agreement (as amended by the Supplemental Coal Supply Framework Agreement) will constitute continuing connected transactions of the Company under Rule 14A.14 of the Listing Rules. In addition, as the annual caps for the coal supply under the Supplemental Coal Supply Framework Agreement exceeds 2.5% of the applicable percentage ratios, the Coal Supply Framework Agreement (as amended by the Supplemental Coal Supply Framework Agreement) therefore are subject to the approval of the Independent Shareholders at the EGM with vote to be taken on a poll.

Shougang Corporation and Shougang Holding and their respective associates (who interested in an aggregate of 1,000,000,000 Shares, representing approximately 21.91% 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 Coal Supply Framework Agreement (as amended by the Supplemental Coal Supply Framework Agreement) (and the respective annual caps thereof) and voting in respect thereof. 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 Supplemental Long Term Strategic Cooperation Agreement and the Coal Supply Framework Agreement (as amended by the Supplemental Coal Supply Framework Agreement), 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

“associates”	has the meanings ascribed thereto in the Listing Rules
“Board”	board of Directors
“Coal Supply Framework Agreement”	a coal supply framework agreement dated 20 August 2008 entered into between the Company and Shougang Corporation to finalise the Long Term Strategic Cooperation Agreement
“Company”	Fushan International Energy Group Limited, a company incorporated in Hong Kong with limited liability and the Shares are listed on the Stock Exchange
“connected person(s)”	has the meanings ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for approving the the Coal Supply Framework Agreement (as amended by the Supplemental Coal Supply Framework Agreement) (and the respective annual caps thereof)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	Shareholders other than Shougang Corporation and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Term Strategic Cooperation Agreement”	a long term strategic cooperation agreement dated 15 June 2008 entered into between the Company, Shougang Holding and Mr. Wong. Details of which are set out in the announcement of the Company dated 17 June 2008
“Mr. Wong”	Mr. Wong Lik Ping, executive Director and Chairman of the Company
“PRC”	the People’s Republic of China
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares

“Share Sale Agreement”	the share sale agreement dated 9 February 2009 entered into among China Merit Limited as vendor, Mr. Wong as guarantor of vendor, Excel Bond Investments Limited (a wholly owned subsidiary of Shougang International) as purchaser and Shougang International as guarantor of the purchaser in relation to the sale of 550,000,000 Shares. Details of which are set out in the announcement of the Company dated 10 February 2009
“Shougang Corporation”	首鋼總公司(Shougang Corporation), a PRC state owned enterprise and the holding company of Shougang Holding
“Shougang Holding”	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability
“Shougang International”	Shougang Concord International Enterprises Company Limited, a company incorporated in Hong Kong with limited liability, which shares are listed on the Stock Exchange. Shougang Holding is currently holding approximately 38.78% equity interest in Shougang International
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Coal Supply Framework Agreement”	a supplemental coal supply framework agreement dated 24 February 2009 entered into between the Company and Shougang Corporation as supplemental to the Coal Supply Framework Agreement
“Supplemental Long Term Strategic Cooperation Agreement”	a supplemental long term strategic cooperation agreement dated 24 February 2009 entered into among the Company, Shougang Holding and Mr. Wong as supplemental to the Long Term Strategic Cooperation Agreement
“VAT”	value added taxes
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

For the purpose of this announcement, all amounts in RMB are translated into HK\$ at an exchange rate of RMB0.88167: HK\$1.

By order of the board of
Fushan International Energy Group Limited
SO KWOK HOO
Executive Director

Hong Kong, 3 March 2009

As at date of this announcement, the Board comprises Mr. Wong Lik Ping, Mr. So Kwok Hoo, Mr. Xue Kang, Mr. Huang Bin and Mr. Liu Qingshan as executive Directors ; Mr. Li King Luk, Mr. Shi Jianping and Mr. Chen Zhouping as non-executive Directors; and Mr. Kee Wah Sze, Mr. Choi Wai Yin and Mr. Chan Pat Lam as independent non-executive Directors.