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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Fushan International Energy Group Limited, 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)*

(Stock Code: 639)

**DISCLOSEABLE AND CONNECTED TRANSACTION**

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



**First Shanghai Capital Limited**

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A letter from the Board is set out on pages 5 to 10 of this circular and a letter from the Independent Board Committee is set out on page 11 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 12 to 15 of this circular.

A notice convening the EGM of the Company to be held at 10:55 a.m. on Tuesday, 8 June 2010 at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong is set out on pages 23 to 24 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.

Hong Kong, 4 May 2010

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## DEFINITIONS

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

“Agreement”	a sale and purchase agreement dated 9 May 2008 entered into, among others, the Company, Jade Green and Mr. Xing and the details of which are contained in a 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 Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to in the Listing Rules
“Director(s)”	the director(s) of the Company
“Drawdown Date”	the first business day after the last condition precedent of the Loan has been fulfilled
“EGM”	the extraordinary general meeting of the Shareholders to be convened and held at 10:55 a.m. on Tuesday, 8 June 2010 at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong, for the purposes of considering and, if thought fit, approving the Loan Agreement and the transactions contemplated thereunder
“Existing Indebtedness”	all outstanding liabilities owed by Mr. Xing under the Agreement, which amounted to HK\$937,367,261 (RMB824,883,190) as at the date of the Loan Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Board Committee”	the independent committee of the Board, comprising Mr. Kee Wah Sze, Mr. Choi Wai Yin and Mr. Chan Pat Lam, the independent non-executive Directors, established for the purpose of, among other things, making recommendation to the Independent Shareholders in respect of the Loan Agreement and the transactions contemplated thereunder

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## DEFINITIONS

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“Independent Financial Adviser”	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 respect of the Loan Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Mr. Xing and his associates
“Jade Green”	Jade Green Investments Limited, a company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of the Company
“Latest Practicable Date”	29 April 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“LIBOR”	The London Interbank Offered Rate
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	a loan in the amount of HK\$937,367,261 (RMB824,883,190) to be provided by Jade Green to Mr. Xing
“Loan Agreement”	a loan agreement dated 13 April 2010 entered into between Jade Green and Mr. Xing in relation to the Loan
“Luenshan”	柳林縣聯山煤化有限公司(Liulin Luenshan Coking Co., Ltd.*), a company established under the laws of the PRC and is owned as to 65% by 金山能源有限公司(Jinshan Energy Group Limited*), a 94.17% subsidiary of the Company, and 35% by Luensheng as at the Latest Practicable Date
“Luenshan Pledge”	a pledge agreement to be executed pursuant to which Luensheng has agreed to pledge its 35% interests in Luenshan to Jade Green or its designated company
“Luensheng”	山西聯盛能源有限公司(Shanxi Luensheng Energy Limited*), a company established under the laws of the PRC and is owned as to 90% by Mrs. Xing and 10% by Mr. Xing as at the Latest Practicable Date
“Mr. Xing”	Mr. Xing Libin, an associate of a substantial shareholder of certain subsidiaries of the Company

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## DEFINITIONS

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“Mrs. Xing”	Ms. Li Feng Xiao, being the spouse of Mr. Xing
“Percentage Ratios”	the percentage ratios as stipulated under Rule 14.07 of the Listing Rules
“Pledge Documents”	including the Luenshan Pledge, the Shanxi Liulin Jinjiazhuang Pledge, the Shanxi Liulin Zhaiyadi Pledge, any other agreements and/or documents in relation thereof and any other documents which created a guarantee interest for Jade Green or its designated company as a beneficiary to guarantee the Loan Agreement and/or other obligations of Mr. Xing under any similar agreement/document
“PRC”	the People’s Republic of China, for the purpose of this circular only, excluding Taiwan, Hong Kong and Macao Special Administrative Regions
“RMB”	Renminbi, the lawful currency of PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of The Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shanxi Liulin Jinjiazhuang”	山西柳林金家莊煤業有限公司(Shanxi Liulin Jinjiazhuang Coal Co., Ltd.*), a company established in the PRC with limited liability and is owned as to 65% by Worldman Industrial (HK) Limited, a wholly-owned subsidiary of Jade Green, and 35% by Luensheng as at the Latest Practicable Date
“Shanxi Liulin Jinjiazhuang Pledge”	a pledge agreement to be executed pursuant to which Luensheng has agreed to pledge its dividend rights in respect of its 35% shareholding in Shanxi Liulin Jinjiazhuang (including its dividend rights in respect of its 35% shareholding in Shanxi Liulin Xingwu) to Jade Green or its designated company
“Shanxi Liulin Xingwu”	山西柳林興無煤礦有限責任公司(Shanxi Liulin Xingwu Coal Co., Ltd.*), a company established in the PRC with limited liability and is owned as to 65% by Thechoice Finance (HK) Limited, a wholly-owned subsidiary of Jade Green, and 35% by Shanxi Liulin Jinjiazhuang as at the Latest Practicable Date
“Shanxi Liulin Zhaiyadi”	山西柳林寨崖底煤業有限公司(Shanxi Liulin Zhaiyadi Coal Company Limited*), a company established in the PRC with limited liability and is owned as to 95% by Gumpert Industries (HK) Limited, a wholly-owned subsidiary of Jade Green, and 5% by Luensheng as at the Latest Practicable Date

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## DEFINITIONS

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“Shanxi Liulin Zhaiyadi Pledge”	a pledge agreement to be executed pursuant to which Luensheng has agreed to pledge its dividend rights in respect of its 5% shareholding in Shanxi Liulin Zhaiyadi to Jade Green or its designated company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to in the Listing Rules
“%”	per cent

\* *For identification purpose only*

*For the purpose of this circular, all amounts in RMB are translated into HK\$ at an exchange rate of HK\$1: RMB0.88 for illustration only.*

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## LETTER FROM THE BOARD

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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)

*Directors:*

Mr. Wang Qinghai (*Chairman*)  
Mr. Cao Zhong (*Vice-chairman and Managing Director*)  
Mr. Wong Lik Ping (*Vice-chairman*)  
Mr. So Kwok Hoo (*Deputy Managing Director*)  
Mr. Xue Kang (*Deputy Managing Director*)  
Mr. Chen Zhaoqiang (*Deputy Managing Director*)  
Mr. Liu Qingshan (*Deputy Managing Director*)  
Mr. Chen Zhouping (*Non-executive Director*)  
Mr. Leung Shun Sang, Tony (*Non-executive Director*)  
Mr. Zhang Yaoping (*Non-executive Director*)  
Mr. Kee Wah Sze (*Independent Non-executive Director*)  
Mr. Choi Wai Yin (*Independent Non-executive Director*)  
Mr. Chan Pat Lam (*Independent Non-executive Director*)

*Registered Office:*

6th Floor, Bank of East Asia  
Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong

4 May 2010

*To the Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION**

#### **INTRODUCTION**

On 13 April 2010, Jade Green, a wholly-owned subsidiary of the Company and Mr. Xing entered into the Loan Agreement pursuant to which Jade Green had conditionally agreed to make available the Loan of HK\$937,367,261 (RMB824,883,190) to Mr. Xing for offsetting the Existing Indebtedness.

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## LETTER FROM THE BOARD

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Mr. Xing is an associate of a substantial shareholder of each of certain subsidiaries of the Company, and is therefore a connected person of the Company. As such, the making available of the Loan by Jade Green to Mr. Xing constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. As one of the Percentage Ratios in respect of the making available of the Loan exceeds 5% but less than 25%, the making available of the Loan also constitutes a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules. The Loan Agreement and the transactions contemplated thereunder will be subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. Mr. Xing and his associates shall abstain from voting on the proposed resolution(s) approving the Loan Agreement and the transactions contemplated thereunder at the EGM.

The Independent Board Committee comprising Mr. Kee Wah Sze, Mr. Choi Wai Yin and Mr. Chan Pat Lam has been formed to advise the Independent Shareholders in relation to the terms of the Loan Agreement and voting on the proposed resolution(s) approving the Loan Agreement and the transactions contemplated thereunder. First Shanghai Capital Limited has been appointed as an Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard in accordance with the Listing Rules.

The purpose of this circular is:

- (i) to provide Shareholders with details of the Loan Agreement and the transactions contemplated thereunder;
- (ii) to set out the opinion of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Loan Agreement and the transactions contemplated thereunder;
- (iii) to set out the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Loan Agreement and the transactions contemplated thereunder; and
- (iv) to give you notice of the EGM to consider and, if thought fit, to approve the Loan Agreement and the transactions contemplated thereunder.

### THE LOAN AGREEMENT

#### Date

13 April 2010

#### Parties

Lender: Jade Green, a wholly-owned subsidiary of the Company

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## LETTER FROM THE BOARD

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**Borrower:** Mr. Xing, an associate of a substantial shareholder of each of certain subsidiaries of the Company and therefore a connected person of the Company. As at the Latest Practicable Date, according to the register kept by the Company under section 336 of the SFO, Mr. Xing, through a company wholly owned by him, held 420,000,000 shares, representing approximately 7.8% interest in the issued share capital of the Company.

### Principal Terms

**Loan amount:** Pursuant to the Loan Agreement, Jade Green had conditionally agreed to make available the Loan of HK\$937,367,261 (RMB824,883,190) to Mr. Xing.

**Repayment terms:** The Loan shall be repaid in three installments in which (i) 50% of the Loan shall be repaid on the date falling after the 12th month of the Drawdown Date (the “**1st Repayment Date**”); (ii) 25% of the Loan shall be repaid on the date falling after the 18th month of the Drawdown Date (the “**2nd Repayment Date**”); and (iii) 25% of the Loan shall be repaid on the date falling after the 24th month of the Drawdown Date (the “**3rd Repayment Date**”, and each of the 1st Repayment Date, the 2nd Repayment Date and the 3rd Repayment Date, the “**Repayment Date**”). Upon occurrence of any event of default, the entire outstanding amount will become immediately due and repayable.

**Early repayment:** Subject to the above repayment terms, the Borrower may repay the whole or any part of the Loan outstanding under the Loan Agreement prior to the relevant Repayment Date together with the interests accrued on the amount of the Loan to be repaid.

**Interest:** Interest of the Loan be accrued daily, on a basis of a 365-day year and is payable at each relevant Repayment Date at an annual rate of the sum of the LIBOR plus a margin of 2.5%.

**Security:** Mr. Xing shall procure Luensheng to enter into the Pledge Documents in favour of Jade Green or any company designated by it as a security of the Loan pursuant to which:

- (i) Luensheng shall pledge its 35% equity interests in Luenshan to Jade Green or its designated company;
- (ii) Luensheng shall pledge its dividend rights in respect of 35% equity interests in Shanxi Liulin Jinjiazhaung (Shanxi Liulin Jinjiazhaung in turn holds 35% equity interests in Shanxi Liulin Xingwu) to Jade Green or its designated company; and

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## LETTER FROM THE BOARD

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- (iii) Luensheng shall pledge its dividend rights in respect of its 5% equity interests in Shanxi Liulin Zhaiyadi to Jade Green or its designated company.

Purpose: The entire amount of the Loan shall be used for offsetting the Existing Indebtedness and the entering into the Loan Agreement is for fixing the terms of settlement of the Existing Indebtedness.

Conditions precedent: The making available of the Loan is conditional upon:

- (i) the Company having obtained approval from the Independent Shareholders in respect of the Loan Agreement and the transactions contemplated thereunder at the EGM;
- (ii) (if required) Jade Green and the Company having obtained the relevant approvals and authorizations in respect of the Loan Agreement and the transactions contemplated thereunder in accordance with the Listing Rules and other applicable laws;
- (iii) Mr. Xing having delivered the duly executed Pledge Documents to Jade Green prior to the date of the EGM; and
- (iv) Jade Green having satisfied that all relevant consents, approvals authorizations or documents to give effect to the Loan Agreement, the Pledge Documents and the transactions contemplated thereunder, as may be required by Jade Green, have been obtained.

As at the Latest Practicable Date, none of the above conditions precedent has been fulfilled.

The terms of the Loan Agreement were arrived at after arms' length negotiations between Jade Green and Mr. Xing.

### REASONS FOR ENTERING INTO THE LOAN AGREEMENT

Reference is made to the circular of the Company dated 25 June 2008 in respect of the Agreement (the "**Circular**"). Subsequent to the completion of the acquisitions under the Agreement, the Group incurred certain liabilities in respect of certain fees payable to the PRC government (the "**Fees**") in an amount equal to the Existing Indebtedness. The acquisitions under the Agreement were completed on 25 July 2008. The Group had paid about 77% of the Fees by its internal resources and the remaining portion of the Fees will be paid by the Group. Pursuant to certain indemnification provisions of the Agreement, the seller under the Agreement (the "**Seller**") and Mr. Xing, as a guarantor of the Seller, shall be jointly and severally liable for certain liabilities including any loss incurred by Jade Green, being the purchaser under the Agreement, arising from any claims from any governmental authorities. Upon negotiation with Mr. Xing, Mr. Xing has agreed to indemnify Jade Green for the Fees. In order to better protect the

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## LETTER FROM THE BOARD

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interests of the Company, the Directors consider that it would be in the interest of the Company to fix the terms of the settlement of the Existing Indebtedness. As such, Jade Green has agreed to make available the Loan to Mr. Xing for offsetting the Existing Indebtedness by entering into the Loan Agreement under which the terms of repayment are determined.

The Directors further consider that the terms of the Loan Agreement and the making available of the Loan are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

### GENERAL

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.

Mr. Xing is an associate of a substantial shareholder of each of certain subsidiaries of the Company, and is therefore a connected person of the Company. As such, the making available of the Loan by Jade Green to Mr. Xing constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. As one of the Percentage Ratios in respect of the making available of the Loan exceeds 5% but less than 25%, the making available of the Loan also constitutes a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules. The Loan Agreement and the transactions contemplated thereunder will be subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. Mr. Xing and his associates shall abstain from voting on the proposed resolution(s) approving the Loan Agreement and the transactions contemplated thereunder at the EGM.

The Independent Board Committee comprising Mr. Kee Wah Sze, Mr. Choi Wai Yin and Mr. Chan Pat Lam has been formed to advise the Independent Shareholders in relation to the terms of the Loan Agreement and voting on the proposed resolution(s) approving the Loan Agreement and the transactions contemplated thereunder. The Company has appointed First Shanghai Capital Limited as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard in accordance with the Listing Rules.

### EGM

A notice of the EGM is set out on pages 23 to 24 of this circular. In accordance with the requirements of the Listing Rules, all votes to be taken at the EGM will be by poll. Mr. Xing and his associates will abstain from voting on the resolution to be proposed at the EGM to approve the Loan Agreement and the transactions contemplated thereunder.

A form of proxy for the EGM is enclosed herewith. Whether or not you are able to attend and vote at the EGM in person, you are requested to complete the form of proxy and return it to the Company's share registrars, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as practicable but in any event no later than 48 hours before the time appointed for holding the EGM. Completion of the form of proxy will not preclude you from attending and voting at the EGM in person should you so wish.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 11 of this circular which contains its recommendation to the Independent Shareholders on transactions under the Loan Agreement. Your attention is also drawn to the letter of advice from the Independent Financial Adviser as set out on pages 12 to 15 of this circular which contains, amongst other matters, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Loan Agreement and the transactions contemplated thereunder. Based on the advice from the Independent Financial Adviser and the Independent Board Committee, the Directors recommend the Independent Shareholders to approve the Loan Agreement and the transactions contemplated thereunder.

Yours faithfully

By Order of the Board

**Cao Zhong**

*Vice-chairman and Managing Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)

4 May 2010

*To the Independent Shareholders*

Dear Sir or Madam,

#### **DISCLOSEABLE AND CONNECTED TRANSACTION**

We refer to the circular of the Company to the Shareholders dated 4 May 2010 (the “**Circular**”), in which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Loan Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from the Independent Financial Adviser as set out on pages 12 to 15 of the Circular and the letter from the Board as set out on pages 5 to 10 of the Circular.

Having considered, among other things, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that the terms of the Loan Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the Loan Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of the  
Independent Board Committee  
**Fushan International Energy Group Limited**

**Kee Wah Sze**

*Independent Non-executive director*

**Choi Wai Yin**

*Independent Non-executive director*

**Chan Pat Lam**

*Independent Non-executive director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter received from First Shanghai Capital Limited setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Loan Agreement and the transactions contemplated thereunder 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

4 May 2010

*To the Independent Board Committee and  
Independent Shareholders*

Dear Sir or Madam,

### DISCLOSEABLE AND CONNECTED TRANSACTION

#### INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Loan Agreement and the transactions contemplated thereunder, details of which are set out in the circular of the Company to the Shareholders dated 4 May 2010 (the “Circular”), 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.

As at the Latest Practicable Date, Mr. Xing is an associate of a substantial shareholder of each of certain subsidiaries of the Company. As a result, Mr. Xing is a connected person of the Company (as defined in the Listing Rules). The transactions under the Loan Agreement constitute non-exempt connected transactions of the Company under the Listing Rules and therefore is subject to the approval of the Independent Shareholders by way of poll at the EGM.

The Independent Board Committee, comprising the independent non-executive Directors, namely Messrs Kee Wah Sze, Choi Wai Yin and Chan Pat Lam, has been established to advise the Independent Shareholders in respect of the Loan Agreement and the transactions contemplated thereunder. We, First Shanghai Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the above.

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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, Mr. Xing and his associates.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion on the Loan Agreement and the transactions contemplated thereunder, we have taken into account the following principal factors and reasons:

#### 1. Background to and reasons for the entering into of the Loan Agreement

As set out in the letter from the Board to the Circular, subsequent to the completion of the acquisitions (the “Acquisitions”) of Shanxi Liulin Jinjiazhuang, Shanxi Liulin Xingwu, and Shanxi Liulin Zhaiyadi (collectively, the “PRC Subsidiaries”), the Group incurred certain liabilities in respect of certain fees (the “Fees”) payable by the PRC Subsidiaries to the PRC government in an amount equal to the Existing Indebtedness. Pursuant to the terms of the Agreement, Mr. Xing, being the guarantor of the seller under the Agreement, shall be liable for certain liabilities including any loss incurred by Jade Green arising from any claims from any governmental authorities. Accordingly, the Company negotiated with Mr. Xing for indemnifying the Fees incurred by the PRC Subsidiaries, being the Existing Indebtedness. We are advised that after negotiation between the Group and Mr. Xing, the Group has agreed to enter into the Loan Agreement with fixed repayment terms for Mr. Xing to settle the Existing Indebtedness. As set out in the letter from the Board to the Circular, the Directors consider that in order to better protect the interest of the Company, it would be in the interest of the Company to fix the terms of the settlement of the Existing Indebtedness by entering into of the Loan Agreement.

Having considered that (i) a substantial portion of the Fees incurred by the PRC Subsidiaries as requested by the PRC government has already been paid by the Group’s internal resources to the PRC government, (ii) Mr. Xing has agreed to indemnify the Group for the Existing Indebtedness as stipulated under the terms of the Agreement; (iii) the entering into of the Loan Agreement allows the Group to fix the terms of the settlement of the Existing Indebtedness with Mr. Xing; and (iv) as mentioned in the section headed “Principal terms of the Loan Agreement” below, the terms of the Loan Agreement are fair and reasonable, despite the entering into of the Loan Agreement is not in the ordinary and usual course of business of the Group, we are of the view that the entering into of the Loan Agreement is in the interest of the Group and the Shareholders as a whole.

#### 2. Principal terms of the Loan Agreement

Pursuant to the Loan Agreement, the Group had conditionally agreed to make available the secured and interest bearing Loan to Mr. Xing to settle the Existing Indebtedness where Mr. Xing has to repay the Loan in three installments, being 50%, 25% and 25% of the Loan on the date falling after the 12th month, the 18th month and the 24th month of the Drawdown Date, respectively. Details of the terms of the Loan are set out in the letter from the Board to the Circular.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Interest rate

The Loan bears an annual interest of the sum of LIBOR plus a margin of 2.5% which will be accrued on a daily basis of a 365-day per year and payable at each Repayment Date. We have reviewed the terms of the existing banking borrowings of the Group and noted that the secured bank borrowing of the Group bears an interest rate of LIBOR plus 1.85%.

### Security

Pursuant to the Loan Agreement, Mr. Xing has to deliver the duly executed Pledge Documents, including the Luenshan Pledge, the Shanxi Liulin Jinjiazhuang Pledge and the Shanxi Liulin Zhaiyadi Pledge, to the Group prior to the date of the EGM. Under the Luenshan Pledge, Luensheng will pledge its 35% interests in Luenshan to the Group. Under the Shanxi Liulin Jinjiazhuang Pledge and the Shanxi Liulin Zhaiyadi Pledge, Luensheng will pledge its respective dividend rights in respect of its 35% shareholding in Shanxi Liulin Jinjiazhuang (which in turn holds 35% shareholding in Shanxi Liulin Xingwu) and its 5% shareholding in Shanxi Liulin Zhaiyadi to the Group. Shanxi Liulin Jinjiazhuang, Shanxi Liulin Xingwu and Shanxi Liulin Zhaiyadi are the three principally operating subsidiaries of the Group.

We are advised that since Luensheng's equity interest in Shanxi Liulin Jinjiazhuang and Shanxi Liulin Zhaiyadi have been pledged to an independent third party, only the dividend rights in respect of Luensheng's 35% shareholding in Shanxi Liulin Jinjiazhuang and 5% shareholding in Shanxi Liulin Zhaiyadi can be pledged to the Group under the Shanxi Liulin Jinjiazhuang Pledge and the Shanxi Liulin Zhaiyadi Pledge. We are also advised that should the pledgee takes delivery of Luensheng's equity interest in Shanxi Liulin Jinjiazhuang and Shanxi Liulin Zhaiyadi, the Shanxi Liulin Jinjiazhuang Pledge and the Shanxi Liulin Zhaiyadi Pledge will become invalid. Accordingly, in analysing the security under the Pledge Documents, we have focused on the Luenshan Pledge.

Luenshan is owned as to 65% by 金山能源有限公司 (Jinshan Energy Group Limited\*), a 94.17% subsidiary of the Company, and 35% by Luensheng; and is currently engaged in exploration of a coal mine located in the Shanxi Province, the PRC (the "Coal Mine"). Based on the management account of Luenshan prepared in accordance with the generally accepted accounting principles in the PRC, the unaudited net asset value of Luenshan was approximately RMB120 million as at 31 March 2010. We are advised that the principal assets of Luenshan will be the mining right of the Coal Mine. We have reviewed a PRC legal opinion (the "PRC Legal Opinion") dated 15 March 2010 issued by a PRC law firm and noted that Luenshan has obtained approval from the relevant government authority for defining the boundary of the mining site and the granting of the mining rights in the Coal Mine has been reserved to Luenshan for a period up to 2 March 2012. As stated in the PRC Legal Opinion, there were no existence of any impediment for and situation precluding Luenshan's obtaining the mining rights from the relevant PRC authority. We have also reviewed a valuation report prepared by an independent valuer (the "Valuer") in respect of the fair value of the shareholder equity of Luenshan, and noted that the fair value of the shareholder equity of Luenshan attributable to Luensheng is higher than the amount of the Loan and future interests accrued. In this regards, we have reviewed and discussed with the Valuer regarding, among other things, the assumptions, bases and methodologies adopted for the valuation and we

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal assumptions used in arriving at the fair value of the shareholder equity of Luenshan.

Having considered (i) the fair value of the principal security under the Loan Agreement, i.e. the Luenshan Pledge, is higher than the amount of the Loan and future interests accrued; (ii) the interest rate under the Loan Agreement is higher than the interest rate of secured bank borrowing available to the Group obtained from independent third party; and (iii) the entering into of the Loan Agreement allows the Group to fix the terms of the settlement of the Existing Indebtedness, we are of the view that the terms of the Loan Agreement and the transactions contemplated thereunder are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned.

### 3. Financial effects of the Loan Agreement

As advised by the management of the Group, about 77% of the Fees incurred by the PRC Subsidiaries has already been paid by the Group's internal resources to the PRC government, the entering into of the Loan Agreement is not expected to have significant impact on the net assets, gearing and working capital position of the Group. Nevertheless, the entering into of the Loan Agreement which allows the Group to fix the terms of the settlement of the Existing Indebtedness, is expected to have positive effect to the cash flow of the Group upon repayment is made by Mr. Xing.

Given the Loan bears an interest rate of the sum of LIBOR plus a margin of 2.5% which will be accrued on a daily basis, the Group will be entitled to interest income after the entering into of the Loan Agreement which is positive to the earnings of the Group.

Based on the above, the entering into of the Loan Agreement is not expected to have any material immediate financial effect to the Group. However, given the entering into of the Loan Agreement allows the Group to fix the terms of the settlement of the Existing Indebtedness, we are of the view that the entering into of the Loan Agreement is in the interest of the Company and the Shareholders as a whole.

### RECOMMENDATION

Having taken into account the above principal factors, despite the entering into of the Loan Agreement is not in the ordinary and usual course of business of the Group, we consider that the entering into of the Loan Agreement is in the interest of the Company and the Shareholders as a whole, and the terms of the Loan Agreement and the transactions contemplated thereunder are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned. We therefore advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favour of the relevant resolution to approve the Loan Agreement and the transactions contemplated thereunder to be proposed at the EGM.

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

**Helen Zee**  
*Managing Director*

**Fanny Lee**  
*Deputy Managing Director*

\* For identification purpose only

## 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 enquiries 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

### (a) Directors

As at the Latest Practicable Date, the interests and short positions of the Directors in the shares and underlying shares of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 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 Directors of Listed Companies (the “**Model Code**”) of the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

#### (i) Long positions in the shares and underlying shares of the Company

Name of Director	Capacity in which interests are held	Number of shares/underlying shares in the Company			Total interests as to % of the issued share capital of the Company
		Interests in shares	Interests in underlying shares*	Total interests	
Cao Zhong	Beneficial owner	3,000,000	15,000,000	18,000,000	0.33%
Wong Lik Ping (“Mr. Wong”)	Beneficial owner, interests of controlled corporation	588,171,900 <sup>#</sup>	4,500,000	592,671,900	11.01%
So Kwok Hoo	Beneficial owner	4,000,000	3,500,000	7,500,000	0.13%
Xue Kang	Beneficial owner	6,000,000	3,000,000	9,000,000	0.16%
Chen Zhaoqiang	Beneficial owner	280,000	8,000,000	8,280,000	0.15%
Liu Qingshan	Beneficial owner	–	6,000,000	6,000,000	0.11%
Chen Zhouping	Beneficial owner	–	6,000,000	6,000,000	0.11%

Name of Director	Capacity in which interests are held	Number of shares/underlying shares in the Company			Total interests as to % of the issued share capital of the Company
		Interests in shares	Interests in underlying shares*	Total interests	
Leung Shun Sang, Tony	Beneficial owner	–	6,000,000	6,000,000	0.11%
Zhang Yaoping	Beneficial owner	–	4,500,000	4,500,000	0.08%
Kee Wah Sze	Beneficial owner	700,000	3,200,000	3,900,000	0.07%
Choi Wai Yin	Beneficial owner	550,000	3,200,000	3,750,000	0.06%
Chan Pat Lam	Beneficial owner	600,000	3,200,000	3,800,000	0.07%

\* The relevant interests are unlisted physically settled options granted pursuant to the Company's share option scheme adopted on 20 June 2003 (the "Scheme"). Upon exercise of the share options in accordance with the Scheme, ordinary shares of HK\$0.10 each in the share capital of the Company are issuable.

# Mr. Wong indicated in his disclosure form dated 26 March 2010 (being the latest disclosure form filed up to the Latest Practicable Date) that as at 23 March 2010, his interests included 399,200,000 shares of the Company held by China Merit Limited which was wholly-owned by Mr. Wong. The interest held by China Merit Limited was disclosed under section 2(b) below.

(ii) *Short positions in the shares of the Company*

Name of Director	Capacity in which interests are held	Number of shares	Interests as to % of the issued share capital of the Company
Mr. Wong	Interests of controlled corporation	209,500,000 <sup>#</sup>	3.89%

# Mr. Wong indicated in his disclosure form dated 26 March 2010 (being the latest disclosure form filed up to the Latest Practicable Date) that as at 23 March 2010, the interest was held by China Merit Limited which was wholly-owned by Mr. Wong. The interest held by China Merit Limited was disclosed under section 2(b) below.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company, had an interest or short position in the Shares and underlying Shares of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 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 of the Listing Rules to be notified to the Company and the Stock Exchange.

**(b) Substantial Shareholders**

As at the Latest Practicable Date, according to the register kept by the Company under section 336 of the SFO, the persons other than a Director or chief executive of the Company who 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 provisions of Divisions 2 and 3 of Part XV of the SFO (“**Notifiable Interest**”) were as follows:

*(i) Long positions in the shares of the Company*

Name of shareholder	Capacity in which interests are held	Number of shares	Interests as to % of the issued share capital of the Company	Note(s)
Shougang Holding (Hong Kong) Limited (“ <b>Shougang Holding</b> ”)	Interests of controlled corporations	1,423,962,490	26.46%	1
Shougang Concord International Enterprises Company Limited (“ <b>Shougang International</b> ”)	Beneficial owner, interests of controlled corporations	1,314,872,497	24.43%	1
Fine Power Group Limited (“ <b>Fine Power</b> ”)	Beneficial owner	663,918,497	12.33%	1
China Merit Limited	Beneficial owner	499,200,000	9.27%	2
Mr. Xing	Interests of controlled corporation	420,000,000	7.80%	3
Firstwealth Holdings Limited (“ <b>Firstwealth</b> ”)	Beneficial owner	420,000,000	7.80%	3

*(ii) Short positions in the shares of the Company*

Name of shareholder	Capacity in which interests are held	Number of shares	Interests as to % of the issued share capital of the Company	Note(s)
Firstwealth	Beneficial owner	267,818,612	4.97%	2
China Merit Limited	Beneficial owner	209,500,000	3.89%	3

*Notes:*

1. Pursuant to the disclosure forms dated 4 January 2010 filed by Shougang Holding and Shougang International (being the latest disclosure forms filed up to the Latest Practicable Date), as at 30 December 2009, Shougang Holding held 100% interests in Fair Gain Investments Limited and 42.01% interests in Shougang International which in turn held 100% interests in each of Ultimate Capital Limited and Fine Power. Ultimate Capital Limited, Fine Power and Fair Gain Investments Limited owned 650,000,000, 663,918,497 and 109,089,993 shares of the Company respectively. Fine Power was recorded as having a Notifiable Interest in the register and the records relating thereto was updated in accordance with the said disclosure forms filed by Shougang Holding and Shougang International.
2. China Merit Limited was wholly owned by Mr. Wong, a director of the Company. Mr. Wong indicated in his disclosure form dated 26 March 2010 (being the latest disclosure form filed up to the Latest Practicable Date) that as at 23 March 2010, his interests included 399,200,000 long position interest and 209,500,000 short position interest in the shares of the Company, which were held by China Merit Limited. Such interests were disclosed as the interests of Mr. Wong under section 2(a) above.
3. Pursuant to the disclosure form dated 22 January 2010 filed by Mr. Xing (being the latest disclosure form filed up to the Latest Practicable Date), as at 19 January 2010, his long position interest in 420,000,000 shares of the Company was held by Firstwealth. Firstwealth was wholly-owned by Mr. Xing.

As at the Latest Practicable Date, so far as is known to the Directors, the following persons and companies (other than the Director or chief executive of the Company) were, directly or indirectly, interested in 10% 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:

Name of shareholder	Name of company	Number of shares held (% of attributable interest)
Luensheng	Luenshan	RMB42,000,000 (35% of the equity interest)
Luensheng	Shanxi Liulin Xingwu	<i>Note</i> (12.25% of the equity Interest)
Luensheng	Shanxi Liulin Jinjiazhuang	RMB131,000,000 (35% of the equity interest)
Xiaoyishi Yao Zin Coal and Coking Ltd*	Shanxi Yao Zin Coal and Coking Ltd*	RMB92,800,000 (29% of the equity interest)

*Note:* Shanxi Liulin Xingwu was held as to 35% by Shanxi Liulin Jinjiazhuang. As Shanxi Liulin Jinjiazhuang was held as to 35% by Luensheng, Shanxi Liulin Xingwu was deemed to be held as to 12.25% by Luensheng.

\* For identification purpose only

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 provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% 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.

**(c) 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)).

**(d) Interests in other competing business**

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any other business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

**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'S QUALIFICATION AND CONSENT**

First Shanghai Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

The following are the qualifications of the expert who has given its opinion or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
First Shanghai Capital Limited	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 Capital Limited did not have any direct or indirect interest in any asset which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2009, the date to which the latest audited financial statements of the Group was made up; and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

#### **5. MATERIAL ADVERSE 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 2009, being the date to which the latest audited consolidated financial statements of the Group were made up.

#### **6. GENERAL**

- (a) None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired, disposed of by or leased to any member of the Group since 31 December 2009, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.
- (b) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, which was subsisting and was significant in relation to the business of the Group.
- (c) The company secretary of the Company is Ms. Cheng Man Ching, a fellow member of each of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries and an associate member of the Hong Kong Institute of Bankers. She holds a master degree in business administration and a master degree in arts.
- (d) The registered address of the Company is 6th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (e) The share registrars of the Company is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (f) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

**7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the Company's registered office at 6th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road Wanchai, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including the date of EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the two years ended 31 December 2009;
- (c) the interim report of the Company for the six months ended 30 June 2009;
- (d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 11 of this circular;
- (e) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 12 to 15 of this circular;
- (f) the written consent referred to in the paragraph headed "Expert's Qualification and Consent" in this Appendix;
- (g) the Loan Agreement; and
- (h) this circular.

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## NOTICE OF EGM

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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)

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Fushan International Energy Group Limited (the “**Company**”) will be held at 10:55 a.m. on Tuesday, 8 June 2010 at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

“**THAT**

- (a) a loan agreement dated 13 April 2010 (the “**Loan Agreement**”) entered into between Jade Green Investments Limited (“**Jade Green**”) and Mr. Xing Libin (“**Mr. Xing**”) pursuant to which Jade Green has conditionally agreed to make available a loan of HK\$937,367,261 (RMB824,883,190) (the “**Loan**”) to Mr. Xing for offsetting all outstanding liabilities owed by Mr. Xing under a sale and purchase agreement dated 9 May 2008 as at the date of the Loan Agreement in an amount equal to the Loan amount, entered into, among others, the Company, Jade Green and Mr. Xing and the details of which are contained in a circular of the Company dated 25 June 2008, a copy of the Loan Agreement is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder, be and is hereby confirmed, approved and ratified; and
- (b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in the Loan Agreement.”

By Order of the Board

**Cao Zhong**

*Vice-chairman and Managing Director*

Hong Kong, 4 May 2010

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## NOTICE OF EGM

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*Notes:*

1. A form of proxy for use at the meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. Any shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
4. In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed must be deposited at the Company's share registrars, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting.
5. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should you so wish, and in such an event, the form of proxy shall be deemed to be revoked.
6. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.