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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 a licensed securities dealer, a 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 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 under the Hong Kong Ordinance)

(Stock Code: 639)

DISCLOSEABLE TRANSACTION

Financial adviser to the Company



博 大 資 本 國 際 有 限 公 司

Partners Capital International Limited

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DEFINITIONS

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

“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
“Completion”	completion of the Investment
“Director(s)”	the director(s) of the Company
“Fushan Energy”	Fushan Energy Group Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by the Company
“Golden Oak”	Golden Oak Development Limited, a company incorporated in the British Virgin Islands with limited liability and is an investment holding company
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of PRC
“Investment”	the additional capital contribution of RMB300,000,000 in the investment in the JV Company by Fushan Energy
“JV Company”	山西金山能源有限責任公司 (Jinshan Energy Group Limited), a sino-foreign equity joint venture incorporated in the PRC with limited liability and is currently owned by Fushan Energy, Party A, and Golden Oak as to 65%, 20% and 15% respectively
“Latest Practicable Date”	7 December 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“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
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Mr. Xing”	Mr. Xing Li Bin
“Party A”	北京嘉宇維業房地產開發有限公司 (Beijing Jia Yu Wei Ye Property Development Limited), a company established under the laws of the PRC and is an investment holding company
“PRC”	The People’s Republic of China, for the purpose of this circular only, excludes Hong Kong, Taiwan and Macau Special Administrative Region
“Risheng”	太原西山日盛煤焦有限公司 (Taiyuan Xishan Risheng Coal and Coking Co., Ltd.), a company established under the laws of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shares”	shares in the issued share capital of the Company
“Share Placement and Subscription”	the placement of new Shares and subscription of convertible notes as detailed in the announcement of the Company dated 20 March 2007
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xishan Coal”	山西焦煤集團有限責任公司 (Xishan Coal and Electricity (Group) Co., Ltd), an enterprise established under the laws of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

For the purpose of this circular, all amounts in RMB are translated into HK\$ at an exchange rate of RMB0.9533: HK\$1.

LETTER FROM THE BOARD



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 Ordinance)

(Stock Code: 639)

Executive Directors:

Mr. Wong Lik Ping (*Chairman*)

Mr. So Kwok Hoo

Mr. Li King Luk

Independent Non-Executive Directors:

Mr. Kee Wah Sze

Mr. Choi Wai Yin

Mr. Chan Pat Lam

Registered Office:

12th Floor

Kwan Chart Tower

No. 6 Tonnochy Road

Wanchai

Hong Kong

10 December 2007

To the Shareholders,

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

INTRODUCTION

On 27 November 2007, the Board announced that on 26 November 2007, Fushan Energy, Party A and Golden Oak entered into a supplemental sino-foreign equity joint venture agreement and a supplemental articles of association to increase the registered capital of the JV Company from RMB100,000,000 (approximately HK\$104,899,000) to RMB400,000,000 (approximately HK\$419,595,000) and to increase the total investment amount from RMB164,229,200 (approximately HK\$172,274,000) to RMB400,000,000 (approximately HK\$419,595,000).

As the applicable percentage ratio for the Investment under the Listing Rules is more than 5% and less than 25%, the Investment constitutes a discloseable transaction for the Company under Rule 14.08 of the Listing Rules. The purpose of this circular is to provide you further information on the Investment.

LETTER FROM THE BOARD

THE SUPPLEMENTAL SINO-FOREIGN EQUITY JOINT VENTURE AGREEMENT AND THE SUPPLEMENTAL ARTICLES OF ASSOCIATION DATED 26 NOVEMBER 2007

On 26 November 2007, Fushan Energy, Party A and Golden Oak entered into the supplemental sino-foreign equity joint venture agreement and the supplemental articles of association to increase the registered capital of the JV Company from RMB100,000,000 (approximately HK\$104,899,000) to RMB400,000,000 (approximately HK\$419,595,000) and to increase the total investment amount from RMB164,229,200 (approximately HK\$172,274,000) to RMB400,000,000 (approximately HK\$419,595,000). The increase in the registered capital of RMB300,000,000 (approximately HK\$314,696,000) shall be contributed by Fushan Energy only and will be financed by the proceeds of the Share Placement and Subscription. The latest time for additional capital contribution will be one year from the date of issue of the new business license.

The JV Company is currently owned by Fushan Energy, Party A and Golden Oak as to 65%, 20% and 15% respectively. Upon Completion, the interest of Fushan Energy, Party A and Golden Oak in the JV Company will be 91.25%, 5.00% and 3.75% respectively. As the JV Company is a non-wholly owned subsidiary of the Company where each of Party A and Golden Oak holding less than 30% equity interest of the JV Company and Party A and Golden Oak are independent of each other, the JV Company is not a connected person of the Company under the Listing Rules.

The new business license of the JV Company has been issued on 4 December 2007.

INFORMATION OF THE JV COMPANY

The JV Company is a sino-foreign equity joint venture incorporated in the PRC on 23 May 2003 with a registered capital of RMB100,000,000 upon obtaining its business license on the same day. The JV Company was established for the production and sales of coking coal and side products. The board of directors of the JV Company comprises five directors, of which three directors are appointed by Fushan Energy, one director is appointed by Party A and one director is appointed by Golden Oak. Upon Completion, the composition of the board of directors of the JV Company remains the same. Currently, the principal assets of the JV Company comprise two joint ventures namely Luenshan and Risheng. The additional capital contribution of RMB300,000,000 is mainly for the JV Company to set up a coal washing plant. It is expected that the construction costs of the coal washing plant will be approximately RMB200,000,000 and the annual production capacity of the coal washing plant will be about 3,000,000 tonnes.

Luenshan was jointly established by the JV Company and Mr. Xing on 8 July 2003 with registered capital of RMB30,000,000. Luenshan is currently owned as to 65% and 35% by the JV Company and Mr. Xing respectively and is expected to be principally engaged in the production and sale of coke products. Luenshan has not yet commenced its operation since its incorporation.

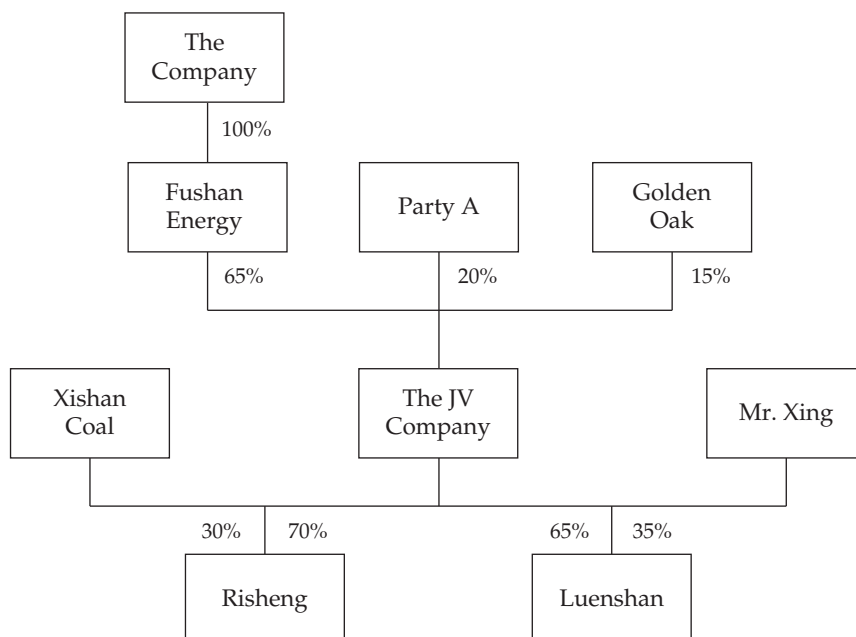
LETTER FROM THE BOARD

Risheng was jointly established by the JV Company and Xishan Coal on 23 December 2003 with registered capital of RMB30,000,000. Risheng is currently owned as to 70% and 30% by the JV Company and Xishan Coal respectively. The principal activities of Risheng are the production and sales of coke products. It is expected that the coking coal production plant of Risheng will commence operation in the first quarter of 2008 and the estimated maximum annual production capacity of the coking coal production plant is about 600,000 tonnes.

Based on the unaudited consolidated management accounts of the JV Company prepared under Hong Kong Financial Reporting Standards, the unaudited loss attributable to the equity holders of the JV Company before and after taxation for the year ended 31 December 2005 were both approximately HK\$6,041,000 and the unaudited loss attributable to the equity holders of the JV Company before and after taxation for the year ended 31 December 2006 were both approximately HK\$12,123,000. As at 30 June 2007, the unaudited consolidated net asset value of the JV Company was approximately HK\$66,056,000.

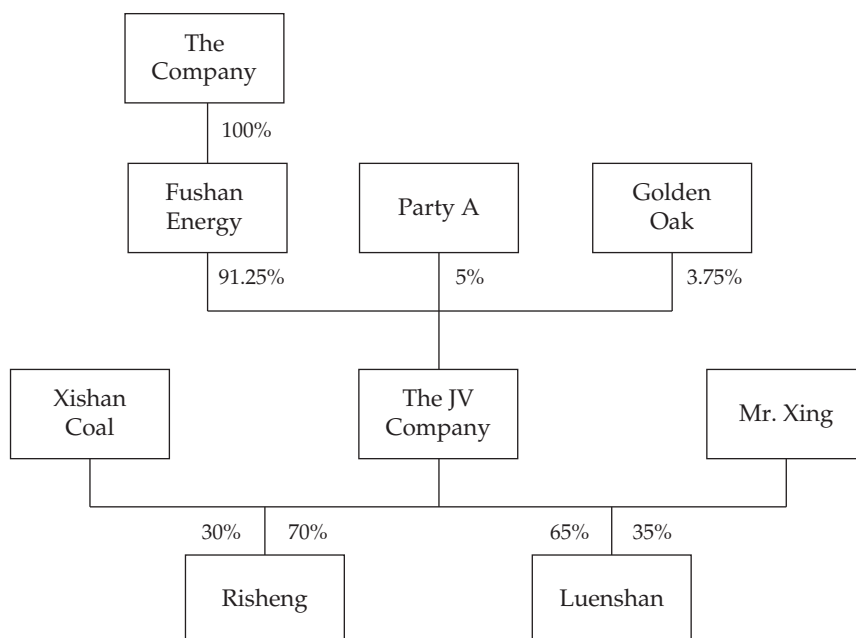
The corporate structures of the JV Company before and after Completion of the Investment are shown as follows:

Existing shareholding structure



LETTER FROM THE BOARD

Shareholding structure upon Completion



REASONS FOR THE INVESTMENT

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.

As mentioned in the 2006 annual report of the Company, with the continued growth of economy, the PRC government has been maintaining the defined policies in supporting the sizeable companies investing into coal related industries to promote operation with environmental and safety concerns as well as improvement of resource utilization. After completion of the Share Placement and Subscription in April 2007, the Company has adequate funding and has been assessing the possibility to increase the equity interests in the JV Company for future profit expansion. In August 2007, 山西曜鑫煤焦有限公司 (Shanxi Yao Zin Coal and Coking Company Limited), a non-wholly owned subsidiary of the Group, increased its registered capital from RMB80,000,000 to RMB320,000,000, of which RMB170,400,000 was contributed by the Group. Upon completion of the increase in registered capital, the equity interest of the Group in Shanxi Yao Zin Coal and Coking Company Limited was increased from 51% to 66%.

Given the growth potential of the coking industry in the PRC and the future earnings potential of the JV Company upon the commencement of the operations of the new coke plants, the Board is of the view that the Investment is in line with the business strategy of the Group and the intended use of proceeds from the Share Placement and Subscription and will enable the Group to further increase its exposure in the energy sector. Accordingly, the Board (including the independent non-executive Directors) considers that the Investment is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

EFFECT OF THE INVESTMENT

Upon Completion, the JV Company will become a 91.25% interest subsidiary of the Company and the accounts of which had already been consolidated into those of the Company.

Upon Completion, it is expected that there will be no material effect on the Group's total assets and the Group's total liabilities and the Investment will not have material adverse impact on the earnings of the Group.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendix to this circular.

By Order of the Board
SO KWOK HO
Executive Director

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 inquiries and that to the best of their knowledge and belief there are no other facts the omission of which would make any statement therein misleading.

2. DISCLOSURE OF INTERESTS

Interest of Directors in the Company

As at the Latest Practicable Date, the interests of the Directors in the share capital of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Division 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 Division of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long position in Shares

Name	Number of Shares held			Percentage of shareholding
	Personal interests	Corporate interests	Total	
Mr. Wong Lik Ping	90,750,000	1,149,200,000 (Note)	1,239,950,000	51.37%

Note: Mr. Wong Lik Ping is the beneficial owner of the entire issued share capital of China Merit Limited, which owned 1,149,200,000 Shares as at the Latest Practicable Date.

Directors' interests in associated corporation

Name	Nature of associated corporation	Capacity	Number of shares	Percentage of shareholding
Mr. Wong Lik Ping	China Merit Limited	Beneficial Owner	100 ordinary shares	100%

Directors' interests in share options of the Company

On 26 April 2006, options to subscribe for a total of 10,900,000 Shares were granted under the share option scheme of the Company to Directors at the exercise price of HK\$1.5 per Share. The options may be exercised from 26 April 2008 to 25 April 2013. As at the Latest Practicable Date, details of the options are as follows:

Name of Director	Number of Shares under outstanding options
Mr. Wong Lik Ping	2,000,000
Mr. So Kwok Hoo	6,500,000
Mr. Chan Pat Lam	800,000
Mr. Choi Wai Yin	800,000
Mr. Kee Wah Sze	800,000
	<hr style="border-top: 1px solid black;"/>
	10,900,000 <hr style="border-top: 3px double black;"/>

Save as disclosed above, as the Latest Practicable Date, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange.

Interests of substantial Shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the persons other than a Director or chief executive of the Company who has 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 provision of Division 2 and 3 of Part XV of the SFO, who is expected, directly or indirectly, to be interest in 5%, 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 or had any options in respect of such capital, were as follow:

Name of Shareholder	Capacity	Number of Shares	Percentage of shareholding
China Merit Limited	Beneficial Owner	1,149,200,000	47.61%

Note: Mr. Wong Lik Ping, the Chairman and Executive Director of the Company, is the beneficial owner of the entire issued share capital of China Merit Limited, which owned 1,149,200,000 Shares as at the Latest Practicable Date. Mr. Wong Lik Ping is the sole director and shareholder of China Merit Limited.

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 of short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% 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.

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)).

Interests in other competing business

Each of the Directors has confirmed that he and his respective associates (as defined under the Listing Rules) do not have any interests in a business apart from the Group's business which directly competes with and will have material adverse impact on the Group.

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. GENERAL

- (a) The secretary and qualified accountant of the Company is Lam Lin Chu, HKICPA.
- (b) The registered office of the Company is situated at 12th Floor, Kwan Chart Tower, No. 6 Tonnochy Road, Wanchai, Hong Kong.
- (c) The Hong Kong share registrar of the Company is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.