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

**If you have sold** all your shares of **Fushan International Energy Group Limited**, you should hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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福 山 國 際 能 源 集 團 有 限 公 司

**FUSHAN INTERNATIONAL ENERGY GROUP LIMITED**

*(Incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance)*

**(Stock Code: 639)**

**PROPOSALS  
FOR GRANT OF GENERAL MANDATES  
TO ISSUE AND REPURCHASE SECURITIES,  
RE-ELECTION OF RETIRING DIRECTORS  
AND  
AMENDMENTS TO ARTICLES OF ASSOCIATION**

This circular is despatched together with the 2006 Annual Report of the Company.

A notice convening the Annual General Meeting of Fushan International Energy Group Limited to be held at the Falcon Room I Basement Luk Kwok Hotel No. 72 Gloucester Road Wanchai Hong Kong on Friday, 15 June 2007 at 3:00 p.m. is set out on pages 5 to 7 of the 2006 Annual Report of the Company. Whether or not you are able to attend the meeting, please complete and return the proxy form in accordance with the instructions printed thereon to the Company's share registrars, Tengis Limited at 26th Floor Tesbury Centre No. 28 Queen's Road East Hong Kong, as soon as possible but in any event not later than 3:00 p.m. on 13 June 2007. Completion of the proxy form will not preclude shareholders from attending and voting at the meeting in person should they so wish.

Hong Kong, 30 April 2007

## DEFINITIONS

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

“AGM”	The annual general meeting of the Company to be held at the Falcon Room I Basement Luk Kwok Hotel No. 72 Gloucester Road Wanchai Hong Kong on Friday, 15 June 2007 at 3:00 p.m.
“2006 Annual Report”	the annual report of the Company for the financial year ended 31 December 2006
“associate(s)”	has the meaning ascribed to it under rule 1.01 of the Listing Rules in relation to any director, chief executive, substantial shareholders or management shareholders (in each case being an individual)
“Board”	the board of Directors of the Company for the time being or a duly authorized committee thereof
“business day”	a day on which the Stock Exchange is open for the business of dealing in securities
“Company”	Fushan International Energy Group Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under rule 1.01 of the Listing Rules
“Directors”	directors of the Company for the time being
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Mandate”	the general and unconditional mandate proposed under ordinary resolution numbered 4A in the notice of the AGM set out on pages 5 to 7 of the 2006 Annual Report to be granted to the Directors to issue and allot securities of the Company, the details of which are described on pages 3 to 4 of this circular
“Latest Practicable Date”	25 April 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained therein
“Listing Committee”	the listing committee of the directors of the Stock Exchange

## DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Repurchase Mandate”	the general and unconditional mandate proposed under ordinary resolution numbered 4B in the notice of AGM set out on pages 5 to 7 of the 2006 Annual Report to be granted to the Directors to repurchase securities of the Company, the details of which are described on page 4 of this circular
“Share(s)”	ordinary share(s) of HK\$0.10 each (or such other amount as such ordinary share(s) may be divided or consolidated or converted into) in the capital of the Company
“Shareholder(s)”	registered holder(s) for the time being of Shares issued
“Share Option Scheme”	the share option scheme of the Company was resolved at the annual general meeting of the Company held on 20 June 2003
“Share Repurchase Rules”	the relevant rules set out in the Listing Rules to regulate the repurchase by companies with primary listing on the Stock Exchange of their own securities on the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholders”	has the meaning ascribed to it under rule 1.01 of the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“\$”	Hong Kong dollars
“%”	per cent

# 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 Companies Ordinance)*

**(Stock Code: 639)**

*Directors:*

Mr. Wong Lik Ping (*Chairman*)

Mr. So Kwok Hoo

Mr. Li King Luk

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

\* *Independent Non-Executive Directors*

30 April 2007

*To the Shareholders*

Dear Sir or Madam,

**PROPOSALS  
FOR GRANT OF GENERAL MANDATES  
TO ISSUE AND REPURCHASE SECURITIES,  
RE-ELECTION OF RETIRING DIRECTORS  
AND  
AMENDMENTS TO ARTICLES OF ASSOCIATION**

**1. INTRODUCTION**

At the AGM, ordinary resolutions will be proposed to grant to the Directors general and unconditional mandates to issue and repurchase securities of the Company since the previous general mandates granted on 16 June 2006 to the Directors will expire at the AGM, ordinary resolutions will be proposed to re-elect of retiring directors and special resolutions will be proposed to amend the Articles of Association of the Company.

The purpose of this circular is to provide you with information regarding the proposed resolutions relating to the granting of the general mandates, re-election of retiring directors and amendments to the Articles of Association of the Company to enable you to make an informed voting decision.

**2. GENERAL MANDATES TO ISSUE SECURITIES**

At the AGM, an ordinary resolution will be proposed to grant the Directors a general and unconditional mandate to allot, issue and deal with new securities of the Company up to a maximum of 20% of the aggregate nominal value of the issued share capital of the Company as at the date of passing such resolution. Another ordinary resolution will be

## LETTER FROM THE BOARD

proposed to increase the aforesaid 20% limit by the amount of any securities of the Company repurchased by the Company under the authority of the Repurchase Mandate up to a maximum of 10% of the aggregate nominal value of the issued share capital of the Company as at the date of passing of such resolution.

### **3. GENERAL MANDATE TO REPURCHASE SECURITIES**

At the AGM, an ordinary resolution will be proposed that the Directors be granted the Repurchase Mandate to exercise all powers of the Company to repurchase securities not exceeding 10% of the aggregate nominal value of the issued share capital of the Company as at the date of passing of such resolution. The Company's authority is restricted to the purchase of the Company's securities on the Stock Exchange and otherwise in accordance with the Listing Rules.

In accordance with the Share Repurchase Rules, which regulate the repurchase by companies with a primary listing on the Stock Exchange of their own securities, the Company is required to send to Shareholders an explanatory statement containing information reasonably necessary to enable Shareholders to make an informed decision on whether to vote for or against the resolution to approve the purchase by the Company of its own Shares. This explanatory statement is set out in the Appendix I to this circular.

### **4. RE-ELECTION OF RETIRING DIRECTORS**

The amendment of Article 98 of the Articles of Association of the Company ("Article 98") has been resolved at the last annual general meeting of the Company held on 16 June 2006 ("the Amendments"). In accordance with the amended Article 98, at each annual general meeting one-third of the Directors for the time being or, if their number is not three or a multiple of three, the number nearest to one-third (but not less than one-third) shall retire from office provided that every Director (including those appointed for a specific term) shall be subject to retirement at least once every three years. As a result, all directors, including both executive and non-executive directors should be subject to retire and re-elect at each annual general meeting whereas only executive directors should be subject to retire and re-elect at each annual general meeting before the Amendments. Directors retiring at a meeting shall retain office until the close of the meeting. The Directors to retire in every year shall, subject as aforesaid, be those who have been longest in office since their last election.

As there are six directors of the Company, two directors shall be normally retired and re-elected at each annual general meeting. However, all three non-executive directors, Mr. Kee Wah Sze ("Mr. Kee"), Mr. Choi Wai Yin ("Mr. Choi") and Chan Pat Lam ("Mr. Chan"), were not subject to retire since their appointment on 11 April 1997, 1 July 2004 and 31 December 2004 before the Amendments. Mr. Wong Lik Ping, Mr. Li King Luk ("Mr. Li") and Mr. So Kwok Hoo are executive directors of the Company who have been re-elected on 17 June 2005, 18 June 2004 and 16 June 2006 respectively. Thus, Mr. Li, Mr. Kee, Mr. Choi and Mr. Chan who have been held the office over three years or longest in office shall retire and re-election at the AGM.

## LETTER FROM THE BOARD

Mr. Li (age 51) was appointed as an executive director of the Company on 14 September 2001. Mr. Li has over 19 years' experience in corporate management. He worked for a ceramics factory in Shanxi Province, the PRC as factory manager for 6 years. He also has over 13 years of experience in trading. Mr. Lee holds a Bachelor Degree in North Western University of Light Industry of the PRC (中國西北輕工業學院). Apart from being an executive director of the Company, Mr. Li did not hold any directorship in other listed companies in the last three years.

Mr. Li does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company nor is he holding any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. There is no service contract between Mr. Li and the Company and its subsidiaries. Mr. Li has signed a letter of employment with the Company, in which Mr. Li is not appointed for a specific term and is not entitled to receive any remuneration with reference to his current remuneration.

Mr. Kee (age 59) was appointed as an independent non-executive director of the Company on 11 April 1997. Mr. Kee is a partner of Messrs. Michael Cheuk, Wong & Kee and is a practicing solicitor in Hong Kong for over 20 years specialized in both the commercial and conveyancing fields. He is a Notary Public of Hong Kong, a China Appointed Attesting Offices and holder of Master Degree in Chinese and Comparative Law of City University of Hong Kong and Master Degree in Law of the People's University of the PRC. Mr. Kee also currently serves respectively as an executive director and an independent non-executive director of Goldbond Group Holdings Limited and China Fair Land Holdings Limited which are Hong Kong listed companies. Apart from being an independent non-executive director of the Company and China Fair Land Holdings Limited and an executive director of Goldbond Group Holdings Limited, Mr. Kee did not hold any directorship in other listed companies in the last three years.

Mr. Kee does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company nor is he holding any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance, apart from having 800,000 unlisted share options granted under the Share Option Scheme. There is no service contract between Mr. Kee and the Company and its subsidiaries. Mr. Kee has signed a letter of employment with the Company, in which Mr. Kee is appointed for a one-year expiring on 31 December 2007 and is entitled to receive annual director fee of HK\$60,000 with reference to his current remuneration.

Mr. Choi (age 48) was appointed as an independent non-executive director of the Company on 1 July 2004. Mr. Choi has over 20 years' experience in the fields of finance and fund management. He currently serves as an executive director of Incutech Investments Limited which is a Hong Kong listed company and an executive director of a company which is the investment manager of a Hong Kong listed company. He is an investment adviser registered under the Securities and Future Ordinance. He holds a Master degree of Science in Finance from the City University of Hong Kong, a Bachelor Degree in Business Administration from the Chinese University of Hong Kong and a Bachelor Degree in Law from the Peking University. Apart from being an independent non-executive director of the Company and an executive director of Incutech Investment Limited, Mr. Choi did not hold any directorship in other listed companies in the last three years.

## LETTER FROM THE BOARD

Mr. Choi does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company nor is he holding any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance, apart from having 800,000 unlisted share options granted under the Share Option Scheme. There is no service contract between Mr. Choi and the Company and its subsidiaries. Mr. Choi has signed a letter of employment with the Company, in which Mr. Choi is appointed for a 18-month expiring on 31 December 2007 and is entitled to receive annual director fee of HK\$60,000 with reference to his current remuneration.

Mr. Chan (aged 58) was appointed as an independent non-executive director of the Company on 31 December 2004. Mr. Chan has over 35 years' experience in the field of international banking industry in Hong Kong, Macau and California. Currently, he is the assistant to the Managing Director of a private company, which is engaged in acting as an international container shipping agency in the Western region of Pearl River Delta. He is also the business advisor of a commercial bank in Macau and a partner of another private company, which is engaged in trading and wholesaling of grocery items. Apart from being an independent non-executive director of the Company, Mr. Chan did not hold any directorship in other listed companies in the last three years.

Mr. Chan does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company nor is he holding any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance, apart from having 800,000 unlisted share options granted under the Share Option Scheme. There is no service contract between Mr. Chan and the Company and its subsidiaries. Mr. Chan has signed a letter of employment with the Company, in which Mr. Chan is appointed for a one-year expiring on 31 December 2007 and is entitled to receive annual director fee of HK\$60,000 with reference to his current remuneration.

Mr. Li, Mr. Kee, Mr. Choi and Mr. Chan confirm that there is no information to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, nor are there other matters that need to be brought to the attention of the Shareholders of the Company in relation to their appointment.

### **5. AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY**

For the purpose of complying with paragraph 4(3) of Appendix 3 of the Listing Rules which also came into effect in March 2006 that a listed issuer in general meeting shall have power by ordinary resolution (instead of special resolution) to remove any director before the expiration of his period of office, the Directors propose amendments to Article 89 of the Articles of Association of the Company accordingly. In addition, for the purpose of complying with the requirement of Code Provision A.4.2. set out in the Code on Corporate Governance Practices which came into effect on 1 January 2005 that all directors appointed to fill a causal vacancy should be subject to election by shareholders at the first general meeting (instead of at the first annual general meeting), the Directors propose amendments to Article 90 of the Articles of Association of the Company accordingly.

Details of the proposed amendments are set out in the notice of the AGM.

## LETTER FROM THE BOARD

### 6. ANNUAL GENERAL MEETING

Notice of the AGM to be held on Friday, 15 June 2007 at 3:00 p.m. at the Falcon Room I Basement Luk Kwok Hotel No. 72 Gloucester Road Wanchai Hong Kong, is set out on pages 5 to 7 of the 2006 Annual Report which is despatched to Shareholders together with this circular. The resolutions relating to the Issue Mandate, the Repurchase Mandate, the re-election of retiring directors and the amendments to the Articles of Association of the Company are set out in full in the notice of AGM.

A form of proxy for the AGM is enclosed with the 2006 Annual Report. Whether or not you intend to be present at the meeting, you are requested to complete the proxy form and return it to the Company's share registrars Tengis Limited at the address stated therein and in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the meeting. The completion of a form of proxy will not preclude you from attending and voting at the said meeting in person.

### 7. PROCEDURES FOR DEMANDING A POLL

Pursuant to Article 68 of the Articles of Association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

- (i) the chairman of the meeting; or
- (ii) at least three members present in person or by proxy or representative for the time being entitled to vote at the meeting; or
- (iii) any member or members present in person or by proxy or representative and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) a member or members present in person or by proxy or representative and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

In accordance with the requirements of the Listing Rules, the results of the poll (if demanded) will be published by way of an announcement in the local newspapers on the business day following the AGM.

### 8. RECOMMENDATION

The Directors believe that the granting of the Issue Mandate and the Repurchase Mandate, the re-election of retiring Directors and the amendments to the Articles of Association of the Company are in the best interests of the Company and the Shareholders as a whole and recommend you to vote in favor of such resolutions at the AGM.

## LETTER FROM THE BOARD

### 9. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. 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, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Yours faithfully  
By Order of the Board  
**So Kwok Hoo**  
*Executive Director*

## **APPENDIX I EXPLANATORY STATEMENT ON SHARE REPURCHASE**

*This appendix serves as an explanatory statement, as required by the Share Repurchase Rules, to provide requisite information to you for your consideration of the proposal to permit the repurchase of securities of the Company up to a maximum of 10 percent of the issued share capital of the Company as at the date of passing resolution number 4B ("Ordinary Resolution") referred to in the notice convening the AGM dated 23 April 2007.*

### **1. SHAREHOLDERS' APPROVAL**

The Share Repurchase Rules provide that all on-market share repurchase made by the Company with its primary listing on the Stock Exchange must be of fully paid up shares and approved in advance by an ordinary resolution, either by way of a general mandate or by special approval in relation to specific transactions.

### **2. SHARE CAPITAL**

As at the Latest Practicable Date, the issued share capital of the Company comprised 2,310,800,000 Shares.

Subject to the passing of the Ordinary Resolution and on the basis that no further Shares are issued or repurchased prior to the AGM, the Company would be allowed to repurchase a maximum of 231,080,000 Shares.

### **3. REASONS FOR REPURCHASE**

The Directors believe that the Repurchase Mandate is in the best interests of the Company and the Shareholders. Such repurchase may, depending on market conditions and funding arrangement at the time, lead to an enhancement of the net assets and/or earnings per Share and will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders.

### **4. FUNDING OF REPURCHASES**

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with its Memorandum and Articles and the Laws of Hong Kong.

The Directors do consider that there may be material adverse impact on the working capital of the Company as compared with the position disclosed in the Company's audited financial statements for the year ended 31 December 2006, if any mandate to repurchase securities is exercised in full during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in any circumstances, have a material adverse effect on the working capital which in the opinion of the Directors is from time to time appropriate for the Company to do so.

## APPENDIX I EXPLANATORY STATEMENT ON SHARE REPURCHASE

### 5. SHARE PRICES

The highest and lowest prices for the Shares having traded on the Stock Exchange in each of the previous twelve months immediately prior to the Latest Practicable Date were as follows:

	Shares	
	Highest	Lowest
	HK\$	HK\$
<b>2006:</b>		
April	1.65	0.99
May	1.59	1.36
June	1.59	1.40
July	1.48	1.23
August	1.45	1.26
September	1.38	0.95
October	1.42	1.18
November	1.32	0.81
December	1.13	0.82
<b>2007:</b>		
January	1.96	0.81
February	2.15	1.61
March	2.80	2.02
April to the Latest Practicable Date	2.57	2.08

### 6. DISCLOSURE OF INTERESTS

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchase pursuant to the Repurchase Mandate in accordance with the Listing Rules and the Laws of Hong Kong.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates presently intend to sell Shares to the Company or its subsidiaries under the Repurchase Mandate in the event that the Repurchase Mandate is approved by its Shareholders.

The Company has not been notified by any connected persons of the Company that they have a present intention to sell any Shares to the Company or its subsidiaries, or that they have undertaken not to do so in the event that the Repurchase Mandate is approved by its Shareholders.

**7. TAKEOVERS CODE**

If on the exercise of the power to repurchase securities pursuant to the Repurchase Mandate, a shareholder's proportionate interest in the voting rights of the Company will increase, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert (within the meaning under the Takeovers Code) could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, the Substantial Shareholders of the Company, China Merit Limited holds 49.73% of the Company's issued share capital, and Mr. Wong Lik Ping (who is the beneficial owner of the entire share capital of China Merit Limited), together hold a total of 53.66% of the Company's issued share capital. They have indicated that they intend to vote in favour of the resolution in respect of the Repurchase Mandate at the AGM.

In the event that the Directors exercise in full the power to repurchase securities under the Repurchase Mandate and if there is no other change in the issued share capital of the Company, the deemed interests of Mr. Wong Lik Ping in the capital of the Company would be increased to approximately 59.62% and the shareholding of China Merit would be increased to approximately 55.26%. The Directors are not aware of any consequences which may arise under the Takeover Code as a result of any repurchases made under the Repurchase Mandate. The Company will not purchase Shares which would result in the number of Shares held by the public being reduced to less than 25%.

**8. SHARES REPURCHASES MADE BY COMPANY**

No purchases of shares have been made by the Company itself in the six months prior to the date of this circular, whether on the Stock Exchange or otherwise.