



Establish an international presence by
diversified metallurgical resources

Stock code: 639.HK

Company Profile

Fushan Energy is principally engaged in the production and sales of coking coal products in Shanxi province and is the second largest hard coking coal producer in the PRC. Striving to be an international diversified metallurgical resources supplier, the Group gradually expands its product variety to iron ore in Australia and fat coal in Inner Mongolia and extends its business to overseas market.

The Group is currently operating three high-quality coking coal mines in Shanxi Province with annual production volume of 6.3 million tonnes. It grasps the chance of Shanxi resource consolidation and seizes every M&A opportunity. In order to achieve the goal of product diversification, the Group has succeeded in acquiring Mount Gibson, the fourth largest pure iron ore exploration and mining company in Australia, which brings high quality iron ore resources to the Group. Moreover, the Group planned to acquire Inner-Mongolia fat coal resource which helps strengthen the Group's product variety and expand its market share.

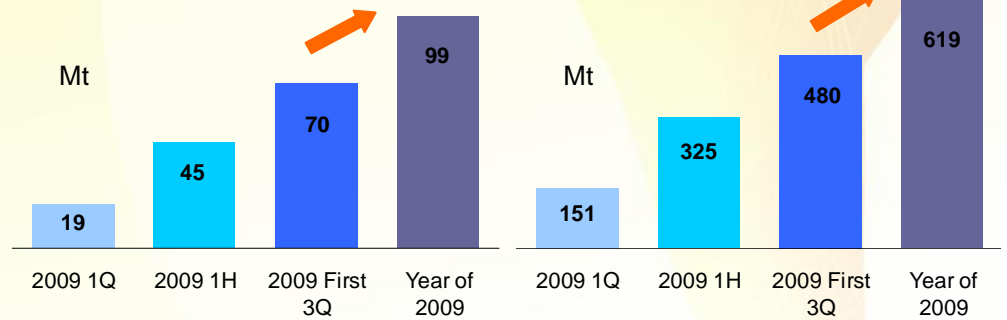
Fushan Energy became one of the constituents in HSI composite index on 9 March 2009 and was included as MSCI Emerging Index by Morgan Stanley Capital International 1 Sep 2009.



Company News

Recent Development

Production Volume of Coal



Production volume of clean coal

Production volume of raw coal

	Clean Coal	Raw Coal
Year of 2009	0.99 Mt	6.19 Mt
2009 First 3Q	0.70 Mt	4.80 Mt
2009 1H	0.45 Mt	3.25 Mt
2009 1Q	0.19 Mt	1.51 Mt

Recent events

- On 5 January 2010, Fushan Energy announced the proposed acquisition of Willbroad Investment Limited, which possesses quality coking coal resources in Shanxi Province. Upon the completion of the acquisition, the coal resources and production capacity of the Group will be reinforced.
- On 5 January 2010, Mr. Wang Qinghai had been appointed as a non-executive director and Chairman of the Group, while Mr. Chen Zhaoqiang has been appointed as an executive director and Deputy Managing Director. The above appointments helped strengthen the capabilities and expertise of the management team of the Group.
- On 1 December 2009, Fushan Energy completed the acquisition of 18.7% shares of Mount Gibson the fourth largest pure iron ore exploration and mining company in Australia. The product offering extended from domestic coking coal to overseas quality iron ore resources, which is putting the Group on track to be an international and diversified supplier of metallurgical resources.
- On 22 October 2009, Maxease Limited, the wholly-owned subsidiary of Fushan Energy, entered into a framework agreement in respect of the proposed acquisition of the entire issued share capital of Chonghou Energy Resources Limited by not more than HK\$ 1 billion. Chonghou Energy possesses a company which is specialized in producing quality fat coal, namely Inner Mongolia Qipanjiang Mining Company Limited, and it will be able to facilitate the product diversification of Fushan Energy.

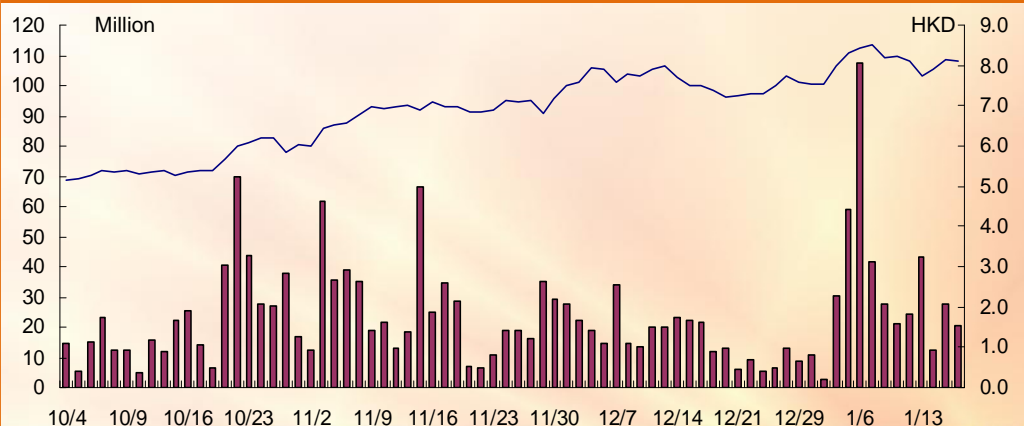
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Share price movement of the Company (1 October 2009 to 18 January 2010)





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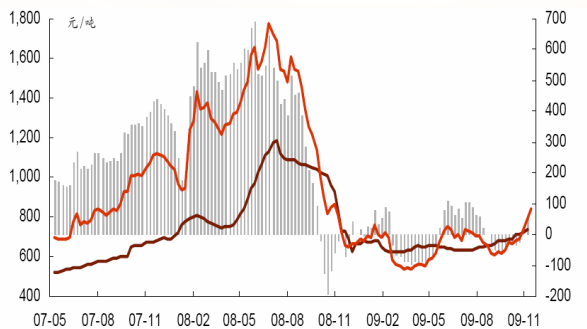
World Industry News Express

- Thanks to the global economic recovery and coal storage in winter, the demand for coal saw a straight rebound worldwide, particularly in Asia Pacific. Save as India and China, both Korea and Japan saw an upturn in demand.
- In 2010, the coking coal market continues to benefit from the recovery of the global iron and steel industry. As estimated by World Steel Association, countries other than China are poised to post a 13% growth in iron and steel consumption next year. Given a 5% growth in China, the global demand for coking coal by marine trading is estimated to increase by approximately 30 million tonnes while the supply of coking coal in Australia may increase by less than 20 million tones. Industry insiders expected an escalating coking coal price that will remain high next year.
- The imported iron ore market witnessed a growing momentum with the iron ore spot price hitting a year-high of US\$107.4 per tonne. Coal giants including Vale, Rio Tinto and BHP Billiton are engaged in talks with iron and steel manufacturers to discuss the long-term iron ore price contract for year 2010. With a skyrocketing spot price, the three coal mine enterprises will be able to maintain their stance over a price hike.
- BHP Billiton and Rio Tinto announced the US\$11.6 billion merger of their iron ore businesses in West Australia, which aroused oppositions from various iron and steel manufacturers. In its statement, China Metallurgical Group Corporation criticized that the agreement will translate into market monopoly and called on iron and steel enterprises to check the proposed merger of the two giants.
- The Central Government had decided to cancel this year's meeting for the negotiation of coal prices. Instead, it encouraged coal mines to enter into long term supply contracts for a term of three to five years in order to maintain a steady coal supply at a stable price through comprehensive marketization. Given a surging steel demand, China's coal production volume from January to November increased by 12.6% to 2.71 billion tonnes as compared with the same period last year. Tight supply drove benchmark coal prices of Qinhuangdao Port, a major port of coal shipment, up to a year-high of over RMB700 per tonne. Meanwhile, as the integration of coal mine companies in Shanxi Province continues, resumption of operation and production, reconstruction and closure of coal mines will commence in full gear.



Industry Price Analysis

Coal Price Trend in China and Australia for Each Quarter



Source: China International Capital Corporation

Coal Consumption in China's Iron and Steel Industry for 2008 and 2009



Source: CIMB

- The growth in the global demand for coal drove the international coal price up. The CIF import price of coal in Australia had significantly surpassed the domestic coal price.

- As the PRC government strengthened its investment in infrastructural construction, the steel demand soared, so did the coal consumption in the iron and steel industry as compared to 2008.

— Domestic CIF Price of Coal — CIF Price of Coal in Australia
— Spread between domestic and international prices

■ Coal consumption in 2009 ■ Coal consumption in 2008