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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)**

**CONNECTED TRANSACTIONS  
AND  
CONTINUING CONNECTED TRANSACTIONS**

**CONNECTED TRANSACTION**

**The Disposal**

On 6 October 2009, the Company and Mr. Wong entered into the Disposal Agreement whereby the Company agreed to sell and Mr. Wong agreed to purchase the Sale Shares, representing the entire issued share capital of Jumbo Hall, and the Sale Loan at a total cash consideration of HK\$15,500,000 which was determined after arm's length negotiation between the Group and Mr. Wong by reference to the value of the Properties of HK\$15,500,000 as at 30 September 2009 as valued by Asset Appraisal Limited, an independent property valuer being appointed by the Board. Upon completion of the Disposal Agreement, Jumbo Hall will cease to be a subsidiary of the Company.

As Mr. Wong is an executive Director and a substantial shareholder of the Company, together with his associates, holding approximately 13.53% of the Shares in issue as at the date of this announcement, he is therefore a connected person of the Company and the Disposal will constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. As one of the applicable Percentage Ratios in respect of the consideration receivable by the Company under the Disposal is more than 0.1% but less than 2.5%, the Disposal will be subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under the Listing Rules.

**CONTINUING CONNECTED TRANSACTIONS**

**(A) Second Revised Supply Contract**

Reference is made to the announcement of the Company dated 4 June 2008 in relation to the Accessories and Small Tool Transactions under the Supply Contract and the cap amounts for the three financial years ending 31 December 2010 which were approved by the Independent Shareholders at the July 2008 EGM.

Reference is also made to the announcement of the Company dated 4 November 2008 in relation to the Accessories and Small Tool Transactions under the First Revised Supply Contract and the revised cap amounts for the three financial years ending 31 December 2010 which were approved by the Independent Shareholders at the December 2008 EGM.

The amount incurred on the transactions conducted under the First Revised Supply Contract in respect of the Accessories and Small Tool Transactions has exceeded (i) the cap amount approved by the Independent Shareholders at the July 2008 EGM; and (ii) the cap amount for the financial year ending 31 December 2009 approved by the Independent Shareholders at the December 2008 EGM. In order to provide more flexibility for both Party D and the PRC Subsidiaries in respect of the Accessories and Small Tool Transactions, the Board proposes to increase the cap amount for the financial years ending 31 December 2009 and 31 December 2010.

**(B) Intra-group Advances Transactions among the PRC Subsidiaries**

***Intra-group advances transactions among the PRC Subsidiaries since 25 July 2008***

The PRC Subsidiaries have made various advances among themselves since 25 July 2008 (i.e. the date of PRC Subsidiary A and PRC Subsidiary B becoming the connected persons of the Company since completion of the Acquisition). 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 also a connected person of the Company. Accordingly, the Intra-group Advances Transactions constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the provision of advances by (i) PRC Subsidiary A to PRC Subsidiary C; and (ii) PRC Subsidiary B to PRC Subsidiary C fell within Rule 14A.65(4) of the Listing Rules, such transactions were exempted from reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one of the applicable Percentage Ratios for the aggregate annual amount of the intra-group advances among the PRC Subsidiaries (excluding the provision of advances by (i) PRC Subsidiary A to PRC Subsidiary C; and (ii) PRC Subsidiary B to PRC Subsidiary C) for the financial year ended 31 December 2008 and the eight months ended 31 August 2009 (i.e. the Latest Practicable Date) exceeds 2.5%, the Intra-group Advances Transactions (excluding the provision of advances by (i) PRC Subsidiary A to PRC Subsidiary C; and (ii) PRC Subsidiary B to PRC Subsidiary C) constituted non-exempt continuing connected transactions for the Company and should have been subject to the reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

***Intra-group Advances Master Contract***

On 6 October 2009, the PRC Subsidiaries entered into the Intra-group Advances Master Contract pursuant to which the PRC Subsidiaries agreed that each of the PRC Subsidiaries will make unsecured and interest-free advances to one another (excluding the provision of advances by (i) PRC Subsidiary A to PRC Subsidiary C; and (ii) PRC Subsidiary B to PRC Subsidiary C) for a term commencing on the effective date of the Intra-group Advances Master Contract and ending on 31 December 2010.

As one of the applicable Percentage Ratios for the annual cap amounts of the Intra-group Advances Transactions (excluding the provision of advances by (i) PRC Subsidiary A to PRC Subsidiary C; and (ii) PRC Subsidiary B to PRC Subsidiary C) under the Intra-group Advances Master Contract exceeds 2.5%, the Intra-group Advances Transactions among the PRC Subsidiaries (excluding the provision of advances by (i) PRC Subsidiary A to PRC Subsidiary C; and (ii) PRC Subsidiary B to PRC Subsidiary C) constitute non-exempt continuing connected transactions for the Company and are subject to the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

**(C) Provision of financial assistance from the Company to the PRC Subsidiary A and PRC Subsidiary C under the Loan Facilities**

A loan agreement will be entered into by each of the PRC Subsidiary A and PRC Subsidiary C as borrower and the Bank as lender whereby the Bank will agree to grant a revolving loan facility of up to RMB400,000,000 and RMB200,000,000 to PRC Subsidiary A and PRC Subsidiary C, respectively for a period from the effective date of the loan agreement up to 2 years. On the even date of the loan agreements, the Company will enter into an agreement with the Bank in respect of each loan agreement entered into by the PRC Subsidiaries, whereby the Company will agree to provide the Guarantee in favour of the Bank to secure the payment obligations of the PRC Subsidiary A and PRC Subsidiary C.

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 also a connected person of the Company for the purpose of the Listing Rules. Accordingly, the provision of financial assistance by the Company in favour of PRC Subsidiary A under the Guarantee will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As one of the applicable Percentage Ratios for the maximum amount payable by the Company under the Guarantee exceeds 2.5%, the provision of financial assistance by the Company under the Guarantee will constitute non-exempt continuing connected transactions for the Company and are subject to the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

A circular containing, amongst other things, details of the Second Revised Supply Contract, the Intra-group Advances Master Contract and the Guarantee, including the revised cap amounts under the Second Revised Supply Contracts for each of the two financial years ending 31 December 2010 and the cap amounts under the Intra-group Advances Master Contract for the two financial years ending 31 December 2010, the recommendation from the independent Board committee, the advice of the independent financial adviser and a notice to convene the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

## **CONNECTED TRANSACTION**

### **THE DISPOSAL**

On 6 October 2009, the Company and Mr. Wong entered into the Disposal Agreement whereby the Company agreed to sell and Mr. Wong agreed to purchase the Sale Shares, representing the entire issued share capital of Jumbo Hall, and the Sale Loan at a total cash consideration of HK\$15,500,000 which was determined after arm's length negotiation between the Group and Mr. Wong by reference to the value of the Properties of HK\$15,500,000 as at 30 September 2009 as valued by Asset Appraisal Limited, an independent property valuer being appointed by the Board. Upon completion of the Disposal Agreement, Jumbo Hall will cease to be a subsidiary of the Company.

The sole asset of Jumbo Hall is its interest in the Properties. The Properties are situated at 12<sup>th</sup> Floor, Kwan Chart Tower, 6 Tonnochy Road, Wanchai, Hong Kong with a total gross floor area of approximately 4,693 square feet. The Properties have been used by the Company as its registered office in Hong Kong. As the Company has relocated its registered office to another office premises which is situated at 6<sup>th</sup> Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong in October 2009, the Disposal will enable the Group to realize the value of its interest in the Properties and make use of the proceeds from the Disposal for the Group's general working capital.

The Directors, including the independent non-executive Directors, consider that the terms of the Disposal Agreement and the transactions contemplated thereunder are entered into on normal commercial terms following arm's length negotiations among the parties and the terms are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

The financial information of Jumbo Hall for the two financial years ended 31 December 2008 is as follows:

	<b>Year ended 31 December 2008 (audited) HK\$</b>	<b>Year ended 31 December 2007 (audited) HK\$</b>
Revenue	-	-
Loss before taxation	(357,661)	(356,741)
Loss after taxation	(357,661)	(356,741)
Net liabilities	(38,614,751)	(38,257,090)

It was estimated that there would be a consolidated gain in the amount of approximately HK\$8,000,000 on the Disposal accrued to the consolidated accounts of the Group which is to be calculated by reference to the net proceeds from the Disposal and the net asset value of Jumbo Hall attributable to the Group as at 31 December 2008. The actual gain will depend on the net asset value of Jumbo Hall attributable to the Group as at the date of completion of the Disposal and actual expenses to be incurred for the Disposal.

The Board intends to apply the sale proceeds of HK\$15,500,000 as general working capital for the Group.

As Mr. Wong is an executive Director and a substantial shareholder of the Company, together with his associates, holding approximately 13.53% of the Shares in issue as at the date of this announcement, he is therefore a connected person of the Company and the Disposal will constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. As one of the applicable Percentage Ratios in respect of the consideration receivable by the Company under the Disposal is more than 0.1% but less than 2.5%, the Disposal will be subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under the Listing Rules.

## CONTINUING CONNECTED TRANSACTIONS

### (A) SECOND REVISED SUPPLY CONTRACT

Reference is made to the announcement of the Company dated 4 June 2008 in relation to the Accessories and Small Tool Transactions under the Supply Contract and the cap amounts for the three financial years ending 31 December 2010 which were approved by the Independent Shareholders at the July 2008 EGM.

Reference is also made to the announcement of the Company dated 4 November 2008 in relation to the Accessories and Small Tool Transactions under the First Revised Supply Contract and the revised cap amounts for the three financial years ending 31 December 2010 which were approved by the Independent Shareholders at the December 2008 EGM.

Under the First Revised Supply Contract, Party D agreed to, among other things, supply the Accessories and Small Tools to the PRC Subsidiaries commencing from 15 December 2008 (i.e. the effective date of the First Revised Supply Contract) to 31 December 2010.

The Company has recently engaged an independent professional adviser to conduct a comprehensive onsite internal control review (the “**Internal Control Review**”) and the management team of the Company has also conducted an internal review (the “**Management Internal Review**”) subsequent to the Internal Control Review for the purpose of improving and strengthening the internal control system of the Group in line with the Company’s plan as disclosed in the 2008 annual report of the Company under the paragraph headed “Internal Control” in the section headed “Corporate Governance Report”. During the course of the Internal Control review and the Management Internal Review, it was noted that two of the existing suppliers of the PRC Subsidiaries for the provision of the Accessories and Small Tools are operated and owned by associates of Mr. Xing, who is a substantial shareholder of the Company and hence, a connected person of the Company. The total purchase amount by the PRC Subsidiaries from such suppliers during the period from the said 25 July 2008 to 31 August 2009 had not been taken into consideration when the Company determined the annual cap amounts for the purchase of Accessories and Small Tools from Mr. Xing and his associates under the First Revised Supply Contract for the three financial years ending 2010, which were approved at the December 2008 EGM. As a result, the amount incurred on the transactions conducted under the First Revised Supply Contract in respect of the Accessories and Small Tool Transactions has exceeded (i) the cap amount for the financial year ended 31 December 2008 approved by the Independent Shareholders at the July 2008 EGM; and (ii) the cap amount for the financial year ending 31 December 2009 approved by the Independent Shareholders at the December 2008 EGM as follows:

*For the period between 25 July 2008 (i.e. the date of PRC Subsidiary A and PRC Subsidiary B becoming the connected persons of the Company since completion of the Acquisition) to 31 December 2008*

<b>Supplier</b>	<b>Purchaser</b>	<b>Cap amount for the period from 25 July 2008 to 31 December 2008 under the Supply Contract approved by the Independent Shareholders at the July 2008 EGM (RMB) (net of VAT)</b>	<b>Amount incurred for the period from 25 July 2008 to 14 December 2008 (RMB) (net of VAT)</b>	<b>Revised cap amount for the period from 15 December 2008 to 31 December 2008 under the First Revised Supply Contract approved by the Independent Shareholders at the December 2008 EGM (RMB) (net of VAT)</b>	<b>Amount incurred for the period from 15 December 2008 to 31 December 2008 (RMB) (net of VAT)</b>
Party D	PRC Subsidiaries	1,306,848	41,454,621	7,100,000	6,126,011

*For the financial year ending 31 December 2009*

<b>Supplier</b>	<b>Purchaser</b>	<b>Cap amount for the financial year ending 31 December 2009 under the First Revised Supply Contract approved by the Independent Shareholders at the December 2008 EGM (RMB) (net of VAT)</b>	<b>Amount incurred for the period from 1 January 2009 to 31 August 2009 (RMB) (net of VAT)</b>
Party D	PRC Subsidiaries	33,600,000	58,165,350

### Revised cap amount

It is expected that the PRC Subsidiaries will purchase more Accessories and Small Tools from Party D which has a centralised sourcing department for Accessories and Small Tools. In order to provide more flexibility for both Party D and the PRC Subsidiaries in respect of the Accessories and Small Tool Transactions, the Board proposes to increase the cap amount for the financial years ending 31 December 2009 and 2010 as follows:

<b>Supplier</b>	<b>Purchaser</b>	<b>Cap amount for the financial year ending 31 December 2009 under the First Revised Supply Contract approved by the Independent Shareholders at the December 2008 EGM (RMB) (net of VAT)</b>	<b>Revised cap amount for the financial year ending 31 December 2009 under the Second Revised Supply Contract (RMB) (net of VAT)</b>	<b>Cap amount for the financial year ending 31 December 2010 under the First Revised Supply Contract approved by the Independent Shareholders at the December 2008 EGM (RMB) (net of VAT)</b>	<b>Revised cap amount for the financial year ending 31 December 2010 under the Second Revised Supply Contract (RMB) (net of VAT)</b>
Party D	PRC Subsidiaries	33,600,000	118,165,350	37,300,000	120,000,000

The quantity and specification of the Accessories and Small Tools to be supplied by Party D to PRC Subsidiaries will be subject to individual orders placed by PRC Subsidiaries from time to time. The unit price of the Accessories and Small Tools payable by PRC Subsidiaries to Party D will be no less favourable than the unit price offered to PRC Subsidiaries by independent suppliers for the same type of Accessories and Small Tools. Such unit price benchmarks shall be determined with reference to the existing unit price of Accessories and Small Tools offered to the Group by independent suppliers, the expected year-on-year increase in the unit price of Accessories and Small Tools and the quantity of Accessories and Small Tools to be supplied under the Second Revised Supply Contract. The amount payable by PRC Subsidiaries to Party D shall be settled in cash within 30 days upon receipt of the purchase pursuant to the Second Revised Supply Contract.

### Conditions of the Second Revised Supply Contract

The revised cap amounts as stated above in respect of the Accessories and Small Tool Transactions under the Second Revised Supply Contract are conditional on the Company's compliance with the relevant Listing Rules requirements (including, but not limited to, obtaining approval by the Independent Shareholders at the EGM).

The terms of the Second Revised Supply Contract have been agreed upon after arm's length negotiations among the relevant parties. The Directors believe that the transactions contemplated under the Second Revised Supply Contract are entered into in the ordinary and usual course of business of the Group. The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the independent financial advisor) consider that the revised annual caps under the Second Revised Supply Contract are fair and reasonable and in the interests of the Company and its Shareholders as a whole. The independent non-executive Directors will form an independent Board committee and will provide their recommendations to the Shareholders regarding the revised cap amounts in respect of the Accessories and Small Tool Transactions under the Second Revised Supply Contract upon receiving the advice from the independent financial adviser.

## **(B) INTRA-GROUP ADVANCES TRANSACTIONS AMONG THE PRC SUBSIDIARIES**

### **Intra-group advances transactions among the PRC Subsidiaries since 25 July 2008**

During the course of the Internal Control Review, it was noted that the PRC Subsidiaries have made various advances among themselves since 25 July 2008 (i.e. the date of PRC Subsidiary A and PRC Subsidiary B becoming the connected persons of the Company since completion of the Acquisition). No written agreement was signed among the PRC Subsidiaries in respect of such advances. These advances were unsecured and interest-free. The highest aggregate daily balance advanced during the period from 25 July 2008 to 31 December 2008, the highest aggregate daily balance advanced during the period from 1 January 2009 to 31 August 2009 (i.e. the Latest Practicable Date) and the closing balance of the aggregate amounts advanced as at 31 August 2009 (i.e. the Latest Practicable Date) are set out as follows:

	<b>The highest aggregate daily balance of advances during the period from 25 July 2008 to 31 December 2008 (RMB)</b>	<b>The highest aggregate daily balance of advances during the period from 1 January 2009 to 31 August 2009 (RMB)</b>	<b>The aggregate closing balance as at 31 August 2009 (RMB)</b>
Advances among the PRC Subsidiaries (excluding the provision of advances by (i) PRC Subsidiary A to PRC Subsidiary C; and (ii) PRC Subsidiary B to PRC Subsidiary C)	372,264,655	709,316,741	610,697,642

The Intra-group Advances Transactions which were entered into among the PRC Subsidiaries were carried out to meet the unexpected urgent need of fund among the PRC Subsidiaries so as to ensure that each of the PRC Subsidiaries had sufficient funding required for its general working capital and liquidity requirement. The Directors are of the view that the Intra-group Advances Transactions were agreed after arm's length negotiations and are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

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 also a connected person of the Company. Accordingly, the Intra-group Advances Transactions constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the provision of advances by (i) PRC Subsidiary A to PRC Subsidiary C; and (ii) PRC Subsidiary B to PRC Subsidiary C fell within Rule 14A.65(4) of the Listing Rules, such transactions were exempted from reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one of the applicable Percentage Ratios for the aggregate annual amount of the intra-group advances among the PRC Subsidiaries (excluding the provision of advances by (i) PRC Subsidiary A to PRC Subsidiary C; and (ii) PRC Subsidiary B to PRC Subsidiary C) for the financial year ended 31 December 2008 and the eight months ended 31 August 2009 (i.e. the Latest Practicable Date) exceeds 2.5%, the Intra-group Advances Transactions (excluding the provision of advances by (i) PRC Subsidiary A to PRC Subsidiary C; and (ii) PRC Subsidiary B to PRC Subsidiary C) constituted non-exempt continuing connected transactions for the Company and should have been subject to the reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

#### **Intra-group Advances Master Contract**

On 6 October 2009, the PRC Subsidiaries entered into the Intra-group Advances Master Contract pursuant to which the PRC Subsidiaries agreed that each of the PRC Subsidiaries will make unsecured and interest-free advances to one another (excluding the provision of advances by (i) PRC Subsidiary A to PRC Subsidiary C; and (ii) PRC Subsidiary B to PRC Subsidiary C) for a term commencing on the effective date of the Intra-group Advances Master Contract and ending on 31 December 2010. During the term of the Intra-group Advances Master Contract, the aggregate daily balance for the Intra-group Advances Transactions (excluding the provision of advances by (i) PRC Subsidiary A to PRC Subsidiary C; and (ii) PRC Subsidiary B to PRC Subsidiary C) will not exceed the following amounts:

- (a) RMB610,697,642 for the period from the effective date of the Intra-group Advances Master Contract (being the date of the EGM for the approval of the Intra-group Advances Master Contract) to 31 December 2009; and
- (b) RMB400,000,000 for the period from 1 January 2010 to 31 December 2010.

The annual cap amounts for the Intra-group Advances Master Contract are determined with reference to the previous funding needs of the PRC Subsidiaries (excluding the provision of advances by (i) PRC Subsidiary A to PRC Subsidiary C; and (ii) PRC Subsidiary B to PRC Subsidiary C) and the Loan Facilities to be obtained by the PRC Subsidiaries. As one of the applicable Percentage Ratios for the annual cap amounts of the Intra-group Advances Transactions (excluding the provision of advances by (i) PRC Subsidiary A to PRC Subsidiary C; and (ii) PRC Subsidiary B to PRC Subsidiary C) under the Intra-group Advances Master Contract exceeds 2.5%, the Intra-group Advances Transactions among the PRC Subsidiaries (excluding the provision of advances by (i) PRC Subsidiary A to PRC Subsidiary C; and (ii) PRC Subsidiary B to PRC Subsidiary C) constitute non-exempt continuing connected transactions for the Company and are subject to the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

The Intra-group Advances Master Contract will be conditional upon the Company's compliance with the relevant Listing Rules requirements (including, but not limited to, obtaining approval by the Independent Shareholders at the EGM).

The terms of the Intra-group Advances Master Contract have been agreed upon after arm's length negotiations among the relevant parties. The purpose of the Intra-group Advances Master Contract is to ensure that each of the PRC Subsidiaries will continue to have sufficient funding required for its general working capital and liquidity requirement in the event that any of the PRC Subsidiaries is in urgent need of funding for its daily operation thereby enhancing the flexibility and liquidity of the operations of the PRC Subsidiaries. Hence, the Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the independent financial advisor) consider that the Intra-group Advances Transactions under the Intra-group Advances Master Contract are fair and reasonable and in the interests of the Company and its Shareholders as a whole. The independent non-executive Directors will form an independent Board committee and will provide their recommendations to the Independent Shareholders regarding the merits, reasonableness and fairness of the Intra-group Advances Transactions under the Intra-group Advances Master Contract upon receiving the advice from the independent financial adviser.

**(C) PROVISION OF FINANCIAL ASSISTANCE FROM THE COMPANY TO PRC SUBSIDIARY A AND PRC SUBSIDIARY C UNDER THE LOAN FACILITIES**

A loan agreement will be entered into by each of the PRC Subsidiary A and PRC Subsidiary C as borrower and the Bank as lender whereby the Bank will agree to grant a revolving loan facility of up to RMB400,000,000 and RMB200,000,000 to PRC Subsidiary A and PRC Subsidiary C, respectively for a period from the effective date of the loan agreement up to 2 years. On the even date of the loan agreements, the Company will enter into an agreement with the Bank in respect of the loan agreements entered into by PRC Subsidiary A and PRC Subsidiary C, whereby the Company will agree to provide the Guarantee in favour of the Bank to secure the payment obligations of each of PRC Subsidiary A and PRC Subsidiary C. The Company will not receive any fee arising from the provision of the Guarantee. The aggregate maximum liability of the Company in respect of the Guarantee shall be limited to RMB600,000,000, any interest accrued thereon, any payment to be paid by PRC Subsidiary A and PRC Subsidiary C upon default of their repayment obligations, any costs and expenses for enforcing the Guarantee and any loss and other relevant expenses incurred by the Bank upon default of the payment obligations by PRC Subsidiary A and PRC Subsidiary C. In consideration of the Company entering into the Guarantee as the guarantor, (i) PRC Subsidiary B has agreed to provide a counter-guarantee in favour of the Company for the amount guaranteed by the Company up to PRC Subsidiary B's proportionate interest in PRC Subsidiary A; and (ii) Luensheng A has agreed to provide a counter-guarantee in favour of the Company for the amount guaranteed by the Company up to Luensheng A's proportionate interest in PRC Subsidiary C. Each of the PRC Subsidiary B and Luensheng A will not receive any fee arising from their respective provision of counter-guarantee.

Mr. Xing is a substantial shareholder of the Company holding approximately 10.36% 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. PRC Subsidiary B is owned as to 35% by Luensheng B, a company controlled by Ms. Li, 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. PRC Subsidiary C is owned as to 5% by Luensheng A, a company controlled by Ms. Li, an associate of Mr. Xing. Accordingly, the provision of financial assistance by the Company in favour of PRC Subsidiary A under the Guarantee will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As one of the applicable Percentage Ratios for the maximum amount payable by the Company under the Guarantee exceeds 2.5%, the provision of financial assistance by the Company in favour of PRC Subsidiary A under the Guarantee will constitute non-exempt continuing connected transactions for the Company and are subject to the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

The Guarantee by the Company in favour of PRC Subsidiary A will be conditional upon the Company's compliance with the relevant Listing Rules requirements (including, but not limited to, obtaining approval by the Independent Shareholders at the EGM).

The provision of the Guarantee is one of the conditions to the grant of the Loan Facilities to the PRC Subsidiaries. The Board considers that the Guarantee would enable PRC Subsidiary A and PRC Subsidiary C to obtain financing in the PRC for the purpose of part repayment of advances under the Intra-group Advances Transactions due among the PRC Subsidiaries mutually and financing the PRC Subsidiary A's and PRC Subsidiary C's general working capital requirements with a view to reducing the Intra-group Advances Transactions in respect of the advances made to PRC Subsidiary A and PRC Subsidiary C. The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the independent financial advisor) believe that the terms and conditions of the Guarantee are made on an arm's length basis and are fair and reasonable and in the interest of the Company and the Shareholders as a whole. The independent non-executive Directors will form an independent Board committee and will provide their recommendations to the Independent Shareholders regarding the Guarantee upon receiving the advice from the independent financial adviser.

## **GENERAL**

A circular containing, amongst other things, details of the Second Revised Supply Contract, the Intra-group Advances Master Contract and the Guarantee, including the revised cap amounts under the Second Revised Supply Contracts for each of the two financial years ending 31 December 2010 and the cap amounts under the Intra-group Advances Master Contract for the two financial years ending 31 December 2010, the recommendation from the independent Board committee, the advice of the independent financial adviser and a notice to convene the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

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).

The Bank is a joint stock company incorporated in the PRC, the shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange. The Bank is principally engaged in the provision of banking and other related financial services.

## DEFINITIONS

“Acquisition”	has the meaning ascribed to it in the circular of the Company dated 25 June 2008
“Accessories and Small Tools”	the accessories, small tools and equipment supplied by Party D to the PRC Subsidiaries pursuant to the Supply Contract, the First Revised Supply Contract or the Second Revised Supply Contract (as the case may be)
“Accessories and Small Tools Transactions”	the transactions in connection with the Accessories and Small Tools
“associate”	has the meaning ascribed to in the Listing Rules
“Bank”	China Merchant Bank Company Limited, Shenzhen Branch
“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
“December 2008 EGM”	the extraordinary general meeting of the Company held on 15 December 2008
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Loan on and subject to the terms and conditions of the Disposal Agreement
“Disposal Agreement”	the agreement dated 6 October 2009 entered into between the Company and Mr. Wong in connection with the Disposal
“EGM”	extraordinary general meeting of the Company to be convened for approving the Second Revised Supply Contract, the Intra-group Advances Master Contract and the Guarantee
“First Revised Supply Contract”	the revised supply contract entered into among the PRC Subsidiaries and Party D dated 3 November 2008, pursuant to which, among other things, the PRC Subsidiaries agreed to purchase raw coking coal, electricity, accessories, small tools and equipment from Party D
“Group”	the Company and its subsidiaries

“Guarantee”	the guarantee to be provided by the Company to the Bank in respect of the Loan Facilities, details of which are set out in the section headed “Continuing Connected Transactions – (C) Provision of financial assistance from the Company to PRC Subsidiary A and PRC Subsidiary C under the Loan Facilities” of this announcement
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Independent Shareholders”	Shareholders other than Mr. Xing and his associates
“Intra-group Advances Transactions”	the advances transactions made or to be made among the PRC Subsidiaries, details of which are set out in the section headed “Continuing Connected Transactions – (B) Intra-group Advances Transactions among the PRC Subsidiaries” of this announcement
“Intra-group Advances Master Contract”	the contract entered into among the PRC Subsidiaries dated 6 October 2009, details of which are set out in the section headed “Continuing Connected Transactions – (B) Intra-group Advances Transactions among the PRC Subsidiaries – Intra-group Advances Master Contract” of this announcement
“July 2008 EGM”	the extraordinary general meeting of the Company held on 18 July 2008
“Jumbo Hall”	Jumbo Hall International Limited is a wholly-owned subsidiary of the Company and was incorporated in Hong Kong with limited liability
“Latest Practicable Date”	31 August 2009, being the latest practicable date prior to the printing of this announcement for the purpose of ascertaining certain information contained in this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Facilities”	(i) a loan facility of up to RMB400,000,000 made available by the Bank to the PRC Subsidiary A pursuant to a loan agreement to be entered into between the Bank and the PRC Subsidiary A; and (ii) a loan facility of up to RMB200,000,000 made available by the Bank to the PRC Subsidiary C pursuant to a loan agreement to be entered into between the Bank and the PRC Subsidiary C
“Luensheng A”	Shanxi Luensheng Energy Limited (山西聯盛能源有限公司), a company established under the laws of the PRC
“Luensheng B”	Shanxi Luensheng Energy Investment Limited (山西聯盛能源投資有限公司), a company established under the laws of the PRC

“Mr. Wong”	Mr. Wong Lik Ping, a substantial shareholder of the Company and an executive Director
“Mr. Xing”	Mr. Xing Libin, a substantial shareholder of the Company
“Ms. Li”	Ms. Li Feng Xiao, being the spouse of Mr. Xing
“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, 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
“Properties”	properties comprising five office units situated at 12 <sup>th</sup> Floor, Kwan Chart Tower, 6 Tonnochy Road, Wanchai, Hong Kong
“RMB”	Renminbi, the lawful currency of PRC
“Sale Loan”	the aggregate net and gross amount advanced by the Group to Jumbo Hall, which stands at zero balance (as a result of provision made in the accounts of Jumbo Hall since 31 December 2002) and approximately HK\$45,783,413, respectively as at the date of this announcement
“Sale Shares”	2 shares of HK\$1.00 each in the share capital of Jumbo Hall, representing the entire issued share capital of Jumbo Hall

“Second Revised Supply Contract”	the revised supply contract entered into among the PRC Subsidiaries and Party D dated 6 October 2009, details of which are set out in the section headed “Continuing Connected Transactions – (A) Second Revised Supply Contract” of this announcement
“Shareholder(s)”	shareholder(s) of the Company
“Share(s)”	existing ordinary shares of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to in the Listing Rules
“Supply Contract”	the supply contract entered into among the PRC Subsidiaries and Party D dated 2 June 2008, pursuant to which, among other things, the PRC Subsidiaries agreed to purchase raw coking coal, electricity, accessories, small tools and equipment from Party D
“VAT”	the value added tax chargeable under the applicable PRC laws
“%”	per cent

*For the purpose of this announcement, all amounts in RMB are translated into HK\$ at an exchange rate of HK\$1 : RMB0.8818 for illustration only.*

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

Hong Kong, 7 October 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.*