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If you have sold or transferred all your shares in Fushan International Energy Group Limited (the "Company"), you should at once hand this circular accompanying with the form of proxy to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**CONTINUING CONNECTED TRANSACTIONS
AND
RE-ELECTION OF RETIRING DIRECTORS**

Financial adviser to the Company



博 大 資 本 國 際 有 限 公 司

Partners Capital International Limited

Independent financial adviser to the independent board committee and
the independent shareholders in relation to the continuing connected transactions



First Shanghai Capital Limited

A letter from the independent board committee of the Company is set out on pages 10 to 11 of this circular. A letter from First Shanghai Capital Limited containing its advice to the independent board committee and the independent shareholders of the Company is set out on pages 12 to 20 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at Plaza IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 8 April 2009 at 10:30 a.m. is set out on pages 31 to 32 of this circular. Whether or not you are able to attend the meeting in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrars, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the accompanying form of proxy will not preclude you from attending and voting at the meeting should you so wish.

17 March 2009

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context otherwise requires:–

“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”	the extraordinary general meeting of the Company to be convened at Plaza IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 8 April 2009 at 10:30 a.m. for approving the Coal Supply Framework Agreement (as amended by the Supplemental Coal Supply Framework Agreement) (and the respective annual caps thereof) and the re-election of retiring Directors
“First Shanghai”	First Shanghai Capital Limited, a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to 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

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Company comprising independent non-executive Directors, namely Mr. Kee Wah Sze, Mr. Choi Wai Yin and Mr. Chan Pat Lam
“Independent Shareholders”	Shareholders other than Shougang Corporation and Shougang Holding and their respective associates
“Latest Practicable Date”	13 March 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“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

DEFINITIONS

“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“VAT”	value added taxes
“%”	per cent.

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

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Cao Zhong (*Chairman*)
Mr. Wong Lik Ping (*Vice-Chairman*)
Mr. So Kwok Hoo
Mr. Xue Kang
Mr. Huang Bin
Mr. Liu Qingshan

Registered Office:

12th Floor
Kwan Chart Tower
No. 6 Tonnochy Road
Wanchai
Hong Kong

Non-executive Directors:

Mr. Chen Zhouping
Mr. Leung Shun Sang, Tony
Mr. Shi Jianping

Independent non-executive Directors:

Mr. Kee Wah Sze
Mr. Choi Wai Yin
Mr. Chan Pat Lam

17 March 2009

To the Shareholders,

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS AND RE-ELECTION OF RETIRING DIRECTORS

INTRODUCTION

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.

On 3 March 2009, the Board announced 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).

LETTER FROM THE BOARD

As Shougang Corporation has become a connected person of the Company upon completion of the Share Sale 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 Latest Practicable Date) will be required to abstain from voting in relation to the approval of the Coal Supply Framework Agreement (as amended by the Supplemental Coal Supply Framework Agreement) (and the respective annual caps thereof) at the EGM.

The Independent Board Committee has been appointed by the Board to advise the Independent Shareholders on the Coal Supply Framework Agreement (as amended by the Supplemental Coal Supply Framework Agreement). First Shanghai has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to give the Shareholders with 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 First Shanghai, details of the re-election of retiring Directors and a notice to convene the EGM to consider and, if thought fit, pass the resolutions to approve the Coal Supply Framework Agreement (as amended by the Supplemental Coal Supply Framework Agreement) (and the respective annual caps thereof) and the re-election of retiring Directors.

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 (i) 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

LETTER FROM THE BOARD

“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 Share Sale 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 Share Sale 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.

LETTER FROM THE BOARD

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	RMB5,886,000,000	RMB10,595,000,000
(approximately HK\$4,121,724,000)	(approximately HK\$6,675,967,000)	(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 31 December 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

LETTER FROM THE BOARD

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 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.

As Shougang Corporation has become a connected person of the Company upon completion of the Share Sale 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.

RE-ELECTION OF RETIRING DIRECTORS

In accordance with Article 90 of the Articles of Association of the Company ("Article 90"), the Board may appoint any person to be a Director as an additional director provided that any person so appointed shall hold office only until the next following general meeting and shall then be eligible for re-election. As Mr. Cao Zhong ("Mr. Cao") was appointed as an executive Director by the Board and a Chairman of the Board on 4 March 2009 and 13 March 2009 respectively; Mr. Huang Bin ("Mr. Huang") and Mr. Liu Qingshan ("Mr. Liu") were appointed as executive Directors by the Board on 1 November 2008; and Mr. Shi Jianping ("Mr. Shi"), Mr. Chen Zhouping ("Mr. Chen") and Mr. Leung Shun Sang Tony ("Mr. Leung") were appointed as non-executive Directors by the Board on 1 November 2008, 12 January 2009 and 4 March 2009 respectively, Mr. Cao, Mr. Huang, Mr. Lin, Mr. Shi, Mr. Chen and Mr. Leung shall retire and re-election at the EGM in accordance with Article 90. However, Mr. Huang has tendered his resignation as an executive Director with effect from 31 March 2009, thus Mr. Huang will not be re-election at the EGM. The biographical details of these retiring Directors are set out in the Appendix II to this circular.

LETTER FROM THE BOARD

EGM

A notice convening the EGM at which resolutions will be proposed to consider, and if thought fit, to approve the Coal Supply Framework Agreement (as amended by the Supplemental Coal Supply Framework Agreement) (and the respective annual caps thereof) and the re-election of retiring Directors to be held at Plaza IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 8 April 2009 at 10:30 a.m. is set out on pages 31 to 32 of this circular. Whether or not you are able to attend the meeting in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrars, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the accompanying form of proxy will not preclude you from attending and voting at the meeting should you so wish.

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 Latest Practicable Date) will be required to abstain from voting in relation to the approval of the Coal Supply Framework Agreement (as amended by the Supplemental Coal Supply Framework Agreement) (and the respective annual caps thereof) at the EGM.

RECOMMENDATION

The Directors consider that the continuing connected transactions under the Coal Supply Framework Agreement (as amended by the Supplemental Coal Supply Framework Agreement) and the re-election of retiring Directors are fair and reasonable and in the interests of the Company and its shareholders as a whole. Accordingly, the Directors recommend (i) the Independent Shareholders to vote in favour of the resolution which will be proposed at the EGM to approve the Coal Supply Framework Agreement (as amended by the Supplemental Coal Supply Framework Agreement) (and the respective annual caps thereof) and (ii) the Shareholders to vote in favour of the resolution in relation to the re-election of retiring Directors.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information contained in the appendices to this circular.

By Order of the Board
SO KWOK HOO
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

17 March 2009

To the Independent Shareholders,

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to this circular dated 17 March 2009 issued by the Company of which this letter forms part. Terms defined in this circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the terms of the Coal Supply Framework Agreement (as amended by the Supplemental Coal Supply Framework Agreement) and to advise you as to whether, in our opinion, the Coal Supply Framework Agreement (as amended by the Supplemental Coal Supply Framework Agreement) (and the respective annual caps thereof) are fair and reasonable so far as the Independent Shareholders are concerned. First Shanghai has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We also wish to draw your attention to (i) the letter from the Board; (ii) the letter from First Shanghai; and (iii) the additional information set out in the appendices to this circular.

Having considered the terms of the Coal Supply Framework Agreement (as amended by the Supplemental Coal Supply Framework Agreement), and having taken into account the opinion of First Shanghai and, in particular, the factors, reasons and recommendations as set out in the letter from First Shanghai on pages 12 to 20 of this circular, we consider that the terms of the the Coal Supply Framework Agreement (as amended by the Supplemental Coal Supply Framework Agreement) (and the respective annual caps thereof) are fair and reasonable so far as the Independent Shareholders are concerned, and the Coal Supply Framework Agreement (as amended by the Supplemental Coal Supply Framework Agreement) (and the respective annual caps thereof) are in the interests of the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution which will be proposed at the EGM to

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

approve the Coal Supply Framework Agreement (as amended by the Supplemental Coal Supply Framework Agreement) (and the respective annual caps thereof).

Yours faithfully,
For and on behalf of
the Independent Board Committee
Kee Wah Sze **Choi Wai Yin** **Chan Pat Lam**
Independent non-executive Directors

LETTER FROM FIRST SHANGHAI

The following is the text of a letter received from First Shanghai setting out its advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



FIRST SHANGHAI CAPITAL LIMITED

19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

17 March 2009

*To the Independent Board Committee
and the Independent Shareholders*

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders on the terms of the Coal Supply Framework Agreement as amended by the Supplemental Coal Supply Framework Agreement and the transactions contemplated thereunder (the “Continuing Connected Transactions”) including the proposed annual caps (the “Annual Caps”) for the period from the effective date (the “Effective Date”) of the Supplemental Coal Supply Framework Agreement to 31 December 2011, details of which are set out in the circular of the Company dated 17 March 2009 (the “Circular”) to the Shareholders of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

Upon completion of the Share Sale Agreement which took place on 24 February 2009, Shougang Holding and its associates were interested in approximately 21.91% of the issued share capital of the Company. Accordingly, Shougang Corporation has become a connected person of the Company (as defined in the Listing Rules) and the transactions contemplated under the Coal Supply Framework Agreement as amended by the Supplemental Coal Supply Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules. As the Annual Caps exceed 2.5% of the applicable percentage ratios, the Continuing Connected Transactions constitute non-exempt continuing connected transactions of the Company and are subject to, among others, approval by the Independent Shareholders by way of poll at the EGM.

LETTER FROM FIRST SHANGHAI

The Independent Board Committee, comprising the independent non-executive Directors, namely Messer Kee Wah Sze, Choi Wai Yin and Chan Pat Lam, has been established to advise the Independent Shareholders on the terms of the Coal Supply Framework Agreement as amended by the Supplemental Coal Supply Framework Agreement. We, First Shanghai Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

In putting forth our opinion and recommendation, we have relied on the accuracy of the information and representations included in the Circular and provided to us by the management of the Group, and have assumed that all such information and representations made or referred to in the Circular and provided to us by the management of the Group were true at the time they were made and continued to be true up to the time of the holding of the EGM. We have also assumed that all statements of belief, opinion and intention made in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Group and have been advised that no material facts have been withheld or omitted from the information provided and referred to in the Circular. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the management of the Group nor have we conducted any form of investigation into the business, affairs or future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the terms of the Coal Supply Framework Agreement as amended by the Supplemental Coal Supply Framework Agreement and the Annual Caps, we have taken into account the following principal factors and reasons:

1. Background to and reasons for the entering into of the Coal Supply Framework Agreement as amended by the Supplemental Coal Supply Framework Agreement

The Group is principally engaged in the production and sales of coking coal products and side products.

On 15 June 2008, the Company entered into a placing agreement (the "Placing Agreement") with BOCI Asia Limited (the "Placing Agent") pursuant to which the Placing Agent agreed to act as agent for the Company on a best efforts basis to procure placee(s) to subscribe for up to 450,000,000 Shares. On the same day, (i) the Placing Agent entered into a placing letter with Shougang Holding and its wholly-owned subsidiary where the Placing Agent agreed to place to it 450,000,000 Shares (the "Placing"); and (ii) the Company and Mr. Wong entered into the Long Term Strategic Cooperation Agreement with Shougang Holding pursuant to which, among others, the Company (or procure its subsidiaries) agreed to supply and Shougang Holding (or any companies designated by Shougang Holding) agreed to purchase not less than two million tonnes of premier clean coking coal for each

LETTER FROM FIRST SHANGHAI

calendar year from 2009 onwards, subject to the entering into of formal supply agreements. Details of the Placing and the Long Term Strategic Cooperation Agreement are set out in the announcement of the Company dated 17 June 2008. The Placing was completed on 25 July 2008 and Shougang Holding was indirectly interested in approximately 9.87% of the then issued share capital of the Company immediately after completion of the Placing.

In accordance with the Long Term Strategic Cooperation Agreement, the Company and Shougang Corporation entered into the Coal Supply Framework Agreement on 20 August 2008 as the framework supply agreement setting out the detail terms for the sale and purchase of premier clean coking coal between the Company and Shougang Corporation.

On 9 February 2009, China Merit Limited, a company wholly-owned by Mr. Wong and the then controlling Shareholder, entered into the Share Sale Agreement to sell 550,000,000 Shares to a wholly-owned subsidiary of Shougang International. Details of the Share Sale Agreement are contained in the announcement of the Company dated 10 February 2009. The Share Sale Agreement was completed on 24 February 2009, and Shougang International was indirectly interested in 12.05% of the then issued share capital of the Company after completion of the Share Sale Agreement and became a substantial Shareholder. In order to comply with the Listing Rules, the Company entered into (i) the Supplemental Long Term Strategic Cooperation Agreement with Shougang Holding to suspend the carrying out of the transactions contemplated under the Long Term Strategic Cooperation Agreement until the Company complies with the relevant Listing Rules requirements; and (ii) the Supplemental Coal Supply Framework Agreement with Shougang Corporation to amend, among others, the term of the Coal Supply Framework Agreement to the period from the Effective Date to 31 December 2011.

Before the completion of the Share Sale Agreement, Shougang Corporation has placed orders to purchase approximately 50,000 tonnes of premier clean coking coal from the Group under the Coal Supply Framework Agreement. As at the Latest Practicable Date, the Directors advised us that approximately 3,500 tonnes of premier clean coking coal has been delivered, which was undergoing quality test and the transaction has not been concluded.

Having considered that the entering into of the Coal Supply Framework Agreement and the Supplemental Coal Supply Framework Agreement will enable the Group to (i) continue to sell premier clean coking coal to Shougang Corporation (or any companies designated by Shougang Corporation) in compliance with the Listing Rules; and (ii) secure Shougang Corporation, which is one of the largest steel producers in the PRC, as a long-term customer for bulk purchase of premier clean coking coal, we consider the entering into of the Supplemental Coal Supply Framework Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM FIRST SHANGHAI

2. Principal terms of the Coal Supply Framework Agreement as amended by the Supplemental Coal Supply Framework Agreement

Volume of premier clean coking coal under the Coal Supply Framework Agreement as amended by the Supplemental Coal Supply Framework Agreement

Pursuant to the terms of the Coal Supply Framework Agreement as amended by the Supplemental Coal Supply Framework Agreement, the Company agreed to sell and Shougang Corporation (or any companies designated by Shougang Corporation) agreed to purchase premier clean coking coal from the Effective Date to 31 December 2011. The following is a summary of the expected premier clean coking coal output of the Group for the three years ending 31 December 2011 as well as the volume of premier clean coking coal to be sold to Shougang Corporation (or any companies designated by Shougang Corporation) under the Coal Supply Framework Agreement as amended by the Supplemental Coal Supply Framework Agreement:

	For the year ending 31 December		
	2009	2010	2011
	<i>(tonnes)</i>	<i>(tonnes)</i>	<i>(tonnes)</i>
Expected premier clean coking coal output of the Group	3,525,000	8,100,000	8,100,000
Volume of premier clean coking coal to be sold	2,000,000	3,000,000	5,000,000
	<i>(note)</i>		

Note: For the period from the Effective Date to 31 December 2009.

In analysing the volume of premier clean coking coal under the Coal Supply Framework Agreement as amended by the Supplemental Coal Supply Framework Agreement, we have discussed with the management of the Group the bases in arriving at the volume to be transacted under the Coal Supply Framework Agreement as amended by the Supplemental Coal Supply Framework Agreement and understand that they were determined after considering (i) the expected total premier clean coking coal output of the Group for the three years ending 31 December 2011; and (ii) the demand set out by Shougang Corporation. The volume under the Coal Supply Framework Agreement as amended by the Supplemental Coal Supply Framework Agreement represent approximately 56.7%, 37.0% and 61.7% of the expected premier clean coking coal output of the Group for the three years ending 31 December 2011 respectively.

LETTER FROM FIRST SHANGHAI

Despite the Group has agreed to sell a large portion of its expected premier clean coking coal output to Shougang Corporation (or any companies designated by Shougang Corporation), the management of the Group advised us that after taking into account (i) its historical sales volume, (ii) the expected increase in premier clean coking coal output of the Group; and (iii) the expected stable demand from its existing customer, the Group would be able to satisfy the demand of premier clean coking coal from its existing customers in future. We have reviewed the Group's sales volume of premier clean coking coal for the year ended 31 December 2008 and concur with the Directors that the supply of premier clean coking coal to Shougang Corporation (or any companies designated by Shougang Corporation) is not expected to prejudice the Group's ability to sell premier clean coking coal to its existing customers as the volume to be supplied to Shougang Corporation is expected to be produced from the new constructed coking coal preparation plants.

Having considered that the volume of premier clean coking coal under the Coal Supply Framework Agreement as amended by the Supplemental Coal Supply Framework Agreement was determined after taking into account (i) the expected total premier clean coking coal output of the Group for the three years ending 31 December 2011; (ii) the demand set out by Shougang Corporation; and (iii) the supply of premier clean coking coal under the Coal Supply Framework Agreement as amended by the Supplemental Coal Supply Framework Agreement is not expected to prejudice the Group's ability to sell premier clean coking coal to its existing customers, we are of the view that the volume of premier clean coking coal under the Coal Supply Framework Agreement as amended by the Supplemental Coal Supply Framework Agreement is reasonable.

Pricing and payment term of premier clean coking coal to be sold under the Coal Supply Framework Agreement as amended by the Supplemental Coal Supply Framework Agreement

Pursuant to the Coal Supply Framework Agreement as amended by the Supplemental Coal Supply Framework Agreement, the unit price of premier clean coking coal payable to the Group shall be no less favourable than the unit price offered to independent purchasers by the Group for the same type of premier clean coking coal. And such unit price shall be benchmark to the price 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 offer a bulk volume discount of 3% to the market price of premier clean coking coal to Shougang Corporation. As advised by the management of the Group, 山西焦煤集團有限責任公司 (Shanxi Coking Coal Group Co., Ltd.) is the largest coking coal production enterprise in Shanxi Province of the PRC in terms of production scale; and the price set by 山西焦煤集團銷售總公司 (Xishan Coal and Electricity (Group) Sales Corporation) is widely used as reference for premier clean coking coal in Shanxi Province of the PRC where the Group supplies premier clean coking coal. The management of the Company also advised us that the Group had not entered

LETTER FROM FIRST SHANGHAI

into any bulk volume supply agreement with independent third parties up to the Latest Practicable Date and the bulk volume discount under the Coal Supply Framework Agreement as amended by the Supplemental Coal Supply Framework Agreement was arrived at after arm's length negotiations with Shougang Corporation. Having considered that (i) the Group only commences the business of selling premier clean coking coal after completion of the acquisition of the three coking coal mine companies in Shanxi Province of the PRC on 25 July 2008, details of which are set out in the announcement of the Company dated 21 May 2008 and the circular of the Company dated 25 June 2008, (ii) the gross profit margin of the Group's newly acquired premier clean coking coal business was over 60% for the year ended 31 December 2007; and (iii) the sales volume under the Coal Supply Framework Agreement as amended by the Supplemental Coal Supply Framework Agreement accounts for approximately 56.7%, 37.0% and 61.7% of the expected premier clean coking coal output of the Group for the three years ending 31 December 2011 respectively which secures the Group's sales order for the three years ending 31 December 2011 and is in the interest of the Company and the Shareholders as a whole, we consider the 3% bulk volume discount is acceptable.

Regarding the payment term, according to the Coal Supply Framework Agreement as amended by the Supplemental Coal Supply Framework Agreement, the amount payable to the Group shall be settled by the end of each month. After our discussion with the management of the Group and review of the supply contracts entered into between the Group and other independent third parties, the payment terms of the Group's sales with independent third parties are largely 30 to 90 days.

Based on the above analysis, we are of the view that the pricing and payment term of the Coal Supply Framework Agreement as amended by the Supplemental Coal Supply Framework Agreement are fair and reasonable.

3. Annual Caps

The following is a summary of the Annual Caps for each of the three years ending 31 December 2011:

	For the year ending 31 December		
	2009	2010	2011
	<i>(RMB</i>	<i>(RMB</i>	<i>(RMB</i>
	<i>million)</i>	<i>million)</i>	<i>million)</i>
Annual Caps	3,634	5,886	10,595
	<i>(note)</i>		

Note: For the period from the Effective Date to 31 December 2009.

LETTER FROM FIRST SHANGHAI

We understand from the management of the Group that the Annual Caps for the sale of premier clean coking coal to Shougang Corporation (or any companies designated by Shougang Corporation) under the Coal Supply Framework Agreement as amended by the Supplemental Coal Supply Framework Agreement for the period from the Effective Date to 31 December 2011 were determined principally based on (i) the expected volume of premier clean coking coal under the Coal Supply Framework Agreement as amended by the Supplemental Coal Supply Framework Agreement, details of which are contained in the section headed “Volume of premier clean coking coal under the Coal Supply Framework Agreement as amended by the Supplemental Coal Supply Framework Agreement” above; (ii) the Group’s recent realised selling price of premier clean coking coal, in particular, the highest average selling price of premier clean coking coal in the past six months; and (iii) the expected inflation in the PRC for the three years ending 31 December 2011.

In evaluating the Annual Caps for the sale of premier clean coking coal under the Coal Supply Framework Agreement as amended by the Supplemental Coal Supply Framework Agreement, we have analyzed the bases in arriving at the expected volume of premier clean coking coal to be sold under the Coal Supply Framework Agreement as amended by the Supplemental Coal Supply Framework Agreement as discussed in the section headed “Volume of premier clean coking coal under the Coal Supply Framework Agreement as amended by the Supplemental Coal Supply Framework Agreement” above which we consider reasonable. We have also reviewed the Group’s monthly realised selling price of premier clean coking coal for the year ended 31 December 2008 and noted that there was fluctuation.

Having considered that the Annual Caps are determined principally based on (i) the expected volume of premier clean coking coal to be sold under the Coal Supply Framework Agreement as amended by the Supplemental Coal Supply Framework Agreement; (ii) the Group’s highest average selling price of premier clean coking coal recorded in the past six months which will provide flexibility for the Group to sell premier clean coking coal to Shougang Corporation (or any companies designated by Shougang Corporation), which is in revenue nature; and (iii) the expected inflation in the PRC for the three years ending 31 December 2011 is comparable to the inflation recorded in the PRC for the year ended 31 December 2008, we are of the view that the Annual Caps are reasonably determined. The Continuing Connected Transactions are subject to annual review by the independent non-executive Directors and the Company’s auditors, detail requirements are set out in the section headed “Reporting requirements and conditions of the Continuing Connected Transactions” below. Such annual review shall safeguard the interests of the Independent Shareholders.

4. Reporting requirements and conditions of the Continuing Connected Transactions

Pursuant to Listing Rules 14A.37 to 14A.40, the Continuing Connected Transactions are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the Continuing Connected Transactions and confirm in the annual report and accounts that the Continuing Connected Transactions have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
 - (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming that the Continuing Connected Transactions:
 - (i) have received the approval of the Board;
 - (ii) are in accordance with the pricing policies of the Group;
 - (iii) have been entered into in accordance with the relevant agreements governing the Continuing Connected Transactions; and
 - (iv) have not exceeded the relevant Annual Caps;
- (c) the Group shall allow, and shall procure that the relevant counterparties to the Continuing Connected Transactions shall allow, the Company's auditors sufficient access to their records for the purpose of reporting on the Continuing Connected Transactions as set out in paragraphs (b); and

LETTER FROM FIRST SHANGHAI

- (d) the Group shall promptly notify the Stock Exchange and publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or the auditors of the Company will not be able to confirm the matters set out in paragraphs (a) and (b) respectively.

In light of the reporting requirements attached to the Continuing Connected Transactions, in particular, (i) the restriction of the value of the Continuing Connected Transactions by way of the Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company of the terms of the Continuing Connected Transactions and the Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having taken into account the above principal factors, we consider that the Continuing Connected Transactions, being made in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole, and the Supplemental Coal Supply Framework Agreement is on normal commercial terms, and the terms of which, including the Annual Caps, are fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves advise, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the terms of the Coal Supply Framework Agreement as amended by the Supplemental Coal Supply Framework Agreement.

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited

Helen Zee
Managing Director

Fanny Lee
Executive Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in the compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries and that to the best of their knowledge and belief there are no other facts the omission of which would made any statement therein misleading.

2. DISCLOSURE OF INTERESTS

Interest of Directors in the Company

As at the Latest Practicable Date, the interests of the Directors in the share capital of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Division of Listed Companies in the Listing Rules to notified to the Company and the Stock Exchange were as follows:

Directors' interest in Shares

Name of director	Personal interests	Number of Shares held			Total	Percentage of shareholding
		Family interests	Corporate interests			
Mr. Wong	(L)173,971,900	-	(L)699,200,000 <i>(Note a)</i>	(L)873,171,900	19.13%	
			(S)20,475,000 <i>(Note a & b)</i>	(S)20,475,000	(0.45%)	
Mr. Shi Jianping	(L)2,454,000	-	-	(L)2,454,000	0.05%	
Mr. Liu Qingshan	-	(L)330,000 <i>(Note c)</i>	-	(L)330,000	0.01%	

* The letter "L" denotes a long position and the letter "S" denotes a short position.

Note a: Mr. Wong is the beneficial owner of the entire issued share capital of China Merit Limited, which owned 699,200,000 Shares as at the Latest Practicable Date. Mr. Wong is the sole director and sole shareholder of China Merit Limited.

Note b: The short position in 20,475,000 Shares held by Mr. Wong through China Merit Limited was derived from Shares pledged to PA Capital Opportunity VII Limited.

Note c: The spouse of Mr. Liu Qingshan is the beneficial shareholder.

Directors' interests in associated corporation

Name	Nature of associated corporation	Capacity	Number of shares	Percentage of shareholding
Mr. Wong	China Merit Limited	Beneficial Owner	150,000 ordinary shares	100%

Directors' interests in share options of the Company

On 26 April 2006, options to subscribe for a total of 16,900,000 Shares were granted under the share option scheme of the Company to Directors at the exercise price of HK\$1.5 per Share. The options may be exercised from 26 April 2008 to 25 April 2013. As at the Latest Practicable Date, details of the options are as follows:

Name of Director	Number of Shares under outstanding options
Mr. Wong	2,000,000
Mr. So Kwok Hoo	6,500,000
Mr. Xue Kang	6,000,000
Mr. Chan Pat Lam	800,000
Mr. Choi Wai Yin	800,000
Mr. Kee Wah Sze	800,000
	16,900,000

Save as disclosed above, as the Latest Practicable Date, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange.

Interests of substantial Shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the persons other than a Director or chief executive of the Company who has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO, or who is expected, directly or indirectly, to be interest in 5%, or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any options in respect of such capital, were as follow:

Interest in Shares

Name of shareholders	Capacity	Number of Shares held	Percentage of shareholding
Mr. Xing Libin ("Mr. Xing")	Beneficial owner	(L)669,546,536 (Note a)	14.67%
Shougang Holding	Corporate interest	(L)450,000,000 (Note b)	9.86%
Shougang International	Corporate interest	(L)550,000,000 (Note c)	12.05%

* *The letter "L" denotes a long position.*

Note a: Pursuant to the substantial shareholder notices dated 30 July 2008, Mr. Xing is the beneficial owner of 86.9% of the entire issued share capital of Firstwealth Holdings Limited, which owned 669,546,536 Shares as at the Latest Practicable Date.

Note b: Pursuant to the substantial shareholder notices dated 25 July 2008, Shoungang Holding is the beneficial owner of the entire issued share capital of Fine Power Group Limited, which owned 450,000,000 Shares as at the Latest Practicable Date.

Note c: Pursuant to the substantial shareholder notices dated 26 February 2009, Shougang International is the beneficial owner of the entire issued share capital of Ultimate Capital Limited, which owned 550,000,000 Shares as at the Latest Practicable Date.

Save as disclosed above, the Directors and the chief executive of the Company were not aware that there was any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group or had any options in respect of such capital.

Service Contracts

There is no existing or proposed service contract between any of the Directors and the Company or any of its members (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensations)).

Interests in other competing business

Save for Mr. Shi Jianping and his associates operating coal preparation plants and selling of clean coal as disclosed in the announcement of the Company dated 4 November 2008, each of the Directors has confirmed that he and their respective associates do not have any interests in a business apart from the Group's business which directly competes with and will have material adverse impact on the Group.

Interests in assets

As at the Latest Practicable Date, save for the conditional sale and purchase agreement dated 9 May 2008 entered into among the Company, Jade Green Investments Limited (a wholly-owned subsidiary of the Company) as buyer, Mr. Wong, Fortune Dragon Group Limited as seller, and Mr. Xing Libin, pursuant to which Jade Green Investments Limited agreed to acquire from Fortune Dragon Group Limited the sale shares and the sale loans for an aggregate consideration of HK\$10,530,000,000, details of which please refer to the announcement of the Company dated 21 May 2008, none of the Directors has any direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2007, being the date to which the latest published audited accounts of the Company were made up.

Interests in contract or arrangement

As at the Latest Practicable Date, save for the supply contract dated 3 November 2008 entered into among the members of the Group and Mr. Shi Jianping (details of which please refer to the announcement of the Company dated 4 November 2008), the Coal Supply Framework Agreement, the Supplemental Coal Supply Framework Agreement, the Long term Strategic Cooperation Agreement; and the Supplemental Long Term Strategic Cooperation Agreement and the deed of undertaking entered among the Company, Shougang Holding and Fine Power Group Limited dated 25 July 2008 (details of which please refer to the announcement dated 17 June 2008), none of the Directors is materially interested in contract or arrangement subsisting which is significant in relation to the business of the Group.

3. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

4. EXPERT AND CONSENT

The qualification of the expert who has given opinion in this circular is as follows:

Name	Qualification
First Shanghai	a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity

As at the Latest Practicable Date, First Shanghai has no shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group and has no direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2007, being the date to which the latest published audited accounts of the Company were made up.

First Shanghai has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name, in the form and context in which they respectively appear.

5. MATERIAL CHANGE

The Directors are not aware of any material adverse changes in the financial or trading position or prospects of the Group since 31 December 2007, being the date to which the latest audited consolidated financial statements of the Group were made up.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during 9:00 a.m. to 5:00 p.m. at the head office and principal place of business in Hong Kong at 12th Floor, Kwan Chart Tower, No. 6 Tonnochy Road, Wanchai, Hong Kong up to and including 8 April 2009:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2007;
- (c) the interim report of the Company for the six months ended 30 June 2008;
- (d) the letter from First Shanghai to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 12 to 20 of this circular;

- (e) the written consent referred to in the paragraph headed “Expert and Consent” in this appendix;
- (f) the Coal Supply Framework Agreement; the Supplemental Coal Supply Framework Agreement; the Long Term Strategic Cooperation Agreement; and the Supplemental Long Term Strategic Cooperation Agreement; and
- (g) the circulars of the Company which have been issued since 31 December 2007.

The biographical details of those Directors to be retired and re-election at the EGM in accordance with Article 90 of the Articles of Association of the Company are as follows:

Mr. Cao Zhong (“Mr. Cao”)

Mr. Cao, aged 49, was appointed as an executive Director on 4 March 2009 and as the Chairman of the Board (the “Chairman”) on 13 March 2009. He graduated from Zhejiang University, the People’s Republic of China and Graduate School, The Chinese Academy of Social Sciences with a bachelor degree in engineering and a master degree in economics. Mr. Cao is the deputy chairman and general manager of Shougang Holding and a director of Fine Power Group Limited (“Fine Power”) (a wholly-owned subsidiary of Shougang Holding). He is the managing director of Shougang International which is a listed company in Hong Kong and a director of Ultimate Capital Limited (“UCL”) (a wholly-owned subsidiary of Shougang International). Shougang Holding, Fine Power, Shougang International and UCL are substantial shareholders of the Company within the meaning of Part XV of the SFO. Mr. Cao is the vice chairman and managing director of Shougang Concord Grand (Group) Limited and the chairman of each of Shougang Concord Technology Holdings Limited, Shougang Concord Century Holdings Limited, Global Digital Creations Holdings Limited and APAC Resources Limited, all of which are listed companies in Hong Kong. He is also a director of Mount Gibson Iron Limited, a company listed on the Australian Securities Exchange. Mr. Cao has extensive experience in corporate management and operation.

As at the Latest Practicable Date, Mr. Cao has not entered into any service agreement with the Company in respect of his appointment as an executive Director and the Chairman. In accordance with the Article 90, Mr. Cao will retire and being eligible, will offer himself for re-election as a Director at the EGM. Mr. Cao’s emolument in respect of his appointment as an executive Director and the Chairman has not been determined by the Board yet. Should it be fixed by the Board, it will further be announced by the Company as soon as practicable.

Save for disclosed above, Mr. Cao does not hold any other positions with the Company or other members of the Group and did not hold any other directorships in other Hong Kong or overseas listed public companies in the last three years.

Save for disclosed above, Mr. Cao does not have any relationships with any directors, senior management or substantial or controlling shareholders of the Company nor any interests in the Shares within the meaning of Part XV of the SFO as at the Latest Practicable Date.

Mr. Liu Qingshan (“Mr. Liu”)

Mr. Liu, aged 50, was appointed as an executive Director on 1 November 2008. Mr. Liu has over 25 years’ experience in the fields of accounting and finance in the mining industry in the PRC. He had worked as chief financial controller in sizable energy resources companies in the PRC. Mr. Liu currently has been our PRC regional chief financial controller since 25 July 2008. Before he joined the Group, Mr.

Liu worked as chief financial controller in Fortune Dragon Group Limited which is engaged in coal mining in the PRC, during the period from January 2005 to July 2008. He received Master of Business Administrative from Capital University of Economics and Business (首都對外經濟貿易學院) and he was graduated from Shanxi University of Finance and Economics Department of Accounting (山西財經學院會計系).

At the Latest Practicable Date. Mr. Liu, through his spouse, holds 330,000 Shares represented approximately 0.01% of issued Shares. There is one-year service contract (the “Mr. Liu’s Service Contract”) entered into between Mr. Liu and the Company and is subject to renewal, but Mr. Liu’s directorship with the Company is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Company’s Articles of Associations. Mr. Liu is currently entitled to receive monthly remuneration of approximately RMB20,800 for his employment as our PRC regional chief financial controller and under the Mr. Liu’s Service Contract, Mr. Liu is also entitled to receive monthly remuneration of HK\$20,000 for his employment as an executive director of the Company with reference to his past remuneration packages and time commitment to the Group.

Save for disclosed above, Mr. Liu does not hold any other positions with the Company or other members of the Group and did not hold any other directorships in other Hong Kong or overseas listed public companies in the last three years.

Save for disclosed above, Mr. Liu does not have any relationships with any directors, senior management or substantial or controlling shareholders of the Company nor any interests in the shares of the Company within the meaning of Part XV of the SFO as at the Latest Practicable Date.

Mr. Shi Jianping (“Mr. Shi”)

Mr. Shi, aged 38, was appointed as a non-executive Director on 1 November 2008. Mr. Shi has over 10 years’ experience in the fields of the mining and energy resources industries in the PRC and has rich experience in the stated-owned asset management. He currently acts as director in various private companies which are engaged in energy resources related industries in the PRC including operating coal preparation plants.

At the Latest Practicable Date. Mr. Shi holds 2,454,000 Shares represented approximately 0.05% of issued Shares. There is one-year service contract (the “Mr. Shi’s Service Contract”) entered into between Mr. Shi and the Company and is subject to renewal, but Mr. Shi’s directorship with the Company is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Company’s Articles of Associations. Under the Mr. Shi’s Service Contract, Mr. Shi is entitled to receive monthly remuneration of HK\$20,000 for his employment as a non-executive director of the Company with reference to his time commitment to the Group.

Save for disclosed above, Mr. Shi does not hold any other positions with the Company or other members of the Group and did not hold any other directorships in other Hong Kong or overseas listed public companies in the last three years.

Save for disclosed above, Mr. Shi does not have any relationships with any directors, senior management or substantial or controlling shareholders of the Company nor any interests in the shares of the Company within the meaning of Part XV of the SFO as at the Latest Practicable Date.

Mr. Chen Zhouping (“Mr. Chen”)

Mr. Chen, aged 42, was appointed as a non-executive Director on 12 January 2009. Mr. Chen is a member of the Chinese Institute of Certified Public Accountants. Mr. Chen is a deputy managing director of Shougang Concord International Enterprises Company Limited which is a listed company in Hong Kong. He was the managing director of Shougang Concord Grand (Group) Limited, which is a listed company in Hong Kong, during the period from February to November 2002. He is also a deputy managing director of Shougang and a director of Fine Power Group Limited, both are substantial shareholders of the Company within the meaning of Part XV of the SFO. Mr. Chen has extensive experience in steel industry, engineering design, human resources and management.

Pursuant to certain terms of Long Term Strategic Cooperation Agreement entered into between, among others, the Company and Shougang Holding on 15 June 2008 (details are set out in the announcement of the Company dated 17 June 2008), as long as Shougang Holding (and/or its nominees) maintains more than 5% issued share capital of the Company, Shougang Holding has the right to participate in the management of the Company including nomination of one director to the Board and nomination of the senior management to the Group. As Shougang Holding, through its wholly-owned subsidiary, Fine Power Group Limited, owns 9.86% of the entire issued share capital of the Company at the Latest Practicable Date, Shougang Holding has nominated Mr. Chen as a non-executive Director.

There is a one-year service contract (the “Mr. Chen’s Service Contract”) entered into between Mr. Chen and the Company and is subject to renewal. Mr. Chen’s directorship with the Company is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Company’s Articles of Associations. Under the Mr. Chen’s Service Contract, Mr. Chen is entitled to receive a monthly remuneration of HK\$20,000 for his employment as a non-executive director of the Company with reference to current remuneration packages of other non-executive directors of the Company and time commitment to the Group.

Save for disclosed above, Mr. Chen does not hold any other positions with the Company or other members of the Group and did not hold any other directorships in other Hong Kong or overseas listed public companies in the last three years.

Save for disclosed above, Mr. Chen does not have any relationships with any directors, senior management or substantial or controlling shareholders of the Company nor any interests in the shares of the Company within the meaning of Part XV of the SFO as at the Latest Practicable Date.

Mr. Leung Shun Sang Tony (“Mr. Leung”)

Mr. Leung, aged 66, is a non-executive director of Shougang International. Shougang International is a substantial Shareholder within the meaning of Part XV of the SFO. Mr. Leung is also a director of each of Shougang Concord Grand (Group) Limited, Shougang Concord Technology Holdings Limited, Shougang Concord Century Holdings Limited and Global Digital Creations Holdings Limited, all of which are listed companies in Hong Kong. Mr. Leung is the managing director of CEF Group. Mr. Leung holds a master degree in business administration from New York State University and has over 30 years of experience in finance, investment and corporate management.

As at the Latest Practicable Date, Mr. Leung has not entered into any service agreement with the Company in respect of his appointment as a non-executive Director of the Company. In accordance with the Company’s articles of association, Mr. Leung will retire and being eligible, will offer himself for re-election as a non-executive Director of the Company at the EGM. Mr. Leung’s emolument in respect of his appointment as a non-executive Director of the Company has not been determined by the Board yet. Should it be fixed by the Board, it will further be announced by the Company as soon as practicable.

Save for disclosed above, Mr. Leung does not hold any other positions with the Company or other members of the Group and did not hold any other directorships in other Hong Kong or overseas listed public companies in the last three years.

Save for disclosed above, Mr. Leung does not have any relationships with any directors, senior management or substantial or controlling shareholders of the Company nor any interests in the shares of the Company within the meaning of Part XV of the SFO as at the Latest Practicable Date.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the abovementioned company (the “Company”) will be held at Plaza IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 8 April 2009 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. **“THAT:**

the Coal Supply Framework Agreement (as amended by the Supplemental Coal Supply Framework Agreement) (as defined and described in this Circular of the Company dated 17 March 2009 to the shareholders of the Company (the “Circular”) of which this notice forms a part) entered between the Company and Shougang Corporation (as defined in the Circular) dated 24 February 2009 and the transactions contemplated thereunder be and are hereby approved on the condition that the annual caps on the amounts of clean coal to be supplied to Shougang Corporation shall not exceed the amount shown below table for the financial year ending 31 December 2009, 31 December 2010 and 31 December 2011.

The annual caps on the amounts of clean coal that may be supplied to Shougang Corporation under the Supplemental Coal Supply Framework Agreement in monetary terms are as follows:

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
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)”

NOTICE OF EGM

2. “**THAT:**

the retiring directors be re-elected.”

By Order of the Board
So Kwok Hoo
Executive Director

Hong Kong, 17 March 2009

Registered Office:

12th Floor
Kwan Chart Tower
6 Tonnochy Road
Wanchai
Hong Kong

Notes:

- (1) Any shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead in accordance with the Company’s Articles of Association. A proxy need not be a shareholder of the Company. A form of proxy for use at the meeting is enclosed herewith.
- (2) Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the meeting or poll concerned if he so wishes. In the event of a member who has lodged a form of proxy attending the meeting, his form of proxy will be deemed to have been revoked.
- (3) Where there are joint registered holders of any shares, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders is present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such shares shall alone be entitled to vote in respect thereof.
- (4) To be valid, the form of proxy together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be deposited with the Company’s share registrars, Tricor Tengis Limited at 26th Floor, Tesbury Centre, No.28 Queen’s Road East, Wanchai, Hong Kong at least 48 hours before the time appointed for holding the meeting or any adjournment thereof as the case may be and in default thereof the form of proxy and such power or authority shall not be treated as valid.
- (5) The votes to be taken at the meeting will be taken by poll.