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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)

**PROPOSED PLACING OF EXISTING SHARES
AND
TOP-UP SUBSCRIPTION FOR NEW SHARES**

Placing Agents

Deutsche Bank
德意志銀行



CREDIT SUISSE
瑞信



On 21 July 2009, the Vendors, the Company and the Placing Agents entered into the Placing and Subscription Agreement pursuant to which the Placing Agents have agreed to, as agent of the Vendors and on a fully underwritten basis, procure purchasers to acquire, and the Vendors have agreed to sell 600,000,000 existing Shares at the Placing Price of HK\$4.38 per Share.

The Placing Shares represent approximately 13.07% of the existing issued share capital of the Company and approximately 12.02% of the issued share capital of the Company as enlarged by the Subscription. The Placing Price represents (i) a discount of approximately 6.01% to the closing price of HK\$4.66 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) a discount of approximately 5.40% to the average closing price of approximately HK\$4.63 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day.

Pursuant to the Placing and Subscription Agreement, the Vendors have conditionally agreed to subscribe for the Subscription Shares at the Subscription Price, which is the same as the Placing Price. The Subscription Shares represent approximately 8.71% of the existing issued share capital of the Company and approximately 8.02% of the issued share capital of the Company as enlarged by the Subscription.

As at the date of this announcement, the Vendors in aggregate hold 873,171,900 Shares, representing 19.02% of the existing issued share capital of the Company. The aggregate shareholding of the Vendors in the issued share capital of the Company will be reduced from 19.02% to approximately 5.95% upon completion of the Placing but before completion of the Subscription and will be increased from approximately 5.95% to approximately 13.49% upon completion of the Placing and the Subscription.

As the Placing and the Subscription are subject to the fulfillment of a number of conditions and may or may not proceed to completion, shareholders of the Company and prospective investors are advised to exercise caution when dealing in the Shares.

A. PLACING AND SUBSCRIPTION AGREEMENT

Date: 21 July 2009

Parties

- (a) the Vendors, being Mr. Wong and China Merit;
- (b) the Placing Agents; and
- (c) the Company.

China Merit is an investment holding company and is wholly-owned by Mr. Wong, a shareholder and a director of the Company. Mr. Wong has agreed to guarantee the due and punctual performance of China Merit's obligations under the Placing and Subscription Agreement.

Each of the Placing Agents is independent of and not connected with or acting in concert with the Vendors, the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates.

Placing Shares

On 21 July 2009, the Vendors, the Company and the Placing Agents entered into the Placing and Subscription Agreement pursuant to which the Placing Agents have severally and not jointly nor jointly and severally agreed to, as agent of the Vendors and on a fully underwritten basis, procure purchasers to acquire, and the Vendors have agreed to sell 600,000,000 existing Shares at the Placing Price of HK\$4.38 per Share.

600,000,000 existing Shares are to be placed, representing approximately 13.07% of the existing issued share capital of the Company and approximately 12.02% of the issued share capital of the Company as enlarged by the Subscription.

Placing Price

The Placing Price of HK\$4.38 per Share was arrived at after arm's length negotiations between the Company, the Vendors and the Placing Agents. It represents (i) a discount of approximately 6.01% to the closing price of HK\$4.66 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) a discount of approximately 5.40% to the average closing price of approximately HK\$4.63 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day.

The Directors (including the independent non-executive Directors) are of the opinion that the Placing Price is fair and reasonable and in the interests of the Company and its shareholders as a whole.

Rights

The First Placing Shares will be sold free of all liens, charges and encumbrances, and together with all rights attaching thereto, being rights which rank pari passu to other ordinary Shares in issue as at the date of completion of the First Placing, including the right to receive all dividends or other distributions declared, made or paid on or after completion of the First Placing.

The Second Placing Shares will be sold free of all liens, charges and encumbrances, and together with all rights attaching thereto, being rights which rank pari passu to other ordinary Shares in issue as at the date of completion of the Second Placing, including the right to receive all dividends or other distributions declared, made or paid on or after completion of the Second Placing.

Independence of the Placing Agents and the Placees

The Placing Shares will be placed by the Placing Agents to not less than six independent professional, institutional and/or individual investors. It is not expected that any placee will become a substantial shareholder of the Company as a result of the Placing.

The Placing Agents and the placees to be procured by the Placing Agents are or will be as the case may be third parties independent of and not connected with the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates who are or will not acting in concert (as defined under the Takeovers Code) with the Vendors or their respective associates.

Termination Events

The obligation of the Placing Agents to proceed to completion of the Placing is conditional upon, amongst other conditions, the requirement that none of the following shall have occurred prior to 12:00 noon on the relevant date of completion of the Placing:

- (a) the occurrence of any breach of any of the representations, warranties or undertakings under the Placing and Subscription Agreement;

- (b) the introduction of any new law or regulation or any change in existing laws or regulations or change in the interpretation or application thereof;
- (c) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events or changes occurring or continuing before, on and/or after the date hereof and including an event or change in relation to or a development of an existing state of affairs) of a political, military, industrial, financial, economic or other nature, whether or not sui generis with any of the foregoing, resulting in a material adverse change in, or which might be expected to result in a material adverse change in local, national or international political, economic or stock market conditions;
- (d) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise;
- (e) a general moratorium on commercial banking activities in Hong Kong, London or New York declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in Hong Kong, Singapore, the United Kingdom or the United States;
- (f) suspension of dealings in the Shares for a period exceeding one (1) day (other than as a result of the Placing);
- (g) a change or development involving a prospective change in taxation in Hong Kong or the PRC or the United States or the implementation of exchange controls which shall or might materially and adversely affect the Company or its present or prospective shareholders in their capacity as such;
- (h) there is any adverse change, or development involving a prospective adverse change in the general affairs, condition, results of operations or prospects, management, business, stockholders' equity or in the financial or trading position of the Company and/or of the Group as a whole; or
- (i) the instigation of any litigation or claim of material importance by any third party against any member of the Group.

As the Placing and Subscription are subject to the fulfilment of a number of conditions and may or may not proceed to completion, Shareholders and prospective investors are advised to exercise caution when dealing in the securities of the Company.

Completion of the Placing

Completion of the First Placing will be on 23 July 2009 (or such other date as the Vendors and the Placing Agents may agree) and completion of the Second Placing will be on 24 July 2009 (or such other date as the Vendors and the Placing Agents may agree).

Lock Up Undertakings

Each of the Vendors has undertaken to the Placing Agents that, except for the sale of the Placing Shares pursuant to the Placing and the Subscription Agreement and with the prior written consent of the Placing Agents, from the date of the Placing and Subscription Agreement and on or prior to the date being 60 days after the date of completion of the First Placing, the Vendors will not and will procure that none of its nominees and companies controlled by it and trusts associated with it (whether individually or together and whether directly or indirectly) will (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (including the Subscription Shares to be issued to the Vendors by the Company pursuant to the Placing and Subscription Agreement) or any interests therein beneficially owned or held by such Vendor or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Shares or interest; (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise; or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above. Such undertaking does not include any Shares already pledged, if any, by China Merit prior to the date of the Placing and Subscription Agreement.

The Company has undertaken to the Placing Agents that, except for (a) the Subscription Shares to be issued to the Vendors pursuant to and in accordance with the terms and conditions of the Placing and Subscription Agreement, (b) any share options which have been or may be granted by the Company pursuant to the terms of any employee share option scheme of the Company, (c) any Shares or other securities or rights issued or granted to shareholders of the Company by way of bonus or under any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company, or (d) with the prior written consent of the Placing Agents, from the date of the Placing and Subscription Agreement and on and prior to the date being 60 days after the date of completion of the First Placing (i) allot, issue, offer to allot or issue, grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests therein or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or any interests therein, (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (i) above, or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

Number of new Shares to be subscribed

400,000,000 new Shares to be subscribed by the Vendors, of which 119,500,000 Shares to be subscribed by Mr. Wong and 280,500,000 Shares to be subscribed by China Merit. The Subscription Shares represent approximately 8.71% of the existing issued share capital of the Company and approximately 8.02% of the issued share capital of the Company as enlarged by the Subscription.

Subscription Price:

The subscription price per new Share is equivalent to the Placing Price of HK\$4.38 per Share. The Subscription Shares have a market value of HK\$1,864 million, based on the closing price of HK\$4.66 on the Last Trading Day. The net price of the Subscription is approximately HK\$4.30 per Share.

The Directors (including the independent non-executive Directors) consider that the terms of the Subscription are fair and reasonable under the current market condition and in the interest of the Company and its shareholders as a whole.

General mandate to issue the Subscription Shares

The Subscription Shares will be issued under the general mandate granted by the shareholders of the Company to the Directors pursuant to the resolution of the shareholders of the Company passed at the annual general meeting held on 2 June 2009. The Company has not issued any Shares pursuant to such general mandate.

Ranking of the Subscription Shares:

The Subscription Shares, when fully paid, will rank pari passu in all respects with the Shares in issue on the completion date of the Subscription including the right to any dividends or distributions after the date of completion of the Subscription.

Conditions of the Subscription:

The Subscription is conditional upon:

- (1) completion of the Placing; and
- (2) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares.

In the event that the conditions are not fulfilled on or before 4 August 2009, the Subscription will no longer take place and neither the parties shall have any claim against the others for costs, damages, compensation or otherwise in respect of the Subscription.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Completion of the Subscription:

Subject to the condition disclosed above, completion of the Subscription will take place on the Business Day after the date upon which the last condition precedent is satisfied provided that it shall take place on a date no later than 14 days after the date of the Placing and Subscription Agreement.

B. CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholdings of the Company before and after the Placing and the Subscription are summarized as follows:

Shareholder	As at the date of this announcement		Immediately after completion of the Placing but before the Subscription		Immediately after completion of the Placing and the Subscription	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Fine Power and its associates	1,000,000,000	21.79	1,000,000,000	21.79	1,000,000,000	20.04
China Merit	699,200,000	15.23	218,700,000	4.76	499,200,000	10.00
Mr. Wong	173,971,900	3.79	54,471,900	1.19	173,971,900	3.49
Placees	–	–	600,000,000	13.07	600,000,000	12.02
Other Shareholders	<u>2,716,783,452</u>	<u>59.19</u>	<u>2,716,783,452</u>	<u>59.19</u>	<u>2,716,783,452</u>	<u>54.45</u>
Total	<u>4,589,955,352</u>	<u>100</u>	<u>4,589,955,352</u>	<u>100</u>	<u>4,989,955,352</u>	<u>100</u>

C. REASON FOR THE PLACING AND THE SUBSCRIPTION

The Placing and the Subscription are effected to supplement the Group's funding of its expansion and growth plan. The Directors consider that the Placing and the Subscription will provide the Company with an opportunity to raise further capital for future acquisitions in the PRC and overseas, and capital expenditures of the Group while broadening the shareholder's base and the capital base of the Company. The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Placing and Subscription Agreement are fair and reasonable and are in the interests of the Company and the shareholders as a whole are concerned.

D. USE OF PROCEEDS OF THE SUBSCRIPTION

The net proceeds from the Subscription are estimated to be approximately HK\$1,718 million and will be applied mainly for future acquisitions in the PRC and overseas, and capital expenditures of the Group.

E. CAPITAL RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

The table below summarises the capital raising activities of the Group in the 12 months preceding the date of this announcement:

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of the proceeds as at the Latest Practicable Date
17 June 2008 and 25 July 2008	Placing of up to 450,000,000 Shares	HK\$2,015 million	To pay for part of the consideration for the Acquisition	Used as intended
20 June 2008 and 25 July 2008	Placing of up to 410,000,000 Shares	HK\$1,922 million	To pay for part of the consideration for the Acquisition	Used as intended

F. GENERAL

The Company is an investment holding company and the Group is principally engaged in coking coal mining, production and sale of coking coal products (including raw coking coal, clean coking coal and coke) and side products.

G. DEFINITIONS

“Acquisition”	the acquisition of the sale shares and the sale loans from Fortune Dragon Group Limited, the details of which are set out in the announcement of the Company dated 21 May 2008 and the circular of the Company dated 25 June 2008
“associates”	has the meaning ascribed to it under the Listing Rules
“Business Day”	a day (excluding a Saturday) on which banks are generally open for business in Hong Kong
“China Merit”	China Merit Limited, a company incorporated in the British Virgin Islands with limited liability and is beneficially and wholly-owned by Mr. Wong
“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
“connected person”	has the meaning ascribed to it under the Listing Rules

“Directors”	directors of the Company
“First Placing”	the placing of the First Placing Shares pursuant to the Placing and Subscription Agreement
“First Placing Shares”	400,000,000 existing Shares
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Last Trading Day”	20 July 2009, being the last trading day prior to the date of the Agreement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange and any amendments thereto
“Mr. Wong”	Mr. Wong Lik Ping, a shareholder and a director of the Company
“Placing”	the placing of the Placing Shares pursuant to the Placing and Subscription Agreement
“Placing Agents”	Deutsche Bank AG, Hong Kong Branch and Credit Suisse (Hong Kong) Limited. Each of the Placing Agents is independent of and not connected with the Company or any of its connected persons. Each of the Placing Agents is not acting in concert with each other or with the Vendors or parties acting in concert with the Vendors
“Placing and Subscription Agreement”	the placing and subscription agreement dated 21 July 2009 between the Vendors, the Company and the Placing Agents
“Placing Price”	HK\$4.38 per Placing Share
“Placing Shares”	the First Placing Shares and the Second Placing Shares
“PRC”	the People’s Republic of China and for the purpose of this announcement shall exclude Hong Kong, the Macao Special administrative Region and Taiwan
“Second Placing”	the placing of the Second Placing Shares pursuant to the Placing and Subscription Agreement

“Second Placing Shares”	200,000,000 existing Shares
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the conditional subscription by the Vendors of the Subscription Shares pursuant to the Placing and Subscription Agreement
“Subscription Price”	HK\$4.38 per Share, the equivalent of the Placing Price
“Subscription Shares”	400,000,000 new Shares to be subscribed by the Vendors pursuant to the Placing and Subscription Agreement
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendors”	Mr. Wong and China Merit

By order of the Board
Fushan International Energy Group Limited
SO KWOK HOO
Executive Director

Hong Kong, 21 July 2009

As at the date of this announcement, the Board comprises Mr. Cao Zhong (Chairman), Mr. Wong Lik Ping (Vice-chairman), Mr. So Kwok Hoo, Mr. Xue Kang and Mr. Liu Qingshan as executive Directors; Mr. Chen Zhouping, Mr. Leung Shun Sang Tony and Mr. Shi Jianping as non-executive Directors; and Mr. Kee Wah Sze, Mr. Choi Wai Yin and Mr. Chan Pat Lam as independent non-executive Directors.