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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

On 10 September 2009, the PRC Subsidiaries and Shanxi Panlong entered into the Master Construction Contract pursuant to which Shanxi Panlong agreed to carry out certain construction services for a term commencing from 10 September 2009 to 31 December 2011.

Mr. Xing is a substantial shareholder of the Company and hence a connected person of the Company for the purpose of the Listing Rules. Shanxi Panlong is controlled by Mr. Xing's brother, an associate of Mr. Xing, and hence a connected person of the Company for the purpose of the Listing Rules. PRC Subsidiary B is owned as to 35% by Luensheng, a company controlled by Mrs. Xing, an associate of Mr. Xing, and therefore an associate of Mr. Xing. Hence PRC Subsidiary B is a connected person of the Company for the purpose of the Listing Rules. PRC Subsidiary A is owned as to 35% by PRC Subsidiary B and is therefore an associate of PRC Subsidiary B. Hence PRC Subsidiary A is also a connected person of the Company for the purpose of the Listing Rules.

The transactions under the Previous Construction Contracts and Master Construction Contract are regarded as a series of continuing connected transactions, which will be aggregated pursuant to Rule 14A.25 of the Listing Rules. As one of the applicable Percentage Ratios for the aggregate annual cap amounts under the Previous Construction Contracts and the Master Construction Contract are less than 2.5%, the transactions under the Master Construction Contract will only be subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under the Listing Rules.

Reference is made to the announcement of the Company dated 1 June 2009 in relation to the Previous Construction Contracts entered into between the PRC Subsidiaries and Shanxi Panlong.

MASTER CONSTRUCTION CONTRACT

On 10 September 2009, the PRC Subsidiaries and Shanxi Panlong entered into the Master Construction Contract pursuant to which Shanxi Panlong agreed to carry out certain construction services for a term commencing from 10 September 2009 to 31 December 2011. Details of the construction services to be carried out by Shanxi Panlong are set out as follows:

Scope of construction services under the Master Construction Contract:	To carry out certain construction services including but not limited to road, retaining wall, earth fill, excavation of land and other related construction works.
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During the term of the Master Construction Contract, the annual cap amounts for the transactions under the Master Construction Contract will not exceed the following amounts:

- (a) RMB10,000,000 for the period from the effective date of the Master Construction Contract (10 September 2009 being the date of the Master Construction Contract) to 31 December 2009;
- (b) RMB10,000,000 for the period from 1 January 2010 to 31 December 2010; and
- (c) RMB10,000,000 for the period from 1 January 2011 to 31 December 2011.

The annual cap amounts for the Master Construction Contract are determined with reference to the previous scope of construction works under the Previous Construction Contracts, the estimated construction works to be carried out taking into account the expected scope and complexity of the construction works to be involved and based on the best estimates by the Group of the current general construction price in the PRC in respect of the relevant types of constructions and materials. The contract sum under the Master Construction Contract will be determined after negotiations on an arm's length basis with reference to the expected scope and complexity of the construction works to be involved as well as the material costs and labour costs to be consumed in the construction works and payable in cash in accordance with the progress of the construction works.

The Master Construction Contract is a framework agreement which provides the mechanism for the operation of the transactions under the Master Construction Contract. It is envisaged that from time to time and as required, individual agreements which set out the scope and specification of each construction work will be entered into between Shanxi Panlong and each of the PRC Subsidiaries. The individual agreements may contain provisions which are in all material respects consistent with the principles, guidelines, terms and conditions set out in the Master Construction Contract. As the individual agreements are simply further elaborations on the construction services to be provided under the Master Construction Contract, they do not constitute new categories of connected transactions as far as Listing Rules are concerned.

Reasons for entering into the Master Construction Contract

It is essential that the Mining Areas for mining and coal preparation plants should have the infrastructure and auxiliary facilities as necessary for producing the products of required quantity and quality. As it is expected that on-going construction works will need to be carried out at the Mining Areas from time to time in the future, the entering of the Master Construction Contract will enable the PRC Subsidiaries to have greater degree of flexibility if and when transacting with Shanxi Panlong in the future. The Board considers that the Master Construction Contract was entered into in the usual and ordinary course of businesses of the PRC Subsidiaries. The Directors (including the independent non-executive Directors) consider that the terms of the Master Construction Contract have been negotiated on an arm's length basis and the transactions under the Master Construction Contracts have been conducted on normal commercial terms between the PRC Subsidiaries and Shanxi Panlong. The Directors (including the independent non-executive Directors) are of the view that as far as the Shareholders are concerned, the terms of the Master Construction Contract are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Mr. Xing is a substantial shareholder of the Company who is holding approximately 12.02% of the Shares in issue as at the date of this announcement, and hence a connected person of the Company for the purpose of the Listing Rules. Shanxi Panlong is controlled by Mr. Xing's brother, an associate of Mr. Xing, and hence a connected person of the Company for the purpose of the Listing Rules. PRC Subsidiary B is owned as to 35% by Luensheng, a company controlled by Mrs. Xing, an associate of Mr. Xing, and therefore an associate of Mr. Xing. Hence PRC Subsidiary B is a connected person of the Company for the purpose of the Listing Rules. PRC Subsidiary A is owned as to 35% by PRC Subsidiary B and is therefore an associate of PRC Subsidiary B. Hence PRC Subsidiary A is also a connected person of the Company for the purpose of the Listing Rules.

The transactions under the Master Construction Contract are regarded as a series of continuing connected transactions, which will be aggregated pursuant to Rule 14A.25 of the Listing Rules. As one of the applicable Percentage Ratios for the aggregate annual cap amounts under the Previous Construction Contracts and the Master Construction Contract are less than 2.5%, the transactions under the Previous Construction Contracts and the Master Construction Contract will only be subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under 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 non-wholly owned subsidiaries of the Company which are principally engaged in coking coal mining, production and sales of coking coal products (including raw coking coal and clean coking coal).

Shanxi Panlong is a construction contractor principally engaged in the provision of construction services in Shanxi, the PRC.

DEFINITIONS

“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(s)”	has the meaning ascribed to in the Listing Rules
“Director(s)”	the director(s) of the Company
“First Construction Contract”	the construction contract dated 10 May 2007 entered into between PRC Subsidiary C and Shanxi Panlong in relation to the provision of certain construction services by Shanxi Panlong to PRC Subsidiary C
“Fourth Construction Contract”	the construction contract dated 25 April 2008 entered into between PRC Subsidiary A and Shanxi Panlong in relation to the provision of certain construction services by Shanxi Panlong to PRC Subsidiary A
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Luensheng”	Shanxi Luensheng Energy Limited (山西聯盛能源有限公司), a company established under the laws of the PRC and controlled by Mrs. Xing
“Mining Area A”	the area of the mine located at Liulin in Shanxi Province in the PRC and operated by PRC Subsidiary A
“Mining Area B”	the area of the mine located at Liulin in Shanxi Province in the PRC and operated by PRC Subsidiary B
“Mining Area C”	the area of the mine located at Liulin in Shanxi Province in the PRC and operated by PRC Subsidiary C
“Mining Areas”	Mining Area A, Mining Area B and Mining Area C
“Mr. Xing”	Mr. Xing Libin, a substantial shareholder (as defined in the Listing Rules)
“Mrs. Xing”	李風曉 (Li Fung Xiao), being the spouse of Mr. Xing
“Master Construction Contract”	the master construction contract dated 10 September 2009 entered into among the PRC Subsidiaries and Shanxi Panlong in relation to the provision of certain construction services by Shanxi Panlong to PRC Subsidiaries
“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, excluding Taiwan, Hong Kong and Macau Special Administrative Regions
“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 established 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 established 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 established in the PRC with limited liability

“Previous Construction Contracts”	the First Construction Contract, the Second Construction Contract, the Third Construction Contract and the Fourth Construction Contract
“RMB”	Renminbi, the lawful currency of PRC
“Second Construction Contract”	the construction contract dated 25 June 2007 entered into between PRC Subsidiary B and Shanxi Panlong in relation to the provision of certain construction services by Shanxi Panlong to PRC Subsidiary B
“Shanxi Panlong”	Shanxi Panlong Construction Project Co., Ltd. (山西馨龍建築工程有限公司), a company established in the PRC with limited liability
“Share(s)”	existing ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“Third Construction Contract”	the construction contract dated 20 March 2008 entered into between PRC Subsidiary C and Shanxi Panlong in relation to the provision of certain construction services by Shanxi Panlong to PRC Subsidiary C
“%”	per cent

By order of the Board
Fushan International Energy Group Limited
Cao Zhong
Chairman

Hong Kong, 10 September 2009

As at the date of this announcement, the Board comprises Mr. Cao Zhong (Chairman), Mr. Wong Lik Ping (Vice-chairman), 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.