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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)

(Stock Code: 639)

CONTINUING CONNECTED TRANSACTIONS

Mutual Coal Supply Contract

Reference is made to the Mutual Coal Supply Contract and the cap amount for the financial year ended 31 December 2008 which were approved by the then independent Shareholders at the special general meeting of the Company held on 18 July 2008. The unaudited amount of transactions conducted under the Mutual Coal Supply Contract is estimated to exceed the cap amount as approved by the independent Shareholders.

Sub-contract Transactions

Party D has charged PRC Subsidiary A at a fixed rate of RMB18.5 per tonne for processing raw coking coal to clean coking coal. As one of the Percentage Ratios for the aggregate annual amount of the Sub-contract Transactions for the financial year ended 31 December 2008 is more than 2.5% but less than 25% and the aggregate annual amount of the Sub-contract Transactions for the financial year ended 31 December 2008 is less than HK\$10,000,000, the Sub-contract Transactions constitute continuing connected transactions for the Company and are subject to the reporting and announcement requirements but exempt from independent Shareholders' approval requirement pursuant to Rule 14A.34 of the Listing Rules.

Sale Transactions with Party D

The PRC Subsidiary A, PRC Subsidiary B and PRC Subsidiary C have sold certain accessories and small tools to Party D. The PRC Subsidiary B and PRC Subsidiary C have also sold certain equipment to Party D. The Sale Transactions were entered into (i) between PRC Subsidiary A as supplier and Party D as purchaser; (ii) between PRC Subsidiary B as supplier and Party D as purchaser; and (iii) between PRC Subsidiary C as supplier and Party D as purchaser. As one of the Percentage Ratios for the aggregate annual amount of the Sale Transactions (i) between PRC Subsidiary A as supplier and Party D as purchaser; (ii) between PRC Subsidiary B as supplier and Party D as purchaser; and (iii) between PRC Subsidiary C as supplier and Party D as purchaser for the financial year ended 31 December 2008 exceeds 2.5%, the Sale Transactions (i) between PRC Subsidiary A as supplier and Party D as purchaser; (ii) between PRC Subsidiary B as supplier and Party D as purchaser; and (iii) between PRC Subsidiary C as supplier and Party D as purchaser constitute non-exempt continuing connected transactions for the Company and are subject to the reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

Sale Transactions among the PRC Subsidiaries

The PRC Subsidiaries have sold certain equipment, accessories and small tools among themselves. The Sales Transactions were entered into (i) between PRC Subsidiary A as supplier and PRC Subsidiary B and PRC Subsidiary C as purchasers; (ii) between PRC Subsidiary B as supplier and PRC Subsidiary A and PRC Subsidiary C as purchasers; and (iii) between PRC Subsidiary C as supplier and PRC Subsidiary A and PRC Subsidiary B as purchasers. As one of the Percentage Ratios for the aggregate annual amount of the Sale Transactions for the financial year ended 31 December 2008 exceeds 2.5%, the Sale Transactions (i) between PRC Subsidiary A as supplier and PRC Subsidiary B and PRC Subsidiary C as purchasers; (ii) between PRC Subsidiary B as supplier and PRC Subsidiary A and PRC Subsidiary C as purchasers; and (iii) between PRC Subsidiary C as supplier and PRC Subsidiary A and PRC Subsidiary B as purchasers constitute non-exempt continuing connected transactions for the Company and are subject to the reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

Lease Transactions

Party D has charged PRC Subsidiary C at a fixed rate of RMB2 per tonne per month for storage of coking coal. As one of the Percentage Ratios for the aggregate annual amount of the Lease Transactions for the financial year ended 31 December 2008 is more than 2.5% but less than 25% and the aggregate annual amount of the Lease Transactions for the financial year ended 31 December 2008 is less than HK\$10,000,000, the Lease Transactions constitute continuing connected transactions for the Company and are subject to the reporting and announcement requirements but exempt from independent Shareholders' approval requirement pursuant to Rule 14A.34 of the Listing Rules.

BACKGROUND

Reference is made to the announcements of the Company dated 4 June 2008 and 4 November 2008, respectively and the circulars of the Company dated 25 June 2008 and 25 November 2008, respectively in relation to, among others, certain continuing connected transactions.

Before completion of the Agreement, Party D's coal mines (including the mines owned by the PRC Subsidiaries) supply raw coking coal, equipment, accessories and small tools with the coal preparation plants to each other due to different timing and quality requirements. Party D is a substantial Shareholder and a connected person of the Company. Since Party D owns the coal preparation plants, coke plants and coal mines, the PRC Subsidiaries have entered into certain agreements with Party D in relation to, among others, the continuing connected transactions. Upon completion of the Agreement, PRC Subsidiary A and PRC Subsidiary B have become connected persons of the Company. PRC Subsidiary B is an associate of Mr. Xing and hence a connected person of the Company. PRC Subsidiary A is an associate of PRC Subsidiary B and is therefore a connected person of the Company.

MUTUAL COAL SUPPLY CONTRACT

Reference is made to the Mutual Coal Supply Contract and the cap amount for the financial year ended 31 December 2008 which were approved by the then independent Shareholders at the special general meeting of the Company held on 18 July 2008.

During the annual audit conducted on the financial results of the Group for the year ended 31 December 2008, it is noted that the unaudited amount of transactions conducted under the Mutual Coal Supply Contract is estimated to exceed the cap amount as approved by the independent Shareholders. The unaudited amount of transactions and the cap amount under the Mutual Coal Supply Contract as approved by the then independent Shareholders at the special general meeting of the Company held on 18 July 2008 are set out in the table below:

Supplier	Purchaser	Pro rata approved amount for the period from 25 July 2008 to 31 December 2008 (net of VAT) (Note)	Unaudited amount of transactions for the period from 25 July 2008 to 31 December 2008 (net of VAT)
PRC Subsidiary C	PRC Subsidiary A	RMB41,641,447	RMB17,610,931
PRC Subsidiary C	PRC Subsidiary B	-	RMB436,868
PRC Subsidiary B	PRC Subsidiary A	-	RMB29,480,358
Total		RMB41,641,447	RMB47,528,157

Note: The annual cap for the financial year ended 31 December 2008 under the Mutual Coal Supply Contract as approved by the then independent Shareholders at the special general meeting of the Company held on 18 July 2008 is RMB95,592,000 and the pro-rated amount for the period from 25 July 2008, being the completion date of the Agreement and the commencement date of the Mutual Coal Supply Contract, to 31 Dec 2008 is RMB41,641,447 (RMB95,592,000 x 159 days/365 days).

SUB-CONTRACT TRANSACTIONS

Due to the better-than-expected sales for certain coking coal products processed by PRC Subsidiary A and the fact that the capacity of the coal preparation plant of PRC Subsidiary A had been fully utilized, PRC Subsidiary A entered into the Sub-contract Transactions with Party D. The coal preparation plant of Party D is located in close proximity to the coal preparation plant of PRC Subsidiary A, and therefore it would be more cost-efficient for PRC Subsidiary A to sub-contract the processing services to Party D.

Party D has charged PRC Subsidiary A at a fixed rate of RMB18.5 per tonne for processing raw coking coal to clean coking coal. The Sub-contract Transactions were contracted between 25 July 2008 and 31 December 2008 and an individual agreement was signed between Party D and PRC Subsidiary A for each of the transactions. No master agreement has been entered into between Party D and PRC Subsidiary A. During the annual audit conducted on the financial results of the Group for the year ended 31 December 2008, it is noted that the unaudited amount of transactions conducted under the Sub-contract Transactions for the financial year ended 31 December 2008 is estimated to be RMB1,841,844. The rate for the Sub-contract Transactions was determined with reference to the comparable cost for processing raw coking coal to clean coking coal.

As one of the Percentage Ratios for the aggregate annual amount of the Sub-contract Transactions for the financial year ended 31 December 2008 is more than 2.5% but less than 25% and the aggregate annual amount of the Sub-contract Transactions for the financial year ended 31 December 2008 is less than HK\$10,000,000, the Sub-contract Transactions constitute continuing connected transactions for the Company and are subject to the reporting and announcement requirements but exempt from independent Shareholders' approval requirement pursuant to Rule 14A.34 of the Listing Rules.

SALE TRANSACTIONS WITH PARTY D

During the annual audit conducted on the financial results of the Group for the year ended 31 December 2008, it is noted that PRC Subsidiary A, PRC Subsidiary B and PRC Subsidiary C have sold certain accessories and small tools such as cable, detonator, explosive, diamond mesh, screw, steel wires, bolt, stock plate and steel strip to Party D, and PRC Subsidiary B and PRC Subsidiary C have sold certain equipment such as coal cutter, sewage treatment equipment and telescopic belt conveyor to Party D. The Sale Transactions (i) between PRC Subsidiary A and Party D; (ii) between PRC Subsidiary B and Party D; and (iii) between PRC Subsidiary C and Party D were contracted between 25 July 2008 and 31 December 2008 and an individual agreement was signed between PRC Subsidiary A and Party D, between PRC Subsidiary B and Party D, and between PRC Subsidiary C and Party D for each of the transactions. No master agreement has been entered into between PRC Subsidiary A and Party D, between PRC Subsidiary B and Party D, and between PRC Subsidiary C and Party D. The unaudited amount of the Sale Transactions conducted (i) between PRC Subsidiary A and Party D; (ii) between PRC Subsidiary B and Party D; and (iii) between PRC Subsidiary C and Party D for the period from 25 July 2008 to 31 December 2008 is estimated to be as follows:

Supplier	Purchaser	Unaudited amount of transactions for the period from 25 July 2008 to 31 December 2008
PRC Subsidiary A	Party D	RMB2,001
PRC Subsidiary B	Party D	RMB1,879,255
PRC Subsidiary C	Party D	RMB2,660,441
Total		RMB4,541,697

The Sale Transactions entered into with Party D have enabled PRC Subsidiary B and PRC Subsidiary C to dispose of equipment not required by them and increase cashflow.

The prices for each of the Sale Transactions (i) between PRC Subsidiary A and Party D; (ii) between PRC Subsidiary B and Party D; and (iii) between PRC Subsidiary C and Party D were determined with reference to (i) if applicable, in respect of the sale of equipment, the net book value of the equipment as at the date of transactions in the total amount of RMB1,723,234 for the Sale Transactions between PRC Subsidiary B and Party D, and RMB820,580 for the Sale Transactions between PRC Subsidiary C and Party D; and (ii) in respect of the sale of accessories and small tools, the cost of the accessories and small tools. Payment for the Sale Transactions (i) between PRC Subsidiary A and Party D; (ii) between PRC Subsidiary B and Party D; and (iii) between PRC Subsidiary C and Party D was settled within 30 days after delivery.

The total original acquisition cost to PRC Subsidiary A for accessories and small tools was RMB2,001. The total original acquisition cost to PRC Subsidiary B for the equipment was RMB2,468,624 and for accessories and small tools was RMB156,020. The total original acquisition cost to PRC Subsidiary C for the equipment was RMB1,181,533 and for the accessories and small tools was RMB1,839,861.

As one of the Percentage Ratios for the aggregate annual amount of the Sale Transactions (i) between PRC Subsidiary A as supplier and Party D as purchaser; (ii) between PRC Subsidiary B as supplier and Party D as purchaser; and (iii) between PRC Subsidiary C as supplier and Party D as purchaser for the financial year ended 31 December 2008 exceeds 2.5%, the Sale Transactions (i) between PRC Subsidiary A as supplier and Party D as purchaser; (ii) between PRC Subsidiary B as supplier and Party D as purchaser; and (iii) between PRC Subsidiary C as supplier and Party D as purchaser constitute non-exempt continuing connected transactions for the Company and are subject to the reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

SALE TRANSACTIONS AMONG PRC SUBSIDIARIES

During the annual audit conducted on the financial results of the Group for the year ended 31 December 2008, it is noted that the PRC Subsidiaries have sold certain equipment such as coal cutter, sewage treatment equipment and telescopic belt conveyor, and certain accessories and small tools such as cable, detonator, explosive, diamond mesh, screw, steel wires, bolt, stock plate and steel strip among themselves. The Sale Transactions among the PRC Subsidiaries were contracted between 25 July 2008 and 31 December 2008 and an individual agreement was signed among the PRC Subsidiaries for each of these transactions. No master agreement has been entered into among the PRC Subsidiaries. The unaudited amount of the Sale Transactions conducted among the PRC Subsidiaries for the period from 25 July 2008 to 31 December 2008 is estimated to be as follows:

Supplier	Purchaser	Unaudited amount of transactions for the period from 25 July 2008 to 31 December 2008
PRC Subsidiary A	PRC Subsidiary B	RMB66,720
PRC Subsidiary A	PRC Subsidiary C	RMB287,954
PRC Subsidiary B	PRC Subsidiary A	RMB39,652
PRC Subsidiary B	PRC Subsidiary C	RMB1,426,941
PRC Subsidiary C	PRC Subsidiary A	RMB258,769
PRC Subsidiary C	PRC Subsidiary B	RMB2,561,081
Total		RMB4,641,117

The Sale Transactions entered into among the PRC Subsidiaries were to ensure continuous supply of the necessary accessories and small tools required for their respective production of coking coal products, in the event that any of the PRC Subsidiaries was in urgent need of such accessories and small tools, so as to enhance the flexibility of the operations of the PRC Subsidiaries, and to make good use of the equipment not required by the other PRC Subsidiaries.

The prices for each of the Sale Transactions among the PRC Subsidiaries were determined with reference to (i) in respect of the sale of equipment, the net book value of the equipment as at the date of transactions in the total amount of RMB148,954 for the Sale Transactions entered into by PRC Subsidiary A, RMB1,206,348 for the Sale Transactions entered into by PRC Subsidiary B, and RMB2,675,040 for the Sale Transactions entered into by PRC Subsidiary C; and (ii) in respect of the sale of accessories and small tools, the cost of the accessories and small tools. Payment for the Sale Transactions among the PRC Subsidiaries was settled within 30 days upon receipt after delivery.

The total original acquisition cost to PRC Subsidiary A for the equipment was RMB173,745 and for the accessories and small tools was RMB205,720. The total original acquisition cost to PRC Subsidiary B for the equipment was RMB2,270,800 and for the accessories and small tools was RMB260,245. The total original acquisition cost to PRC Subsidiary C for the equipment was RMB5,913,983 and for the accessories and small tools was RMB144,811.

As one of the Percentage Ratios for the aggregate annual amount of the Sale Transactions (i) between PRC Subsidiary A as supplier and PRC Subsidiary B and PRC Subsidiary C as purchasers; (ii) between PRC Subsidiary B as supplier and PRC Subsidiary A and PRC Subsidiary C as purchasers; and (iii) between PRC Subsidiary C as supplier and PRC Subsidiary A and PRC Subsidiary B as purchasers for the financial year ended 31 December 2008 exceeds 2.5%, the Sale Transactions (i) between PRC Subsidiary A as supplier and PRC Subsidiary B and PRC Subsidiary C as purchasers; (ii) between PRC Subsidiary B as supplier and PRC Subsidiary A and PRC Subsidiary C as purchasers; and (iii) between PRC Subsidiary C as supplier and PRC Subsidiary A and PRC Subsidiary B as purchasers constitute non-exempt continuing connected transactions for the Company and are subject to the reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

LEASE TRANSACTIONS

Due to the urgent need of PRC Subsidiary C, PRC Subsidiary C entered into the Lease Transactions with Party D to ensure that PRC Subsidiary C would be able to secure available warehouse space for the storage of coking coal in the fourth quarter of 2008. The warehouse of Party D is located in close proximity to the plant of PRC Subsidiary C, and therefore it would be more cost-efficient for PRC Subsidiary C to lease the warehouse of Party D.

Party D has charged PRC Subsidiary C in the rate of RMB2 per tonne per month for storage of coking coal.

The Lease Transactions were contracted between 25 July 2008 and 31 December 2008 and an individual agreement was signed between Party D and PRC Subsidiary C for each of these transactions. No master agreement has been entered into between Party D and PRC Subsidiary C. During the annual audit conducted on the financial results of the Group for the year ended 31 December 2008, it is noted that the unaudited amount of transactions conducted under the Lease Transactions for the financial year ended 31 December 2008 is estimated to be RMB676,321. The rate for the Lease Transactions was determined with reference to the rate agreed between the parties based on a rate no less favorable than that to/from third parties.

As one of the Percentage Ratios for the aggregate annual amount of the Lease Transactions for the financial year ended 31 December 2008 is more than 2.5% but less than 25% and the aggregate annual amount of the Lease Transactions for the financial year ended 31 December 2008 is less than HK\$10,000,000, the Lease Transactions constitute continuing connected transactions for the Company and are subject to the reporting and announcement requirements but exempt from independent Shareholders' approval requirement pursuant to Rule 14A.34 of the Listing Rules.

GENERAL

The Company is an investment holding company and the Group is principally engaged in coking coal mining, production and sales of coking coal products (including raw coking coal, clean coking coal and coke) and side products. The PRC Subsidiaries are principally engaged in coking coal mining, production and sales of coking coal products (including raw coking coal and clean coking coal).

During the annual audit conducted on the financial results of the Group for the year ended 31 December 2008, it is noted that the unaudited amount of transactions conducted under the Mutual Coal Supply Contract is estimated to exceed the annual cap amount approved by the independent Shareholders, and that the Transactions have been entered into during the period from 25 July 2008 to 31 December 2008. The terms of each of the Transactions have been agreed upon after arm's length negotiations among the relevant parties. The Directors (including the independent non-executive Directors) believe that each of the Transactions was entered into on normal commercial terms and in the ordinary and usual course of business of the Group. The Directors consider that the continuing connected transactions under each of the Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

DEFINITIONS

“Agreement”	the conditional sale and purchase agreement dated 9 May 2008 among the Company, Jade Green Investments Limited as buyer, Mr. Wong Lik Ping, Fortune Dragon Group Limited as seller, and Mr. Xing, pursuant to which Jade Green Investments Limited agreed to acquire from Fortune Dragon Group Limited the sale shares and the sale loans, the 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
“associate”	has the meaning ascribed to in the Listing Rules
“Board”	the board of Directors
“Company”	Fushan International Energy Group Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lease Transactions”	the leasing of the warehouse by Party D to PRC Subsidiary C for the storage of coking coal, the particulars of which are set out in the section headed “Lease Transactions” in this announcement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

“Mr. Xing”	Mr. Xing Libin, a substantial Shareholder
“Mutual Coal Supply Contract”	the mutual supply contract entered into among the PRC Subsidiaries dated 2 June 2008 in relation to the trading of raw coking coal among PRC Subsidiaries
“Party D”	Mr. Xing and his associates
“Percentage Ratios”	the percentage ratios as stipulated under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excludes Hong Kong, Taiwan and Macau Special Administrative Region
“PRC Subsidiaries”	PRC Subsidiary A, PRC Subsidiary B and PRC Subsidiary C
“PRC Subsidiary A”	Shanxi Liulin Xingwu Coalmine Company Limited (山西柳林興無煤礦有限責任公司), a company incorporated in the PRC with limited liability
“PRC Subsidiary B”	Shanxi Liulin Jinjiazhuang Coal Company Limited (山西柳林金家莊煤業有限公司), a company incorporated in the PRC with limited liability
“PRC Subsidiary C”	Shanxi Liulin Zhaiyadi Coal Company Limited (山西柳林寨崖底煤業有限公司), a company incorporated in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Transactions”	the sale of equipment, accessories and small tools (i) between PRC Subsidiary A as supplier and Party D as purchaser; between PRC Subsidiary B as supplier and Party D as purchaser; and between PRC Subsidiary C as supplier and Party D as purchaser, the particulars of which are set out in the section headed “Sale Transactions with Party D” in this announcement, and (ii) among PRC Subsidiaries, the particulars of which are set out in the section headed “Sale Transactions among PRC Subsidiaries” in this announcement
“Shares”	existing ordinary shares of HK\$0.10 each in the share capital of the Company

“Shareholders”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-contract Transactions”	the sub-contract arrangement by Party D to PRC Subsidiary A for processing raw coking coal to clean coking coal, the particulars of which are set out in the section headed “Sub-contract Transactions” in this announcement
“Transactions”	(i) the Sub-contract Transactions; (ii) the Sale Transactions by PRC Subsidiary A, PRC Subsidiary B and PRC Subsidiary C with Party D; (iii) the Sale Transactions among the PRC Subsidiaries; and (iv) the Lease Transactions
“VAT”	the value added tax chargeable under the applicable PRC laws
“%”	per cent.

By order of the Board
SO KWOK HOO
Executive Director

Hong Kong, 24 April 2009

As at the date of this announcement, the Board comprises Mr. Cao Zhong, Mr. Wong Lik Ping, Mr. So Kwok Hoo, Mr. Xue Kang and Mr. Liu Qingshan as executive Directors; Mr. Chen Zhouping, Mr. Leung Shun Sang Tony and Mr. Shi Jianping as non-executive Directors; and Mr. Kee Wah Sze, Mr. Choi Wai Yin and Mr. Chan Pat Lam as independent non-executive Directors.