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福山國際能源集團有限公司
FUSHAN INTERNATIONAL ENERGY GROUP LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 639)

CONTINUING CONNECTED TRANSACTIONS

The Board announces that on 12 November 2010, the Company entered into the Master Agreement with Mr. Xing in respect of the Continuing Connected Transactions. Mr. Xing is an associate of a substantial shareholder of certain subsidiaries and a director of a subsidiary of the Company. Accordingly, the transactions under the Master Agreement constitute continuing connected transactions for the Company under the Listing Rules.

As the annual cap amounts of the Continuing Connected Transactions under the Master Agreement will exceed the thresholds as provided in Rule 14A.34 of the Listing Rules, the Continuing Connected Transactions will be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

An Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Master Agreement and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Master Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions under the Master Agreement.

Mr. Xing and his associates will abstain from voting in the Extraordinary General Meeting to be convened for the approval of the Continuing Connected Transactions.

A circular containing, amongst others, further information on the Master Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions, the advices of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions, the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Continuing Connected Transactions and the notice of the Extraordinary General Meeting will be despatched to the Shareholders on or around 1 December 2010.

THE MASTER AGREEMENT

Date: 12 November 2010

Parties: The Company
Mr. Xing

Subject: Pursuant to the Master Agreement, the Group will supply products (including but not limited to clean coking coal, raw coking coal and other coal products) and side products, raw materials, materials, fuel, energy (including but not limited to electricity and water), mechanical equipment, equipment, spare parts, accessories, tools, fixed assets, provision of construction and/or other services; and leasing of properties (the “**Products/Services**”) to Mr. Xing and his associates (the “**Sales**”) and Mr. Xing and his associates will supply the Products/Services to the Group (the “**Purchases**”).

Cap amounts: The cap amounts of the Sales and the Purchases for each of the three financial years ending 31 December 2013 will be as follows:

	2011 <i>RMB'million</i> (exclusive of VAT)	2012 <i>RMB'million</i> (exclusive of VAT)	2013 <i>RMB'million</i> (exclusive of VAT)
cap amounts for the Sales	1,120	1,210	1,310
cap amounts for the Purchases	1,660	1,800	1,950

The cap amounts are determined by reference to the anticipated future supply and demand of the Purchases and the Sales, the anticipated increase in the prices of coal products and raw materials and the expansion of the scale of production.

Term: The Master Agreement has a fixed term of three financial years ending on 31 December 2013.

Price: The basis of determining the prices for the Continuing Connected Transactions will be in accordance with: (1) comparable market price; or (2) if no comparable market price can be taken as a reference, a price reasonably agreed between the parties. The price should be no less favourable to/from third parties.

Payment: Payments for the Continuing Connected Transactions shall be on normal commercial terms or in the manner as reasonably requested by the parties.

Condition: The Master Agreement is subject to approval by the Independent Shareholders.

REASONS FOR ENTERING INTO OF THE MASTER AGREEMENT

The Continuing Connected Transactions will be entered into in the ordinary and usual course of businesses of the Group.

The Group had previously entered into of the following agreements, the transactions contemplated under which constitute continuing connected transactions of the Company and have been disclosed and/or approved by the independent shareholders of the Company in compliance with the Listing Rules:

- (a) On 2 June 2008, the PRC Subsidiaries as tenants and Luensheng as landlord entered into the Tenancy Agreement 1 in respect of the lease of the property situated at Luensheng Office Tower, No. 38 Qing He West Road, Liulin County, Shanxi Province, the PRC. The Tenancy Agreement 1 has a fixed term of three financial years ending on 31 December 2010. The rental payable under the Tenancy Agreement 1 for each of the three financial years ending 31 December 2010 are as follows:

2008 <i>RMB'000</i>	2009 <i>RMB'000</i>	2010 <i>RMB'000</i>
1,867	1,867	2,054

- (b) On 3 November 2008, the PRC Subsidiaries and Mr. Xing and his associates entered into the Supply Contract 1 which superseded a supply contract dated 2 June 2008 entered into between the parties. Pursuant to the Supply Contract 1, the PRC Subsidiaries agreed to purchase coal, accessories and small tools from Mr. Xing and his associates and Mr. Xing and his associates agreed to purchase coal and electricity from the PRC Subsidiaries. The Supply Contract 1 has a fixed term of three financial years ending on 31 December 2010. On 6 October 2009, the Revised Supply Contract 1 was entered into between the parties, pursuant to which, the annual cap amounts for the accessories and small tools transactions under the Supply Contract 1 for the two financial years ending 31 December 2010 were revised. The cap amounts of the transactions contemplated under the Supply Contract 1 (as revised by the Revised Supply Contract 1) for each of the three financial years ending 31 December 2010 are as follows:

Supply of coal

Supplier	Purchaser	Cap amount for 2008 <i>RMB'000</i>	Cap amount for 2009 <i>RMB'000</i>	Cap amount for 2010 <i>RMB'000</i>
Mr. Xing and his associates	the PRC Subsidiaries	47,300	988,200	1,481,500
the PRC Subsidiaries	Mr. Xing and his associates	445,000	2,381,900	2,556,100

Supply of electricity

Supplier	Purchaser	Cap amount for 2008 <i>RMB'000</i>	Cap amount for 2009 <i>RMB'000</i>	Cap amount for 2010 <i>RMB'000</i>
Xingwu	Mr. Xing and his associates	1,100	6,100	6,850

Supply of accessories and small tools

Supplier	Purchaser	Cap amount for 2008 RMB'000	Cap amount for 2009 RMB'000	Cap amount for 2010 RMB'000
Mr. Xing and his associates	the PRC Subsidiaries	7,100	118,165	120,000

- (c) On 1 June 2009, the PRC Subsidiaries and Mr. Xing and his associates entered into the Supply Contract 2 pursuant to which the PRC Subsidiaries agreed to sell equipment, accessories and small tools to Mr. Xing and his associates. The Supply Contract 2 has a fixed term from 1 June 2009 to 31 December 2011. The cap amounts of the transactions contemplated under the Supply Contract 2 for each of the three financial years ending 31 December 2011 are as follows:

2009 RMB'000	2010 RMB'000	2011 RMB'000
12,000	20,000	20,000

- (d) On 1 June 2009, the PRC Subsidiaries as tenants and Luensheng as landlord entered into the Tenancy Agreement 2 in respect of the lease of one floor of office premises situated at Luensheng Office Tower, No. 38 Qing He West Road, Liulin County, Shanxi Province, the PRC. The Tenancy Agreement 2 has a fixed term of two financial years ending on 31 December 2010. The rental payable (exclusive of electricity, heat, water and other charges) under the Tenancy Agreement 2 for each of the two financial years ending 31 December 2010 are as follows:

2009 RMB'000	2010 RMB'000
934	1,027

- (e) On 10 September 2009, the PRC Subsidiaries and Shanxi Panlong entered into the Master Construction Contract pursuant to which Shanxi Panlong agreed to provide construction service to the PRC Subsidiaries. The Master Construction Contract has a fixed term from 10 September 2009 to 31 December 2011. The cap amounts of the transactions contemplated under the Master Construction Contract for each of the three financial years ending 31 December 2011 are as follows:

2009 RMB'000	2010 RMB'000	2011 RMB'000
10,000	10,000	10,000

The Supply Contract 1 (as revised by the Revised Supply Contract 1), the Tenancy Agreement 1 and the Tenancy Agreement 2 are due to expire on 31 December 2010. It is also expected that due to the increases in the prices of coal products and raw materials and the expansion of the scale of production, the annual caps for 2011 under the Supply Contract 2 and the Master Construction Contract would be exceeded based on the current business projection. The Directors consider that Tenancy Agreement 1, Tenancy Agreement 2, Supply Contract 1 (as revised), Supply Contract 2 and the Master Construction Contract are essential to the operation

of the Company and are being carried out in the ordinary and usual course of businesses of the Group. In order to enhance the flexibility of the operation of the Group, it is proposed that one Master Agreement be entered to govern all the continuing connected transactions and other continuing connected transactions to be taken place in the three financial years ending 31 December 2011. Upon the Master Agreement becoming effective, the Supply Contract 2 and the Master Construction Contract would be terminated.

GENERAL

The Group is principally engaged in coking coal mining, production and sales of coking coal products (including coking coal, clean coking coal and coke) and side products.

Mr. Xing is an associate of a substantial shareholder of certain subsidiaries and a director of a subsidiary of the Company. Accordingly, the transactions under the Master Agreement between the Group and Mr. Xing and his associates constitute continuing connected transactions for the Company under the Listing Rules.

As the annual cap amounts of the Continuing Connected Transactions under the Master Agreement will exceed the thresholds as provided in Rule 14A.34 of the Listing Rules, the Continuing Connected Transactions will be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

The Continuing Connected Transactions will be entered into in the usual and ordinary course of businesses of the Group. The Directors (excluding the independent non-executive Directors who will express their view after receiving advices from the independent financial advisor) consider that the terms of the Master Agreement have been negotiated on an arm's length basis and the Continuing Connected Transactions will be conducted on normal commercial terms, between the Group and Mr. Xing and/or his associates. The Directors (excluding the independent non-executive Directors who will express their view after receiving advices from the independent financial advisor) are of the view that as far as the Independent Shareholders are concerned, the terms of the Master Agreement are fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole.

The Company will therefore seek the approval by the Independent Shareholders of the Master Agreement and the proposed cap amounts in relation to the Continuing Connected Transactions under the Master Agreement on terms in compliance with Rules 14A.37 to 14A.41 of the Listing Rules.

An Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Master Agreement and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Master Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions under the Master Agreement.

EXTRAORDINARY GENERAL MEETING

An Extraordinary General Meeting will be convened at which ordinary resolutions will be proposed to consider and, if thought fit, approve the Master Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions. The voting at the Extraordinary General Meeting will be taken by poll and Mr. Xing and his associates will abstain from voting

for the resolutions to be proposed at the Extraordinary General Meeting to approve the Master Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions.

A circular containing, amongst others, further information on the Master Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions, the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions, the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Continuing Connected Transactions and the notice of the Extraordinary General Meeting will be despatched to the Shareholders on or around 1 December 2010.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

“associate(s)”	has the same meaning as given to it under the Listing Rules
“Board”	the board of Directors
“Company”	Fushan International Energy Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Continuing Connected Transactions”	the transactions contemplated under the Master Agreement
“Director(s)”	the director(s) of the Company
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened to approve the Master Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions, or any adjournment thereof
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising independent non-executive Directors, which has been appointed by the Board to advise the Independent Shareholders on the Continuing Connected Transactions
“Independent Shareholders”	the Shareholders other than Mr. Xing and his associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 by the spouse of Mr. Xing and Mr. Xing

“Master Agreement”	the master agreement entered into between the Company and Mr. Xing on 12 November 2010
“Master Construction Contract”	the master construction contract dated 10 September 2009 entered into between the PRC Subsidiaries and Shanxi Panlong pursuant to which Shanxi Panlong agreed to provide construction services to the PRC Subsidiaries
“Mr. Xing”	Mr. Xing Libin, an associate of a substantial shareholder of certain subsidiaries and a director of a subsidiary of the Company
“PRC”	the People’s Republic of China
“PRC Subsidiaries”	山西柳林金家莊煤業有限公司(Shanxi Liulin Jinjiazhuang Coal Co., Ltd.*), 山西柳林寨崖底煤業有限公司(Shanxi Liulin Zhaiyadi Coal Co., Ltd.*) and Xingwu, companies established in the PRC with limited liabilities
“Revised Supply Contract 1”	the revised supply contract entered into among the PRC Subsidiaries and Mr. Xing and his associates dated 6 October 2009 pursuant to which the parties agreed to revise the cap amounts in respect of the supply of the accessories, small tools and equipment by Mr. Xing and his associates to the PRC Subsidiaries under the Supply Contract 1
“RMB”	Renminbi, the lawful currency of PRC
“Shanxi Panlong”	山西磐龍建築工程有限公司 (Shanxi Panlong Construction Project Co., Ltd.*), a company established under the laws of the PRC and is controlled by Mr. Xing’s brother
“Shareholders”	holders of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply Contract 1”	the supply contract entered into among the PRC Subsidiaries and Mr. Xing and his associates dated 3 November 2008, pursuant to which the PRC Subsidiaries agreed to purchase coal, accessories and small tools from Mr. Xing and his associates and Mr. Xing and his associates agreed to purchase coal and electricity from the PRC Subsidiaries
“Supply Contract 2”	the supply contract entered into among the PRC Subsidiaries and Mr. Xing and his associates dated 1 June 2009 pursuant to which the PRC Subsidiaries agreed to sell equipment, accessories and small tools to Mr. Xing and his associates
“substantial shareholder”	has the same meaning as given to it under the Listing Rules

“Tenancy Agreement 1”	the tenancy agreement entered into between the PRC Subsidiaries as tenants and Luensheng as landlord dated 2 June 2008 in respect of the lease of the property located at Luensheng Office Tower, No. 38 Qing He West Road, Liulin County, Shanxi Province, the PRC
“Tenancy Agreement 2”	the tenancy agreement entered into between the PRC Subsidiaries as tenants and Luensheng as landlord dated 1 June 2009 in respect of the lease of one floor of office premises situated at Luensheng Office Tower, No. 38 Qing He West Road, Liulin County, Shanxi Province, the PRC
“VAT”	the value added tax chargeable under the applicable PRC laws
“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 liabilities
“%”	per cent.

By order of the Board
Fushan International Energy Group Limited
Wang Pingsheng
Chairman

Hong Kong, 12 November 2010

As at the date of this announcement, the Board comprises Mr. Wang Pingsheng (Chairman), Mr. Chen Zhouping (Vice Chairman and Managing Director), Mr. Wong Lik Ping (Vice Chairman), Mr. So Kwok Hoo (Deputy Managing Director), Mr. Chen Zhaoqiang (Deputy Managing Director), Mr. Xue Kang (Deputy Managing Director), Mr. Liu Qingshan (Deputy Managing Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Zhang Yaoping (Non-executive Director), Mr. Zhang Wenhui (Non-executive Director), Mr. Kee Wah Sze (Independent Non-executive Director), Mr. Choi Wai Yin (Independent Non-executive Director) and Mr. Chan Pat Lam (Independent Non-executive Director).

** For identification only*