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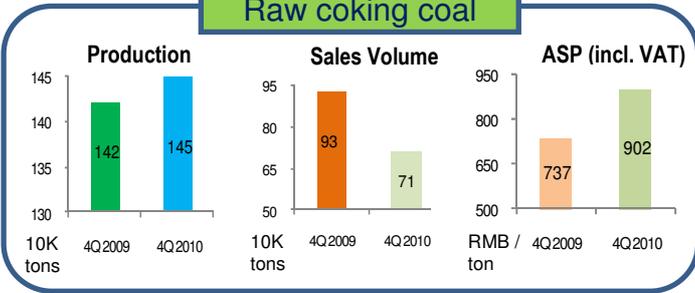
福山國際能源集團有限公司

Fushan International Energy Group Limited

www.fushan.com.hk

2010
4Q

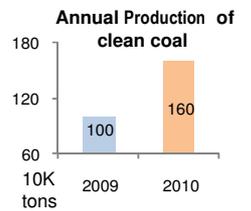
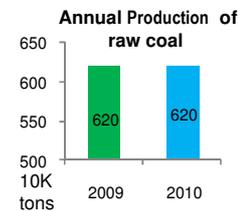
Raw coking coal



Clean coking coal



- Raw coal production increased 2% y-o-y to 1.45 million tons in 4Q 2010. With stepped up efforts to expand our clean coal operation, 4Q production soared 59% y-o-y to 0.46 million tons.
- ASP of raw coal in the 4Q was RMB902/ ton, an increase by RMB 165 or 22% y-o-y; while ASP of clean coal in the 4Q increased by RMB 222 or 15% y-o-y to RMB 1,720/ ton.
- Our clean coal operation performed well in 2010, our production volume reached 1.6 million tons last year, a remarkable increase of 60% y-o-y, while sales volume jumped 57% y-o-y to 1.57 million tons. The increasing revenue contribution from clean coal is our continual efforts to shift our sales mix to selling more clean coal.



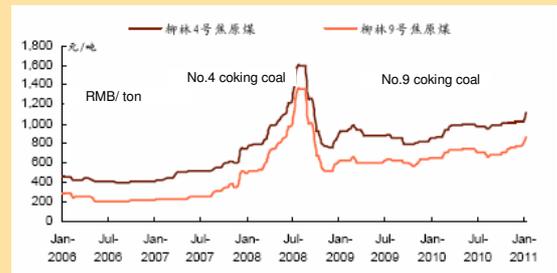
Revival of the coking coal sector

China has persistently faced coking coal shortages and increased its dependence on imports in recent years. In the first eleven months of 2010 alone, China imported 41.81 million tons of coking coal, an increase of 35% over 2009. About 38% of the imports, or 15.85 million tons, came from Australia. Nevertheless, Queensland, the largest seaborne coking coal supplier in the world, has been devastated by torrential rains and flooding recently which pushed up the spot price, as a result, setting a stage for China's coking coal prices to increase.

A number of international coal producers such as Rio Tinto and BHP Billiton declared "Force Majeure" and closed their mines in Queensland which led to an impact on coal supplies, leading to a very tight global supply. International coking coal FOB price is approaching US\$350/ ton, which represents more than RMB400/ ton over the domestic price. According to a CICC report, No.4 coking coal in Liulin has recently soared by RMB125/ ton to RMB1,650/ ton, while No.9 coking coal increased by RMB50/ ton to RMB1,450/ ton.

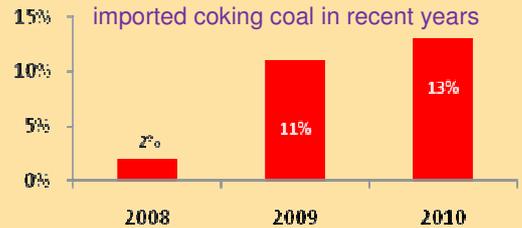
Australia was stricken by severe flooding in 2008. The international hard coking coal FOB spot price hit US\$375/ ton back then, while the domestic price climbed to RMB2,250/ ton. The contracted price of hard coking coal for 2Q 2011 is forecast to reach over US\$300/ ton. Although China is less dependent on imported coal supply compared to Japan or Korea, analysts generally believe that domestic prices will increase in line with international price movements.

Coking coal prices in Liulin, Shanxi



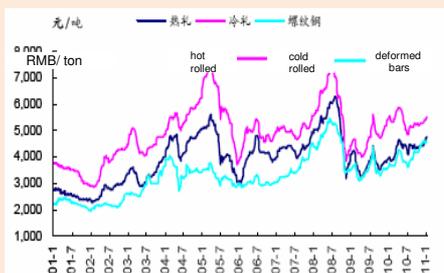
Sources: CICC and SXCoal

China's steel sector has consumed more imported coking coal in recent years



Sources: BofA Merrill Lynch Global Research and SXCoal

Steel price in Shanghai picked up gradually



Sources: CICC and Steelhome

Steel prices set to climb on rising raw material costs

China's steel sector faced various difficulties in 2010. Steel production and prices have experienced a slowdown since April. Nevertheless, the market staged a comeback in the 4Q. According to Custeel.com, the utilization rate of domestic steel mills rebounded in December as the government loosened the energy saving and emission reduction policy. Crude steel production in December reached 1.699 million tons, up 4.7% from November. In addition, a number of key steelmakers including Baosteel as well as Wuhan Iron and Steel raised ex-factory prices of key products for delivery in January and February 2011.

Looking ahead, market players foresee further price hikes this year in the light of rising raw materials costs. Exports from major iron-ore exporters such as Australia and Brazil will be significantly affected amid widespread floods in Southern Hemisphere. In addition, India will impose a further 20% tariff on iron ore exports effective from April. Global iron ore supply will remain tight.