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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 (the "Company"), 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 under the Hong Kong Companies Ordinance)

(Stock Code: 639)

CONTINUING CONNECTED TRANSACTION

Financial adviser to the Company



博大資本國際有限公司

Partners Capital International Limited

**Independent financial adviser to the independent board committee and
the independent shareholders of the Company**



First Shanghai Capital Limited

A letter from the independent board committee of the Company is set out on page 8 of this circular. A letter from First Shanghai Capital Limited containing its advice to the independent board committee and the independent shareholders of the Company is set out on pages 9 to 15 of this circular.

A notice convening the special 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 Monday, 4 February 2008 at 10:30 a.m. is set out on pages 21 to 22 of this circular. Whether or not you are able to attend the meeting in person, please complete and return 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.

18 January 2008

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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
“Coal Supply Contract”	the coal supply agreement entered into between the Purchaser and the Supplier dated 24 December 2007 in relation to the supply of coking coal to the Purchaser by the Supplier
“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
“Director(s)”	the director(s) of the Company
“First Shanghai”	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 Committees and the Independent Shareholders in relation to the Transaction
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising independent non-executive Directors, namely Mr. Kee Wah Sze, Mr. Choi Wai Yin and Mr. Chan Pat Lam
“Independent Shareholders”	Shareholders other than Mr. Wong and his associates
“Independent Third Parties”	are third parties independent of the Company and its connected persons (as defined in the Listing Rules)
“Latest Practicable Date”	16 January 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“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 a non-wholly owned subsidiary of the Company
“Mr. Wong”	Mr. Wong Lik Ping, the executive Director and Chairman of the Company
“Mr. Xing”	Mr. Xing Li Bin
“PRC”	The People’s Republic of China, for the purpose of this circular only, excludes Hong Kong, Taiwan and Macau Special Administrative Region
“Purchaser”	山西曜鑫煤焦有限公司 (Shanxi Yao Zin Coal and Coking Company Limited), a sino-foreign equity joint venture was established under the laws of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	the special 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 Monday, 4 February 2008 at 10:30 a.m. for approving the Coal Supply Contract and the transactions contemplated therein, notice of which is set out on pages 21 to 22 of this circular
“Shareholders”	holders of shares in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplier”	山西柳林興無煤礦有限責任公司 (Shanxi Liulin Xingwu Coalmine Company Limited), a company incorporated in PRC
“Transaction”	the entering into the Coal Supply Contract
“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 RMB1: HK\$0.94225.

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)

Executive Directors:

Mr. Wong Lik Ping (*Chairman*)

Mr. So Kwok Hoo

Mr. Li King Luk

Registered Office:

12th Floor

Kwan Charter Tower

No. 6 Tonnochy Road

Wanchai

Hong Kong

Independent Non-Executive Directors:

Mr. Kee Wah Sze

Mr. Choi Wai Yin

Mr. Chan Pat Lam

18 January 2008

To the Shareholders,

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION

INTRODUCTION

On 31 December 2007, the Board announced on 24 December 2007, the Purchaser, a non-wholly owned subsidiary of the Company, and the Supplier entered into the Coal Supply Contract, pursuant to which the Purchaser agrees to purchase and the Supplier agrees to supply up to 323,085 tonnes, 430,780 tonnes and 430,780 tonnes of coking coal for the financial year of 2008, 2009 and 2010 respectively for a term commencing from the effective date of the Coal Supply Contract up to 31 December 2010.

The Supplier is currently owned as to approximately 62.20% effective interest by Mr. Xing and his family and as to approximately 6.58% effective interest by Mr. Wong, the executive Director and Chairman of the Company and as to approximately 31.22% effective interest by other Independent Third Parties. Mr. Xing is a substantial shareholder of Luenshan which is a non-wholly owned subsidiary of the Company. Based on Mr. Xing's indirect shareholding in the Supplier, the Supplier is an associate (as defined in the Listing Rules) of Mr. Xing and is also a connected person (as defined in the Listing Rules) of the Company. In addition, as the aggregate annual cap of these continuing connected transactions exceeds 2.5% of the applicable percentage ratios, the Transaction therefore constitutes a continuing connected transaction of the Company under the Listing Rules and is subject to the approval of the Independent Shareholders at the SGM with vote to be taken on a poll.

LETTER FROM THE BOARD

Mr. Wong and his associates (the controlling Shareholder interested in 1,239,950,000 Shares, representing approximately 50.83% of the issued share capital of the Company as at the Latest Practicable Date) will be required to abstain from voting at the SGM. The Independent Board Committee has been appointed by the Board to advise the Independent Shareholders on the terms of the Coal Supply Contract. First Shanghai has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to give the Shareholders with details of the Transaction, the recommendation from the Independent Board Committee, the advice of First Shanghai and a notice to convene the SGM to consider and, if thought fit, pass the resolution to approve the Coal Supply Contract.

THE COAL SUPPLY CONTRACT DATED 24 DECEMBER 2007

Parties

Purchaser : 山西曜鑫煤焦有限公司 (Shanxi Yao Zin Coal and Coking Company Limited), a sino-foreign equity joint venture was established under the laws of the PRC

Supplier : 山西柳林興無煤礦有限責任公司 (Shanxi Liulin Xingwu Coalmine Company Limited), a company incorporated in PRC, which is engaged in exploitation of coking coal and production of clean coking coal and is currently owned as to approximately 62.20% effective interest by Mr. Xing and his family and as to approximately 6.58% effective interest by Mr. Wong, the executive Director and Chairman of the Company and as to approximately 31.22% effective interest by other Independent Third Parties

Backgrounds

The coke plant of the Purchaser has two production lines with maximum capacity of 500,000 tonnes of coke each per annum. It is expected that 1.4359 tonnes of raw materials will produce 1 tonne of coke and 30% of 1.4359 tonnes of raw materials shall be coking coal to be supplied by the Supplier. As the construction of the coke plant of the Purchaser is scheduled to be completed by the end of 2007 and the production lines will commence trial production in the first half of 2008 and the operation will commence thereafter, it is expected that the maximum production of the coke for 2008 will be 750,000 tonnes of coke. Thereafter, the maximum production capacity for the coke plant of the Purchaser will be 1,000,000 tonnes and 1,000,000 tonnes of coke for the financial year of 2009 and 2010 respectively.

LETTER FROM THE BOARD

Terms

The Purchaser agrees to purchase and the Supplier agrees to supply up to 323,085 tonnes, 430,780 tonnes and 430,780 tonnes of coking coal for the financial year of 2008, 2009 and 2010 respectively for a term commencing from the effective date of the Coal Supply Contract (which is expected to be the date when the Independent Shareholders' approval is obtained) up to 31 December 2010.

The quantity and specification of coking coal to be supplied by the Supplier to the Purchaser will be subject to individual order placed by the Purchaser from time to time. The unit price of coking coal payable by the Purchaser to Supplier will be no less favourable than the unit price offered to the Purchaser by independent suppliers for the same type of coking coal. 90% of the amount payable by the Purchaser to the Supplier shall be settled in cash within 60 days upon receipt of the coking coal purchased and the remaining 10% shall be settled in cash within 30 days upon the issue of the quality control invoice.

The Purchaser also agrees to pay RMB30,000,000 (approximately HK\$31,839,000) to the Supplier as a prepayment within 10 days after the effective date of the Coal Supply Contract. The Purchaser can apply the prepayment as the amount payable to the Supplier from three months before the expiry date of the Coal Supply Contract and the Supplier shall repay any remaining balance of the prepayment to the Purchaser by 10 January 2011. As the prepayment was placed for the purpose of securing the continuing orders of coking coal and it is the usual practice to apply the prepayment as the amount payable to the Supplier, the Directors consider that it is normal commercial term to place the prepayment under the Coal Supply Contract.

Annual cap

The Company estimates that the annual cap amount of coking coal to be purchased under the Coal Supply Contract will be RMB252,007,000 (approximately HK\$267,452,000), RMB362,889,000 (approximately HK\$385,130,000) and RMB391,921,000 (approximately HK\$415,942,000) for the financial year ending 31 December 2008, 31 December 2009 and 31 December 2010 respectively. Such estimates are determined with reference to the existing unit price of coking coal offered to the Group by independent suppliers, the expected year-on-year increase in the unit price of coking coal and the quantity of coking coal to be supplied under the Coal Supply Contract.

Conditions of the Coal Supply Contract

The Coal Supply Contract is conditional on the requirement as stipulated in the Listing Rules having been complied with by the Company relating to the Transaction (including, but not limited to, obtaining approval by the Independent Shareholders at the SGM). In the event that the above condition precedent is not fulfilled by three months from the date of the Coal Supply Contract (i.e. 24 March 2008), the Coal Supply Contract shall lapse.

LETTER FROM THE BOARD

REASONS FOR THE TRANSACTION

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.

In August 2007, the Purchaser 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 the Purchaser was increased from 51% to 66%. As the construction of the coke plant of the Purchaser is scheduled to be completed by the end of 2007 and trial production is expected to begin in the 1st half of 2008 and the operation will commence thereafter, the Group can ensure a stable and reliable supply of coking coal required for the production of coke in the coke plant of the Purchaser by entering into the Coal Supply Contract. The Group will also benefit from a lower transaction cost for the supply of coking coal as the Supplier has its own coal mines within the area of the coke plant of the Purchaser.

Given the growth potential of the coking industry in the PRC and the future earnings potential of the Purchaser upon the commencement of the operations of the new coke plant of the Purchaser, the Board (including the independent non-executive Directors) considers that the Transaction is entered into on normal commercial terms and in the ordinary and usual course of business of the Group.

SGM

A notice convening the SGM at which resolution will be proposed to consider, and if thought fit, to approve the Coal Supply Contract to be held at the Falcon Room I Basement Luk Kwok Hotel, No. 72 Gloucester Road, Wanchai, Hong Kong on Monday, 4 February 2008 at 10:30 a.m. is set out on pages 21 to 22 of this circular. Whether or not you are able to attend the meeting in person, please complete and return 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.

Mr. Wong and his associates (the controlling Shareholder interested in 1,239,950,000 Shares, representing approximately 50.83% of the issued share capital of the Company as at the Latest Practicable Date) will be required to abstain from voting at the SGM.

LETTER FROM THE BOARD

PROCEDURES TO DEMAND 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.

RECOMMENDATIONS

Your attention is drawn to the letters from the Independent Board Committee and First Shanghai which set out their recommendations in respect of the Coal Supply Contract and the principal factors considered by them in arriving at their recommendations.

ADDITIONAL INFORMATION

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

By Order of the Board
SO KWOK HO
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

18 January 2008

To the Independent Shareholders,

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION

We refer to this circular dated 18 January 2008 issued by the Company of which this letter forms part. Terms defined in this circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the terms of the Coal Supply Contract and to advise you as to whether, in our opinion, the terms of the Coal Supply Contract are fair and reasonable so far as the Independent Shareholders are concerned. First Shanghai has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Coal Supply Contract.

We also wish to draw your attention to (i) the letter from the Board; (ii) the letter from First Shanghai; and (iii) the additional information set out in the appendix to this circular.

Having considered the terms of the Coal Supply Contract, and having taken into account the opinion of First Shanghai and, in particular, the factors, reasons and recommendations as set out in the letter from First Shanghai on pages 9 to 15 of this circular, we consider that the terms of the Coal Supply Contract are fair and reasonable so far as the Independent Shareholders are concerned, and the Coal Supply Contract is in the interests of the Independent Shareholders. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution which will be proposed at the SGM to approve the Coal Supply Contract.

Yours faithfully,

For and on behalf of

the Independent Board Committee

Kee Wah Sze Choi Wai Yin Chan Pat Lam

Independent non-executive Directors

LETTER FROM FIRST SHANGHAI

The following is the text of a letter received from First Shanghai setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Transaction for inclusion in this circular.



FIRST SHANGHAI CAPITAL LIMITED

19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

18 January, 2008

To the Independent Board Committee and Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Coal Supply Contract and the transactions contemplated thereunder including the proposed annual caps (the “Annual Caps”) for the three years ending 31 December 2010, details of which are set out in the circular of the Company dated 18 January 2008 (the “Circular”) to the Shareholders 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, a substantial shareholder of a non-wholly owned subsidiary of the Company, together with his family owned approximately 62.20% effective interest of the Supplier. As a result, the Supplier is a connected person of the Company (as defined in the Listing Rules) and the Transaction constitutes a continuing connected transaction of the Company under the Listing Rules. Based on the Annual Caps, the Transaction constitutes a non-exempt continuing connected transaction of the Company and is subject to, among others, approval by the Independent Shareholders by poll at the SGM.

The Independent Board Committee, comprising independent non-executive Directors, namely Mr. Kee Wah Sze, Mr. Choi Wai Yin and Mr. Chan Pat Lam, has been established to advise the Independent Shareholders whether the terms of the Coal Supply Contract are fair and reasonable so far as the Independent Shareholders are concerned, and whether the entering into of the Coal Supply Contract is in the interests of the Company and the Shareholders as a whole. We, First Shanghai Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the above.

LETTER FROM FIRST SHANGHAI

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 SGM. 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 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 or the Supplier.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the terms of the Coal Supply Contract and the Annual Caps, we have taken into account the following principal factors and reasons:

1. Background to and reasons for entering into the Coal Supply Contract

The principal activities of the Group are production and sales of coking coal products and side products. The Purchaser is a sino-foreign equity joint venture owned as to 66% by the Group, with the remaining 34% owned by two independent third parties. We understand from the management of the Group that the construction of the coke plant of the Purchaser was contemplated when the Purchaser was formed in December 2004. The coke plant of the Purchaser is the Group's first completed coke plant. Trial operation of the coke plant is expected to commence in the 1st half of 2008 and commercial operation is expected to commence thereafter.

The Directors consider that the entering into of the Coal Supply Contract ensures a stable and reliable supply of coking coal for the production of coke in the coke plant of the Purchaser. We understand from the management of the Group that coking coal is in tight supply in China and the coal mines of the Supplier are one of the nearest coal mines to the coke plant of the Purchaser, so it is beneficial to the Group to secure stable supply of coking coal with a lower transaction cost by entering into the Coal Supply Contract.

Based on the above, we are of the view that the entering into of the Coal Supply Contract, which will enable the Purchaser to secure a stable supply of coking coal from a nearby coking coal supplier, is in the interest of the Group.

2. Principal terms of the Coal Supply Contract

(i) Volume of coking coal to be purchased

According to the Coal Supply Contract, the Purchaser agrees to purchase and the Supplier agrees to supply up to 323,085 tonnes, 430,780 tonnes and 430,780 tonnes of coking coal for the three years ending 31 December 2010. The Purchaser has no obligation to purchase the volume of coking coal mentioned above from the Supplier in any given year and there is no restriction on the time period between the placing of orders.

We understand from the management of the Group that the volume of coking coal to be purchased under the Coal Supply Contract is determined after considering (i) the expected production plan of the coke plant of the Purchaser; (ii) the maximum production capacity of the coke plant of the Purchaser; and (iii) the amount of coking coal required to produce each unit of coke. Details of the expected production plan, the maximum production capacity of the coke plant of the Purchaser and the amount of coking coal required to produce each unit of coke are set out in the paragraph headed "Projection for coking coal consumption" below.

Having considered that the volume of coking coal to be purchased is commensurate with the expected production plan of the coke plant of the Purchaser and there is no obligation for the Purchaser to purchase any specified volume in any given year, we are of the view that the terms of the Coal Supply Contract relating to volume of coking coal to be purchased are fair and reasonable.

(ii) Pricing and payment terms of coking coal to be purchased

Pursuant to the Coal Supply Contract, the unit price of coking coal payable by the Purchaser to the Supplier shall be no less favourable than the unit price offered to the Purchaser by independent suppliers for the same type of coking coal. In addition, there is a mechanism to adjust the unit price of coking coal payable by the Purchaser to the Supplier depending on the quality discrepancies between the coking coal ordered and delivered.

Regarding the payment terms, according to the Coal Supply Contract, the Purchaser shall pay 90% of the amount payable in cash within 60 days upon receipt of the coking coal purchased; and the remaining 10% in cash within 30 days upon the issue of the quality control invoice. In addition, the Purchaser agrees to pay a prepayment of RMB30,000,000 (approximately HK\$31,839,000) to the Supplier within 10 days after the effective date of the Coal Supply Contract. The prepayment can be used to set off the amount payable to the Supplier from three months before the expiration of the Coal Supply Contract on 31 December 2010 and the remaining balance of the prepayment will be repaid by the Supplier to the Purchaser on or before 10 January 2011.

LETTER FROM FIRST SHANGHAI

After our discussion with the management of the Group and reviewing the supply contracts entered into between the Supplier and other independent third parties, we noted that the Supplier usually requires its customers to pay the full purchase value of the coking coal ordered before or upon shipment. Having considered the close proximity of the coal mines of the Supplier to the coke plant of the Purchaser; and continuous orders are expected to be placed to the Supplier, the Directors consider that it is a normal commercial term to place the prepayment under the Coal Supply Contract.

Having considered that (i) the coking coal to be purchased by the Purchaser will be charged at market price adjustable by the discrepancies in quality between the coking coal ordered and delivered; and (ii) the payment terms together with the prepayment will not tie up the working capital of the Group, we are of the view that the pricing and payment terms of the Coal Supply Contract are fair and reasonable.

Based on the above reasons, we are of the view that the principal terms of the Coal Supply Contract are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. Bases of the proposed Annual Caps

The transactions under the Coal Supply Contract (the “Continuing Connected Transactions”) are subject to the terms and conditions as more particularly discussed under the section headed “Conditions of the Continuing Connected Transactions” below. In particular, the Continuing Connected Transactions are subject to the Annual Caps for each of the three years ending 31 December 2010, which are RMB252,007,000 (approximately HK\$267,452,000), RMB362,889,000 (approximately HK\$385,130,000) and RMB391,921,000 (approximately HK\$415,942,000) respectively.

As set out in the “Letter from the Board”, the Annual Caps were estimated by the Directors with reference to, among other things, (i) the existing unit price of coking coal offered to the Group by independent suppliers; (ii) the expected year-on-year increase in the unit price of coking coal; and (iii) the quantity of coking coal to be supplied under the Coal Supply Contract. In assessing the reasonableness of the Annual Caps, we have discussed with the management of the Group the bases and assumptions underlying the projections, including (i) the expected production plan of the coke plant of the Purchaser; (ii) the maximum production capacity of the coke plant of the Purchaser; (iii) the coking coal consumption of the coke plant of the Purchaser; and (iv) the expected coking coal prices, for the purpose of setting the Annual Caps.

LETTER FROM FIRST SHANGHAI

Projection for the Continuing Connected Transactions

Set out below is the coking coal consumption of the coke plant of the Purchaser and the coking coal prices estimated by the Directors for each of the three years ending 31 December 2010:

Coking coal consumption	For the year ending 31 December		
	2008	2009	2010
Maximum amount of coke to be produced (tonnes)	750,000	1,000,000	1,000,000
Raw materials required (tonnes)	1,076,950	1,435,933	1,435,933
Coking coal as a percentage of raw materials required	30%	30%	30%
Total coking coal consumption (tonnes)	323,085	430,780	430,780
Coking coal price (RMB) (including VAT)	780	842	910
Annual Cap (RMB)	252,007,000	362,889,000	391,921,000

Projection for coking coal consumption

The coke plant of the Purchaser has two production lines with annual maximum coke production capacity of 500,000 tonnes each, the Directors estimated that (a) the maximum amount of coke produced by the coke plant of the Purchaser will be 750,000 tonnes for the year ending 31 December 2008 as only one of the production lines will be put into operation in the 1st half of 2008; while the second production line will be put into operation in mid-2008; and (b) the maximum amount of coke produced by the coke plant of the Purchaser will be 1,000,000 tonnes for each of the two years ending 31 December 2010, which equals to the designed maximum coke production capacity of the coke plant of the Purchaser. As stated in the "Letter from the Board" and the feasibility study of the coke plant of the Purchaser, we understand that 1.4359 tonnes of raw materials are required to produce 1 tonne of coke, of which 30% of that 1.4359 tonnes of raw materials are coking coal to be supplied to the Purchaser. As the coke plant of the Purchaser is newly built, we consider it is reasonable in setting the Annual Caps with reference to the expected maximum production capacity of the coke plant of the Purchaser.

LETTER FROM FIRST SHANGHAI

Projection for coking coal prices

In estimating the expected coking coal prices for the three years ending 31 December 2010, the Directors have taken into account (i) the existing unit price of coking coal offered to the Group by independent suppliers in the locality; and (ii) the expected year-on-year increase in the unit price of coking coal.

In evaluating the expected coking coal prices estimated by the Group, we noted that the existing unit price of coking coal estimated by the Group is in line with the market price of the coking coal with similar specification within the region as shown in a research report prepared by a PRC investment bank. In addition, we also noted that the extent of price increase in coking coal estimated by the Directors is also comparable with those projected by a number of reputable investment banks.

Having considered the bases on which the Annual Caps were determined as described above, we are of the view that the Annual Caps are fair and reasonable.

4. Conditions of the Continuing Connected Transactions

The Continuing Connected Transactions are subject to a number of conditions which include, among other things:

- (i) the Continuing Connected Transactions for the three years ending 31 December 2010 will not exceed the Annual Caps;
- (ii) the independent non-executive Directors must review the Continuing Connected Transactions and confirm in the Company's annual report and accounts that the Continuing Connected Transactions have been entered into (a) in the ordinary and usual course of business of the Company; (b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from independent third parties; and (c) in accordance with the Coal Supply Contract governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (iii) the auditors of the Company will, in accordance with Rule 14A.38 of the Listing Rules, review the Continuing Connected Transactions and they will confirm the same in a letter to the Directors (a copy of which will be provided to the Stock Exchange at least 10 business days prior to the bulk printing of the annual report of the Company) in respect of each of the three years ending 31 December 2010, during which the Continuing Connected Transactions have been conducted;

LETTER FROM FIRST SHANGHAI

- (iv) the Company will allow and will procure that the Supplier will provide the auditors of the Company with sufficient access to the relevant records of the Continuing Connected Transactions for the purpose of the auditors of the Company's review as referred to in paragraph (iii) above. The Directors must state in the annual report whether the auditors have confirmed the matters stated in Rule 14A.38 of the Listing Rules; and
- (v) the Company will comply with the applicable provisions of the Listing Rules governing connected transactions in the event that the total amount of the Continuing Connected Transactions exceeds the Annual Caps, or that there is any material amendment to the terms of the Coal Supply Contract.

In light of the annual review requirements attached to the Continuing Connected Transactions, in particular, (i) the restriction on the value of the Continuing Connected Transactions by way of the Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company of the terms of the Continuing Connected Transactions and the Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having considered the above, we are of the opinion that the Transaction is in the ordinary and usual course of business of the Group and the terms of the Coal Supply Contract are on normal commercial terms. We also consider that the terms of the Coal Supply Contract and the Annual Caps are fair and reasonable so far as the Company and the Shareholders are concerned and the entering into of the Coal Supply Contract is in the interests of the Company and the Shareholders as a whole. Accordingly, we would advise the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to approve the aforesaid at the SGM.

Yours faithfully,

For and on behalf of

First Shanghai Capital Limited

Helen Zee

Managing Director

Fanny Lee

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 made 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 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	90,750,000	1,149,200,000	1,239,950,000	50.83%

(Note)

Note: Mr. Wong 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	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	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 per cent, 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	47.11%

Note: Mr. Wong is the beneficial owner of the entire issued share capital of China Merit Limited, which owned 1,148,200,000 Shares as at the Latest Practicable Date. Mr. Wong 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 their 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.

Interests in assets

As at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2006, being the date to which the latest published audited accounts of the Company were made up.

Interests in contract or arrangement

As at the Latest Practicable Date, none of the Directors is materially interested in contract or arrangement subsisting which is significant in relation to the business of 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. EXPERT AND CONSENT

The qualification of the expert who has given opinion in this circular is as follows:

Name	Qualification
First Shanghai	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 had no shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group and had no direct or indirect interest in any assets acquired or 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 2006, being the date to which the latest published audited accounts of the Company were made up.

First Shanghai has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name, in the form and context in which they respectively appear.

5. MATERIAL 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 2006, being the date to which the latest audited consolidated financial statements of the Group were made up.

6. 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 Company's share registrars is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during 9:00 a.m. to 5:00 p.m. at the head office and principal place of business in Hong Kong at 12th Floor, Kwan Chart Tower, No. 6 Tonnochy Road, Wanchai, Hong Kong up to and including 4 February 2008:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2006;
- (c) the letter from First Shanghai to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 9 to 15 of this circular;
- (d) the written consent referred to in the paragraph headed “Expert and Consent” in this appendix;
- (e) the Coal Supply Contract; and
- (f) a circular of the Company dated 10 December 2007.

NOTICE OF SGM



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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of the abovementioned company (the "Company") will be held at the Falcon Room I Basement Luk Kwok Hotel, No. 72 Gloucester Road, Wanchai, Hong Kong on Monday, 4 February 2008 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT** the Coal Supply Contract (as defined and described in the circular of the Company dated 18 January 2008 to the Shareholders of which this notice forms a part) be and are hereby approved on the condition that the annual aggregate value of coking coal to be purchased thereof shall not exceed RMB252,007,000, RMB362,889,000 and RMB391,921,000 for the financial year ending 31 December 2008, 31 December 2009 and 31 December 2010 respectively and the executive directors of the Company be and are hereby authorised to sign, execute and deliver all such documents and take all such actions as they may consider necessary or desirable for the purpose of or in connection with the Coal Supply Contract."

By Order of the Board
Lam Lin Chu
Company Secretary

Hong Kong, 18 January 2008

Registered Office:
12th Floor
Kwan Charter Tower
6 Tonnochy Road
Wanchai
Hong Kong

Notes:

- (1) Any shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead in accordance with the Company's Articles of Association. A proxy need not be a shareholder of the Company. A form of proxy for use at the meeting is enclosed herewith.
- (2) Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the meeting or poll concerned if he so wishes. In the event of a member who has lodged a form of proxy attending the meeting, his form of proxy will be deemed to have been revoked.

NOTICE OF SGM

- (3) Where there are joint registered holders of any shares, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders is present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such shares shall alone be entitled to vote in respect thereof.
- (4) To be valid, the form of proxy together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be deposited with the Company's share registrars, Tricor Tengis Limited at 26th Floor, Tesbury Centre, No.28 Queen's Road East, Wanchai, Hong Kong at least 48 hours before the time appointed for holding the meeting or any adjournment thereof as the case may be and in default thereof the form of proxy and such power or authority shall not be treated as valid.
- (5) The votes to be taken at the meeting will be taken by poll.