



福山國際能源集團有限公司

FUSHAN INTERNATIONAL ENERGY GROUP LIMITED

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

(Stock code : 639)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH JUNE 2008**

**SIGNIFICANT POST BALANCE SHEET EVENTS ON 25TH JULY 2008 – COMPLETION
OF VERY SUBSTANTIAL ACQUISITIONS OF THREE MINES AND PLACEMENTS**

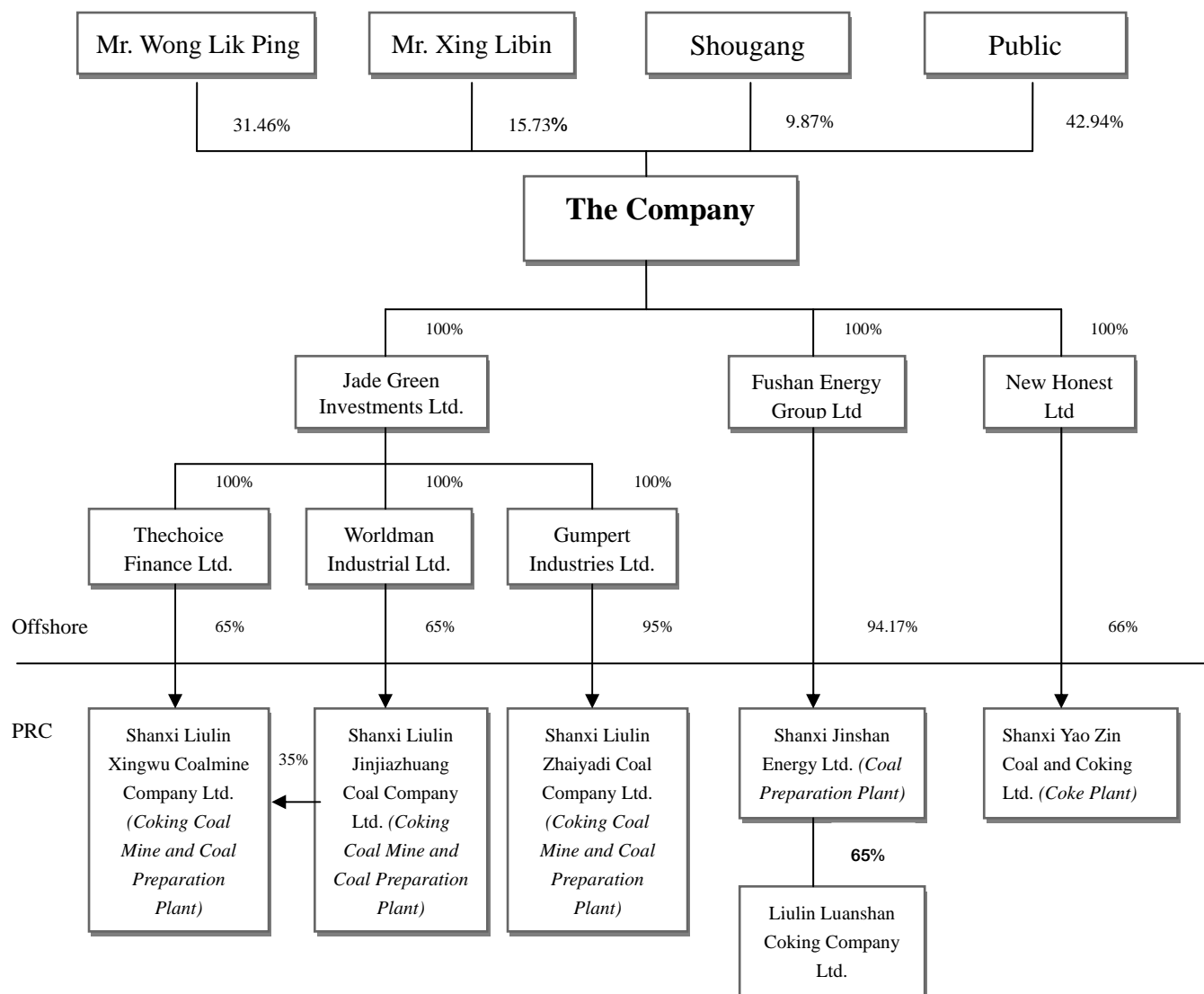
Reference is made to the announcements of the Company dated 21st May 2008, 17th June 2008 and 20th June 2008 (the “Announcements”) and the circulars of the Company dated 25th June 2008 and 30th June 2008 (the “Circulars”) in relation to the very substantial acquisition and connected transaction of the Company; the Shougang Placing and the Second Placing. Unless otherwise defined, terms used in this Announcement of Interim Results shall bear the same meanings as those defined in the Announcements and the Circulars.

On 9th May 2008, the Group entered into the Acquisition Agreement to purchase entire issued shares of three BVI companies (“Acquisition”), namely Thechoice Finance Limited (“Thechoice”), Worldman Industrial Limited (“Worldman”) and Gumpert Industries Limited (“Gumpert”), which are engaged in coking coal mining and production and sales of raw and clean coking coal in the PRC through their non-wholly owned PRC subsidiaries namely Xingwu Mine, Jinjiazhuang Mine and Zhaiyadi Mine, together with the shareholders’ loans, at an aggregate consideration of HK\$10.53 billion.

On 25th July 2008, the Acquisition was successfully completed. The consideration of HK\$10.53 billion has been partially settled by cash of HK\$4.86 billion and the issue and allotment of 1.26 billion Consideration Shares at HK\$4.5 per share. Upon the completion, three BVI companies, which in aggregate have a raw coking coal production capability of 6.3Mt per annum, have become wholly-owned subsidiaries of the Group and their financial statements are consolidated into the Group from 25th July 2008.

On the same date, the Shougang Placing and the Second Placing in relation to the placing of 450,000,000 and 410,000,000 new shares of the Company at the placing prices of HK\$4.6 per share and HK\$4.8 per share respectively were also completed. Net proceeds of approximately HK\$3.9 billion were mainly used to settle the partial cash consideration under the Acquisition Agreement. In addition, 1,260,000,000 new shares of the Company (“Consideration Shares”) were issued at the issue price of HK\$4.5 per share for the settlement of part of the consideration under the Acquisition Agreement. Upon the completion of the Shougang Placing, the Second Placing and the issue of Consideration Shares, number and amount of the issued share capital of the Company were increased to 4,559,555,352 shares and HK\$455,955,535 on 25th July 2008 respectively.

The Group Structure with major subsidiaries since 25th July 2008 is as follows:



INFORMATION OF THECHOICE, WORLDMAN AND GUMPERT*Reserves and output*

	XINGWU JINJIAZHANG	ZHAIYADI	TOTAL	
Reserves				
In-Place Reserves as at 31 December 2007 (Mt)	63.23	64.18	78.34	205.75
Recoverable Reserves as at 31 December 2007 (Mt) – Proven reserves	11.11	20.78	13.32	45.21
Recoverable Reserves as at 31 December 2007 (Mt) – Probable reserves	35.23	23.02	38.89	97.14
Total proven and probable reserves as at 31 December 2007 (Mt)	46.34	43.80	52.21	142.35
Raw coal output				
Raw coal output in 2005 (Mt)	1.284	0.805	0.433	2.522
Raw coal output in 2006 (Mt)	1.514	1.201	1.425	4.140
Raw coal output in 2007 (Mt)	1.639	1.508	1.936	5.083
Raw coal output for the 7 months ended 31 st July 2008 (Mt)	0.777	0.818	1.295	2.890
Expected raw coal output for the 5 months ended 31 st December 2008 (Mt)	0.783	0.661	0.411	1.855
Expected raw coal output in 2008 (Mt)	1.560	1.479	1.706	4.745
Expected raw coal output in 2009 (Mt)	1.551	2.246	2.123	5.920
Expected raw coal output in 2010 (Mt)	1.553	2.156	2.185	5.894
Current raw coal production capacity (Mt per annum)	2.100	2.100	2.100	6.300
Cleaned coal output				
Cleaned coal output in 2005 (Mt)	0.380	-	-	0.380
Cleaned coal output in 2006 (Mt)	0.560	-	-	0.560
Cleaned coal output in 2007 (Mt)	0.830	-	-	0.830
Cleaned coal output for the 7 months ended 31 st July 2008 (Mt)	0.493	-	-	0.493
Expected cleaned coal output for the 5 months ended 31 st December 2008 (Mt)	0.347	-	-	0.347
Expected cleaned coal output in 2008 (Mt)	0.840	-	-	0.840
Expected cleaned coal output in 2009 (Mt)	0.840	2.100	1.050	3.990
Expected cleaned coal output in 2010 (Mt)	0.840	2.100	2.100	5.040

*Historical selling price and costs***AVERAGE OF
THREE MINES****Average realized selling price of****raw coal per tonne (inclusive VAT)**

For the year ended 31 st December 2007	RMB355
For the 7 months ended 31 st July 2008	RMB582
For the month of August 2008	RMB1,062

Average realized selling price of**cleaned coal per tonne (inclusive VAT)**

For the year ended 31 st December 2007	RMB636
For the 7 months ended 31 st July 2008	RMB984
For the month of August 2008	RMB1,596

Raw coal production cost per tonne

For the year ended 31 st December 2005	RMB96.6
For the year ended 31 st December 2006	RMB84.5
For the year ended 31 st December 2007	RMB92.7

Raw coal mine cash cost per tonne*

For the year ended 31 st December 2005	RMB66.4
For the year ended 31 st December 2006	RMB53.6
For the year ended 31 st December 2007	RMB61.2

Sources: Technical Review Report prepared by John T. Boyd Company dated 25th June 2008 and the unaudited Management accounts for the 7 months ended 31st July 2008 and the 8 months ended 31st August 2008.

** Mine Cash Cost means production cost less (1) production maintenance fee, (2) safety fund and (3) depreciation.*

Financial highlights

(RMB'000)	For the year ended 31 st December 2007		
	Thechoice (Audited)	Worldman (Audited)	Gumpert (Audited)
Income statement summary			
Turnover	705,531	534,088	520,869
Gross profit	445,930	371,729	388,670
Operating profit	361,397	323,332	348,098
Profit income tax	322,446	406,442	331,800
Profit for the year	322,446	406,442	331,800
Profit attributable to equity holders of the company	203,041	254,357	314,552
Balance sheet summary			
Inventories	23,966	20,519	19,512
Trade and bill receivables	195,574	334,311	75,450
Total assets	1,534,161	1,754,786	1,519,598
Borrowings (include short-term and long-term but exclude loans from Group companies)	112,455	46,003	11,131
Total liabilities	852,031	1,144,235	911,215
Net current assets/(liabilities)	377,563	(170,473)	(171,387)
Net assets	682,130	610,551	608,383
Equity attributable to equity holders of the company	504,702	576,088	558,026

Mining rights

	XINGWU	JINJIAZHANG	ZHAIYADI
Mining method	Underground	Underground	Underground
Area (km ²)	11.6325	6.3491	13.9068
Mining right grant date (month/year)	2/2007	2/2007	2/2007
Mining right expiration date (month/year)	2/2012	2/2012	2/2012

Source: Technical Review Report prepared by John T. Boyd Company dated 25th June 2008

The Mines are subject to renewal of an existing mining right area upon expiry by the Shanxi Province Land and Resource Bureau. It is a typical practice in the PRC or other major coal producing nations for government to extend the term of the mining rights for the economic life of the reserves.

Exploration method and facilities

As mentioned in the Technical Review Report, the Mines use steep angle inclines and vertical shafts to access the seams for mining activities. Secondary air shafts (intake or return) are utilized in mines where workings have extended a sufficient distance from the initial access openings to warrant their construction. Generally, workers enter the under ground mine workings at the main surface complexes. Long wall mining is the primary coal production method in the Mines. Long wall technology is the preferred Chinese method of coal production deriving from a long central government emphasis on maximizing reserve recovery. Long wall methods are generally higher in recovery than any other method found in the underground coal industry.

Surface facilities at the Mines are well-established complexes, providing accommodations for all aspects of the mining operation including administration and mine manager offices, materials and parts storage, repair shops, change rooms, bathroom areas, conference rooms, engineering facilities, mine monitoring and communications station, etc. The Mines are remote from major population centers, and off-site workers commute to work by a variety of means including buses, personal vehicles, etc.

Coal preparation facility

It is planned to construct two 500 tonnes per hour coal preparation facility employing heavy media circuitry depending on market conditions. Nominal plant processing capacity will be 3.0 Mt per annum based on 6,000 processing hours annually. Annual clean coal output is projected at 2.1 Mt per annum assuming 70% yield from the plant. The construction of two coal preparation plants will be completed in the 1st and 3rd quarter of 2009.

Quality

The Mines produce high quality, medium volatile coking coals for local, regional and national coking coal markets. Coal qualities in the Hedong Coal Field vary by seam and mine. Mines with seams in the Permian Age Shanxi Formation (Nos. 4 and 5 Seams) are recognized as JM class coking coal mines. Mines operation in the Carboniferous Age Taiyuan Formation (No. 9 Seam), produce lean coking coals recognized as SM class. The No. 4 Seam is recognized throughout the PRC for its superior coking characteristics. Recent testing of the Mines' coals indicates that the test samples from Xingwu and Jinjiazhuang meet the international definition for hard coking coals. Zhaiyadi sample test results indicate that its coals meet international definition for semi-hard coking coals. The followings are typical coal quality characteristics for its highest commercial coal grades:

	XINGWU		JINJIAZHUANG		ZHAIYADI
	No. 4 Seam	No. 5 Seam	No. 3 Seam	No. 4 Seam	No. 9 Seam
Moisture (%)	0.9	0.3	0.6	0.7	0.7
Ash (%)	11.3	10.1	6.3	11.0	10.4
Sulfur (total) (%)	0.36	0.85	0.32	0.47	1.65
Volatile Matter (%)	21.6	23.4	21.3	22.4	18.7
Fixed Carbon (%)	68.6	67.0	73.1	68.4	72.1
Calorific Value (Kcal.kg)	7,500	7,200	7,920	7,520	7,540
FSI	7	7	7	7	7
Y (mm)	17	13	9	11	8
Caking Index (G)	86	75	49	77	72

Source: Technical Review Report prepared by John T. Boyd Company dated 25th June 2008

Safety

The standard measure used the Chinese coal industry to measure and to compare safety performance is the fatality rate (average number of fatalities per 1.0 Mt of raw coal production). From the data provided by the Mines, the Mines did not experience any fatalities in the period 2004 to 2007. Similarly, the Mines report a low number of occurrences of major injuries over the same period.

The Mines follow appropriate standards for the type of hazards expected in the geological settings. The uppermost safety concern is methane gas generation in the coal mines. The Hedong Coal Field is well known for its high methane gas content. With the exception of Zhaiyadi (which is classified as a low methane generation mine), the Mines use advanced methane drainage techniques both in development and Long wall mining. These techniques consist of drilling horizontal in-seam bore holes on pattern from the mine openings to drain methane in advance of mining. Methane from these sources is gathered and pumped to storage tanks located on the surface, where the gas is stored for use by the mine complex and/or the local villages. In addition, Xingwu and Jinjiazhuang use a portion of the methane drained.

UNAUDITED INTERIM RESULTS

The board of directors (the "Directors") of Fushan International Energy Group Limited (the "Company") announces that the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2008 (the "Period") together with the unaudited interim results for the six months ended 30th June 2007 for comparison are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2008

	<i>Notes</i>	Six months ended 30th June	
		2008	2007
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Revenue	2	4,436	3,957
Cost of sales		(4,276)	(2,868)
Gross profit		160	1,089
Other operating income		1,796	6,029
Administrative expenses		(24,564)	(19,761)
Other operating expenses		(3,584)	(2,863)
Operating loss		(26,192)	(15,506)
Finance costs	3	(4,672)	(11,843)
Fair value loss on derivative liability of convertible notes		-	(6,110)
Loss before income tax	4	(30,864)	(33,459)
Income tax expense	5	-	-
Loss for the period		(30,864)	(33,459)
Attributable to:			
Equity holders of the Company		(19,630)	(26,777)
Minority interests		(11,234)	(6,682)
Loss for the period		(30,864)	(33,459)
Loss per share for loss attributable to the equity holders of the Company during the period	6		
- Basic		HK(0.80cent)	HK(1.22cents)
- Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEETAs at 30th June 2008

	<i>Notes</i>	As at 30th June 2008 (Unaudited) HK\$'000	As at 31 st December 2007 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		496,732	376,349
Leasehold land and land use rights		18,207	17,799
Goodwill		15,703	15,703
Available-for-sale financial assets		7,962	7,597
Prepayments and deposits		456,209	389,437
		994,813	806,885
Current assets			
Trade receivables	7	4,545	7,232
Prepayments, deposits and other receivables		118,973	20,429
Cash and cash equivalents		115,911	460,538
		239,429	488,199
Current liabilities			
Trade payables	8	4,380	2,294
Other payables		224,497	125,997
Bank loan		-	54,265
Other loans		67,766	130,323
Amounts due to related companies		5,148	25,907
Amounts due to minority equity holders of subsidiaries		25,023	85,589
Derivative liability of convertible notes	9	-	10,916
		326,814	435,291
Net current (liabilities)/assets		(87,385)	52,908
Total assets less current liabilities		907,428	859,793
Non-current liabilities			
Amounts due to minority equity holders of subsidiaries		36,289	33,769
Convertible notes	9	-	34,014
		36,289	67,783
Net assets		871,139	792,010
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	10	243,956	242,239
Reserves		542,072	491,492
		786,028	733,731
Minority interests		85,111	58,279
Total equity		871,139	792,010

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation of financial statements and principal accounting policies

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30th June 2008 (the "Interim Financial Statements") have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Interim Financial Statements should be read in conjunction with the annual financial statements of the Group for the year ended 31st December 2007 (the "2007 Annual Financial Statements").

1.1 Going concern

The Interim Financial Statements have been prepared on a going concern basis though the Group had net current liabilities of HK\$87,385,000 as at 30th June 2008 (As at 31st December 2007: net current assets of HK\$52,908,000). The Group has taken and will continue the following measures to ensure the Group will have adequate cash flows for the operations of the Group:

- (i) to impose tight cost controls;
- (ii) to raise funds as and when necessary;
- (iii) to obtain extension of repayment of existing borrowings; and
- (iv) to obtain necessary funding from bankers.

In the opinion of the directors, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements as the Company has successfully raised total net proceeds of approximately HK\$3.9 billion by issuing of 450,000,000 and 410,000,000 new shares of the Company at the placing prices of HK\$4.6 per share and HK\$4.8 per share on 25th July 2008 respectively and the measurements have been taken to date. After the settlement of the cash consideration for the acquisition of 3 mines on 25th July 2008, the Group has additional cash surplus of approximately HK\$150 million to enable the Group to continue in business as a going concern and to meet its liabilities and obligations as and when they fall due for the period as least up to 30th June 2009. Accordingly, the Directors are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due for the next twelve months from 30th June 2008 without significant curtailment of operations and are satisfied that it is appropriate to prepare the Interim Financial Statements on a going concern basis. The Interim Financial Statements do not include any adjustments relating to the carrying amounts and reclassifications of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

The details of the acquisition and placements are set out in Note 12(a) to the Interim Financial Statements and in the announcements of the Company dated 21st May 2008, 17th June 2008 and 20th June 2008.

1.2 Principal accounting policies

The accounting policies adopted and the basis of preparation used in the preparation of the Interim Financial Statements are consistent with those used in the 2007 Annual Financial Statements except for the adoption of the amendments and interpretations issued by the HKICPA that are effective for accounting periods beginning on or after 1st January 2008. The effect of the adoption of these amendments and interpretations had no significant effect on the results and financial position of the Group for the six months ended 30th June 2008.

The Group has not early adopted the following Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 1 (Revised) (Amendments)	Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 (Amendments)	Financial Instruments: Presentation - Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement – Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 2 (Amendments)	Members' Shares in Co-operative Entities and Similar Instruments ¹
HK(IFRIC) – Int 13	Customer Loyalty Programmes ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 July 2008

The Directors of the Company are currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's Interim Financial Statements.

2. Revenue and segmental information

During the Period, the Group is principally engaged in production and sales of coking coal products and side products. An analysis of the Group's revenue and segment results for the Period by principal activities and markets was as follows:

	Revenue		Segment results	
	Six months ended 30 th		Six months ended 30 th	
	June		June	
	2008	2007	2008	2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Principal activities:				
Sales of coal products	4,436	3,157	160	289
Production of coke products*	-	-	(9,929)	(6,375)
Sales of jewellery products	-	800	-	800
Unallocated expenses	-	-	(16,423)	(10,220)
	<u>4,436</u>	<u>3,957</u>	<u>(26,192)</u>	<u>(15,506)</u>
Finance costs			(4,672)	(11,843)
Fair value loss on derivative liability of convertible notes			-	(6,110)
Loss for the period			<u>(30,864)</u>	<u>(33,459)</u>
Principal markets:				
The Mainland	4,436	3,157	(9,769)	(6,086)
Hong Kong	-	800	(16,423)	(9,420)
	<u>4,436</u>	<u>3,957</u>	<u>(26,192)</u>	<u>(15,506)</u>

* The Group commenced the commercial production of coke in July 2008

The business of jewellery ("the jewellery segment") was ceased in 2006 due to a strategic decision to focus the direction of the Group to energy sector. The sales clearance of jewellery was completed on 28th February 2007.

3. Finance costs

	Six months ended 30th June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest charges on:		
- Bank loans repayable within five years	2,309	1,525
- Other loans wholly repayable within five years	3,282	8,132
- Amounts due to related companies wholly repayable within five years	-	856
- Amounts due to minority equity holders of subsidiaries wholly repayable within five years	878	2,746
- Convertible notes wholly repayable within five years	103	5,677
Total borrowing costs	6,572	18,936
Less: Interest capitalised in construction in progress*	(1,900)	(7,093)
	4,672	11,843

*The borrowing costs have been capitalised at the rates ranging from 6.00 % to 7.00% per annum (Six months ended 30th June 2007: ranging from 6.00% to 7.00% per annum).

4. Loss before income tax

	Six months ended 30th June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss before income tax is arrived at after charging/(crediting):		
Cost of inventories recognised as expense	4,276	3,668
Less: Write back of provision upon sales	-	(800)
Cost of sales	4,276	2,868
Staff costs (including directors' remuneration, and retirement benefits scheme contributions)	16,523	14,522
Depreciation of property, plant and equipment	1,395	1,547
Less: Amount capitalised to construction in progress	-	(270)
	1,395	1,277
Amortisation of operating lease prepayments	183	222
Operating lease charges in respect of land and buildings	412	419
Donation for Sichuan Earthquake Relief	1,000	-
Other operating expenses		
- transaction costs for derivative liability of convertible notes	-	2,355
Other operating income		
- bank interest income	(1,524)	(5,797)

5. Income tax expense

No provision for Hong Kong profits tax and the PRC income tax has been made in the Interim Financial Statements in respect of the Company and its subsidiaries for the Period (Six months ended 30th June 2007: Nil), as the Company and its subsidiaries either have substantial accumulated tax losses brought forward which are available for setting off against current period's assessable profits or did not generate any assessable profits in Hong Kong and the PRC for the Period.

As at 30th June 2008, there is no significant deferred tax liability (Year ended 31st December 2007: Nil). As at 30th June 2008, no deferred tax assets have been recognised (Year ended 31st December 2007: Nil) in relation to the deductible temporary differences and unused tax losses as it is uncertain whether future taxable profit is available to offset against the deductible temporary differences and tax losses.

6. Loss per share

(a) Basic

The calculation of basic loss per share attributable to the equity holders of the Company is based on the consolidated loss attributable to the equity holders of the Company for the six months ended 30th June 2008 of HK\$19,630,000 (Six months ended 30th June 2007: HK\$26,777,000) and the weighted average number of 2,438,801,000 (Six months ended 30th June 2007: 2,195,165,000) ordinary shares in issue during the Period.

(b) Diluted

Diluted loss per share for the six months ended 30th June 2008 and 2007 are not presented because the impacts of the exercise of the share options and the convertible notes are anti-dilutive.

Subsequent to the balance sheet date and up to the date of this Report, 2,120,000,000 new shares of the Company in aggregate were issued on 25th July 2008 under the Acquisition Agreement entered into on 9th May 2008 and the placing agreements entered into on 15th June 2008 and 20th June 2008 respectively. In addition, 2,000,000 new shares of the Company were issued due to the exercise of share options by option-holder on 11th August 2008. As a result, the Company's issued ordinary shares have increased and potential ordinary shares have decreased accordingly after the balance sheet date. Details of the transactions in relation to the issue of new shares are set out in Note 12(a) to the Interim Financial Statements.

7. Trade receivables

General credit terms of the Group range from 60 to 90 days. At 30th June 2008, all trade receivables of the Group are aged within 30 days based on invoiced dates (Year ended 31st December 2007 : 60 days) and are denominated in Renminbi ("RMB") (Year ended 31st December 2007 : RMB).

8. Trade payables

The Group was granted by its suppliers' credit periods ranging from 30 to 90 days. Based on the invoice dates, the Group's trade payables at 30th June 2008 are all aged within 30 days (Year ended 31st December 2007 : 60 days). As at the balance sheet date, all trade payables of the Group are denominated in RMB (Year ended 31st December 2007 : RMB).

9. Convertible notes

During the Period, all remaining Notes with total face value of HK\$40,000,000 were converted into 17,167,000 new shares of the Company. As at 30th June 2008, the Group did not have any outstanding face value of the Notes.

10. Share capital

	Number of shares		Amount	
	As at 30 th June 2008 (Unaudited) '000	As at 31 st December 2007 (Audited) '000	As at 30 th June 2008 (Unaudited) HK\$'000	As at 31 st December 2007 (Audited) HK\$'000
<i>Authorised:</i>				
Ordinary shares of HK\$0.10 each	<u>5,000,000</u>	<u>5,000,000</u>	<u>500,000</u>	<u>500,000</u>
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.10 each				
At 1 st January	2,422,388	2,080,800	242,239	208,080
Issue of new shares	-	230,000	-	23,000
Issue of new shares upon conversion of the Notes	<u>17,167</u>	<u>111,588</u>	<u>1,717</u>	<u>11,159</u>
At 30 th June/31 st December	<u>2,439,555</u>	<u>2,422,388</u>	<u>243,956</u>	<u>242,239</u>

11. Capital commitments

Capital commitments of the Group as at 30th June 2008 are as follows:

	As at 30 th June 2008 (Unaudited) HK\$'000	As at 31 st December 2007 (Audited) HK\$'000
Contracted but not provided for :		
- Acquisition of property, plant and equipment	346,563	374,271
- Exploration and design fees for a potential mining project	<u>8,508</u>	<u>8,118</u>
	<u>355,071</u>	<u>382,389</u>

12. Post balance sheet events

- (a) Reference is made to the announcements of the Company dated 21st May 2008, 17th June 2008 and 20th June 2008 (the "Announcements") and the circulars of the Company dated 25th June 2008 and 30th June 2008 (the "Circulars") in relation to the very substantial acquisition and connected transaction of the Company; the Shougang Placing and the Second Placing. Unless otherwise defined, terms used in the Interim Financial Statements shall bear the same meanings as those defined in the Announcements and the Circulars.

On 25th July 2008, the Acquisition Agreement in relation to the acquisition of three BVI companies, namely Thechoice Limited, Worldman Industrial Limited and Gumpert Industries Limited, which are engaged in coking coal mining and production and sales of raw and clean coking coal in the PRC through their non-wholly owned PRC subsidiaries namely Xingwu Mine, Jinjiazhuang Mine and Zhaiyadi Mine at the aggregate consideration of HK\$10.53 billion was successfully completed. Since then, three BVI companies, which in aggregate have a raw coking coal production capability of 6.3Mt per annum, have become wholly-owned subsidiaries of the Group and their financial statements are consolidated into the Group from 25th July 2008.

On the same date, the Shougang Placing and the Second Placing in relation to the placing of 450,000,000 and 410,000,000 new shares of the Company at the placing price of HK\$4.6 per share and HK\$4.8 per share respectively were also completed. Net proceeds of approximately HK\$3.9 billion are mainly used to settle the partial cash consideration under the Acquisition Agreement. In addition, 1,260,000,000 new shares of the Company (“Consideration Shares”) were issued at the issue price of HK\$4.5 per share for the settlement of part of the consideration under the Acquisition Agreement. Upon the completion of the Shougang Placing, the Second Placing and the issue of Consideration Shares, number and amount of the issued share capital of the Company were increased to 4,559,555,352 shares and HK\$455,955,535 on 25th July 2008 respectively.

- (b) On 21st July 2008, the Group entered into the loan agreement in respect of RMB equivalent to US\$153,800,000 term loan facility to finance the remaining cash consideration under the Agreement. Up to the date of this Report, RMB equivalent approximately US\$146,846,000 was draw down on 25th July 2008 and net proceeds of approximately US\$141,463,000 were mainly used to settle the remaining balance of the cash consideration under the Acquisition Agreement and direct costs incurred for the Acquisition. The loan was mainly secured by all issued shares of the acquired BVI companies under the Acquisition and their major assets including mining rights, land-use rights and plant and machinery of Xingwu Mine, Jinjiazhuang Mine and Zhaiyadi Mine.
- (c) Reference is made to the announcement of the Company dated 17th June 2008 (the “Announcement”) in relation to long term strategic co-operation with Shougang Holding (Hong Kong) Limited. The Company entered into “Coal Supply Heads of Agreement” with Shougang Corporation (首鋼總公司), on 20th August 2008 to confirm (among others) to supply not less than 2 million tons of clean coking coal to Shougang for each calendar year from 2009 onwards at the market selling price with a 3% discount and 35% of the sales amount shall be paid on delivery and the remaining 65% of the sales amount shall be paid one month in arrear.
- (d) On 18th June 2008, the Group entered into the supplemental sino-foreign equity joint venture agreement and the supplemental articles of association with two minority investors of a subsidiary, Shanxi Jinshan Energy Group (“Jinshan”) to increase its registered capital from RMB400,000,000 to RMB600,000,000. The increase in the registered capital of RMB200,000,000 shall be contributed by the Group only. Upon the completion of the transaction on 8th July 2008, the effective equity interest of the Group in Jinshan was increased from 91.25% as at 30th June 2008 to 94.17%.
- (e) Subsequent to the balance sheet date in August 2008, 2,000,000 new shares of the Company at an issue price of HK\$1.5 per share were issued upon the exercise of share options by option-holder.

13. Comparative figures

Where necessary, certain comparative figures have been reclassified to confirm with changes in presentation in the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2008, the Group achieved significant breakthrough in the transformation of strategic business to coking coal mining and production under the efforts of the Board of Directors and all staff, the coking coal business remained stable and healthily developed. I herewith represent the Board of Directors and all staff of the Company to express my utmost sincere gratitude towards the shareholders for their support.

BUSINESS REVIEW

For the six months ended 30th June 2008, the Group recorded a revenue of approximately HK\$4.436 million and gross profit of approximately HK\$0.16 million. In the first half of 2008, the consolidated loss attributable to the equity holders of the Group was approximately HK\$19.63 million, representing a decrease in loss of 27% in compared with the corresponding period last year.

SIGNIFICANT POST BALANCE SHEET EVENTS

The Company has established a defined strategy in taking Shanxi Province as its major investment base, actively focusing on the development of high quality coking coal business, so as to gradually enhance the Group's position in the coking coal industry. In order to capture such opportunities arising from the growing market demand for coal, the Company increased the investment in both of the coal mines and coal preparation plants in the first half of 2008, aiming to become a leading coking coal manufacturer in China. Apart from increasing coal production volume, the Company has committed maintaining cost effectiveness and further enhancing operation and efficiency. In addition, the Company has also dedicated sufficient effort on safety and environmental measures.

In July 2008, we have duly completed the merger and acquisition of three operating coking coal mines located in Liulin, Shanxi Province, to ensure the core business development of our Group in the area of coking coal, bringing us with a production chain of coal mine resources and coal preparation plants. The total consideration of such merger and acquisition was HK\$10.53 billion, in which HK\$5.67 billion was paid to the vendor through issuing 1.26 billion new shares by the Company at a price determined at HK\$4.50 per share; while the remaining amount of HK\$4.86 billion was paid in cash by the Company. The cash portion was raised through the placing of 860 million new shares and the amount equivalent to approximately HK\$1.2 billion facilities offered by the bank, in which 450 million new shares were placed to a wholly-owned subsidiary of Shougang Corporation at a price of HK\$4.60. The remaining 310 million shares and 100 million shares were placed to the institutional investors and the Chairman of the Company, Mr. Wong Lik Ping, respectively, both at a price of HK\$4.80.

According to the technical review report of John T. Boyd Company based on the standard of JORC, the total coking coal reserve and recoverable reserve of these three coal mines were 205 million tons and 142 million tons as at 31 December 2007 respectively, the reserve mainly contains of hard coking coal. Hard coking coal is the essential raw materials in refining steel. In 2007, the three coal mines had produced a total of 5.08 million tons of raw coal and 0.83 million tons of cleaned coal. The audited profit attributable to the vendor for the year ended 31st December 2007 was approximately HK\$720 million.

In addition, according to the unaudited management accounts provided by the three coal mines, they reflect that from the beginning of this year to July 2008 before the completion of the acquisition by the Company, the three coal mines had produced a total of 2.90 million tons of raw coal and 0.49 million tons of cleaned coal respectively. The consolidated income after tax was solid. Based on the acquisition agreement, as the acquisition transaction was completed before the end of July 2008, the Group is able to enjoy the shareholders' equity interests generating from 1st January 2008 to 25th July 2008 as our pre-acquisition profits. After the completion of the merger and acquisition, the Group appointed a new sales director to boost the sales and established new sales and price strategies in August. The unit sales price was significantly increased to between RMB\$1,010 and RMB\$1,280 per tonne (inclusive the value-added tax), surging over

140% in compared with the market price in the corresponding period last year. In view of the trend of the market price and the analysis of operating cost control, we expect that the three coal mines will generate strong distributable profit to the Group.

The Group's coke plant located in Xiaoyi, Shanxi Province, with annual production capability of 500,000 tons has commenced production in July this year.

For the existing coke plant located in Gujiao, Shanxi Province, as its location is relatively far from the three coal mines newly acquired, having considered different strategic aspects, such as long-term operating cost and management efficiency, the Group initiated and executed a contract with the partners of Gujiao's coke plant, agreed to dispose the equity interests held by the Group to them at a consideration of approximately HKD130 million. The transaction is still proceeding and it is estimated to be completed within this year. Details of this transaction are set out in the announcement of the Company dated 23rd April 2008.

Since the three coal mines acquired recently are running well, it is expected that the Group's operating profit in the second half of this year will grow significantly.

On the other hand, the Group has reached an agreement with Shougang, providing a minimum of 2.0 million tons of cleaned coal to Shougang annually starting from 2009, so as to strengthen the customer base of the Group.

FUTURE PROSPECTS

Since it still needs some time for the US real estate and financial market to recover from the existing poor condition, it is expected that the US economy will not show any significant improvement in the second half of the year. We believe the global economy will also be affected to a certain extent. The PRC has adopted measures to expand domestic need in response to the surrounding macroeconomic condition, striving to maintain the stable development of the PRC economy, and ensuring the GDP will keep growing steadily in the coming few years. It is estimated that one of the methods to expand domestic need is to continue to carry out large infrastructure projects, such as rebuild the facilities in Sichuan earthquake areas. These projects will give support to the continuous stable growth of the steel industry and satisfy the huge demand of steel. The demand and supply of coking coal was under serious tension in the first half of the year and is expected to be alleviated in the second half of the year. On the other hand, due to the tightened safety production and environment requirements, the Government will continue to shut down small mines which will further limit the supply. We therefore believe the supply of coking coal will continue to be tight in the PRC.

For the Group's business development, we will continue to enhance the production capacity of the three coal mines to reach their designed capacity, by increasing their annual production capacity of raw coal from 5 million in 2007 to approximately 6 million tons in 2009. Meanwhile, the three new coal preparation plants currently under construction will commence production in the first and third quarters of 2009 respectively, adding a total annual production capacity of 7,200,000 tons cleaned coal. Together with the existing annual production capacity of 840,000 tons of the operating production facilities, the Group's annual production capacity of cleaned coal will be increased to 8,040,000 tons by 2010.

The Group is now establishing a railway which connects its coal mines with national railways to reinforce its transportation capacity. Besides, the Group will place great emphasis on the requirements for the safety of production and environmental protection of coal mines, and will increase related investments to ensure the long-term development of its coal business.

For the expansion of coal mine resources, we will continue to explore those coal mines which are now operating. If the relevant coal mines are in line with the business development strategies of the Group, we will seize the opportunity and quicken our pace to negotiate with the relevant coal mine operators in related to the merger and acquisition arrangement. Meanwhile, we will also start to discuss the possibility of acquiring consolidated resources with the local government. Under such dual development, we are hoping to

achieve further progress in our expansion works in coal mine resources in the beginning of next year.

Our application for the new coal mines is progressing well. We are expecting to receive approvals from the major government departments and then obtain related mining certificates, so as to enlarge the coal mine resources owned by the Group, and strengthen our long term development advantages in the coal industry.

FINANCIAL POSITION

Material Acquisitions and Disposals

During the six months ended 30th June 2008, neither the Company nor any of its subsidiaries had any material acquisitions or disposals.

Subsequent to the balance sheet on 25th July 2008, the Group acquired three BVI companies which are engaged in coking coal mining and production and sales of raw and clean coking coal in the PRC through their non-wholly owned PRC subsidiaries namely Xingwu Mine, Jinjiazhuang Mine and Zhaiyadi Mine at the aggregate consideration of HK\$10.53 billion. Since then, three BVI companies, which in aggregate have a raw coking coal production capability of 6.3Mt per annum, have become wholly-owned subsidiaries of the Group and their financial statements, are consolidated into the Group from 25th July 2008. Details of this transaction are set out in the announcement of the Company dated 21st May 2008 and the circular of the Company dated 25th June 2008 and the section “SIGNIFICANT POST BALANCE SHEET EVENTS ON 25TH JULY 2008 – COMPLETION OF VERY SUBSTANTIAL ACQUISITIONS OF THREE MINES AND PLACEMENTS” of this Announcement.

In addition, subsequent to the balance sheet on 8th July 2008, the Group further increased its equity interest in a subsidiary, Shanxi Jinshan Energy Limited, from 91.25% to 94.17% as a result of its additional capital contribution of RMB200 million.

Charges on Assets

At 30th June 2008, none of the Group’s assets was charged or subject to any encumbrance.

Contingent Liabilities

At 30th June 2008, there was no guarantee given to any banks or financial institutions by the Group.

Gearing Ratio

At 30th June 2008, the gearing ratio of the Group, which is computed from the Group’s interest bearing liabilities divided by total equity, was approximately 10%. The borrowings were mainly for financing certain construction and installation of plant and machinery for two coke plants and payment of deposits for a mining project in the People’s Republic of China.

Exposure to Fluctuations in Exchange Rates

At 30th June 2008, other than assets and liabilities denominated in Renminbi, the Group had no other material exposure to foreign exchange fluctuations.

Liquidity and Financial Resources

At 30th June 2008, the Group’s current ratio (current assets divided by current liabilities) was approximately 0.73 and the Group’s cash and cash equivalent amounted to HK\$115,911,000.

Capital structure

The Group regards total equity, convertible notes, bank loans and other borrowings as capital. As at 30th June 2008, the amount of capital was HK\$1,005,365,000.

As at 30th June 2008, the issued capital of the Company was HK\$243,956,000. During the six months ended 30th June 2008, the Company issued 17,167,381 new shares of Company with par value of HK\$0.1 each at a consideration of HK\$2.33 per share upon the conversion of face value of HK\$40,000,000 of the Notes.

As at 30th June 2008, the total borrowings denominated in RMB which are repayable within 5 years from the balance sheet date amounted to HK\$134,226,000. All the borrowings were either interest-free or subject to fixed interest rates.

Staff

The Group had 8 Hong Kong employees and 788 Mainland employees at 30th June 2008 whose remuneration packages are reviewed annually. The Group provides a mandatory provident fund scheme for Hong Kong employees and the state-sponsored retirement plan for its Mainland employees.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30th June 2008.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30th June 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

AUDIT COMMITTEE

The audit committee has reviewed the unaudited interim financial statements for the six months ended 30th June 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June 2008, in compliance with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities ("the Listing Rules") on The Stock Exchange.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of code of conduct regarding securities transactions by directors (the “Code of Conduct”). The Directors have made enquiry to all directors of the Company to confirm that they have complied with the Code of Conduct during the six months ended 30th June 2008.

DISCLOSURE OF THE INTERIM REPORT ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY

The interim report for 2008 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and on the website of the Company at www.fushan.com.hk in due course.

By Order of the Board
SO Kwok Hoo
Executive Director

Hong Kong, 22nd September 2008

As at the date of this announcement, the Board comprises Mr. Wong Lik Ping, Mr. So Kwok Hoo and Mr. Xue Kang as executive Directors, Mr. Li King Luk as a non-executive Director, Mr. Kee Wah Sze, Mr. Choi Wai Yin and Mr. Chan Pat Lam as independent non-executive Directors.