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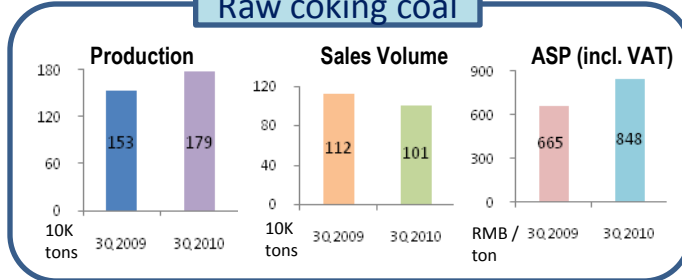
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# 福山國際能源集團有限公司 Fushan International Energy Group Limited

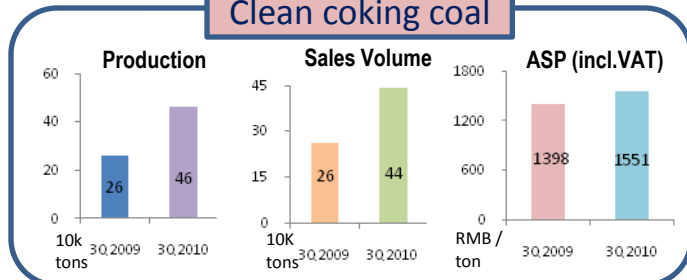
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2010  
 3Q

## Raw coking coal



## Clean coking coal



Raw coking coal production in 2Q (3weeks from end April to beginning of May) was affected by a change in the long walls at our mines. However, production resumed afterwards and raw coal production in 3Q increased 17% y-o-y to 1.79 million tons with raw coal sales volume at 1.01 million tons. This falls in line with our long term strategy to shift our sales mix from raw coal to clean coal and explains why we sold less raw coal. Our clean coal production in 3Q increased by 77% y-o-y to 460,000 tons and sales volume of clean coal increased by 69% y-o-y to 440,000 tons. The average selling price (including VAT) of raw coal in 3Q was RMB 848 / ton, up 5.6% from RMB803 / ton in Q2; and that of clean coal was RMB1,551 / ton in 3Q, up 1.8% from RMB1,523 / ton in Q2. We started to sell #9 clean coal in Q3 and there is a price difference between #9 and #4 due to difference in their quality, so the sales price for #4 and #9 blended clean coal has not increased by as much when we compared against Q2.

## Steel prices bounced back in 3Q

Domestic steel prices staged a rebound in 3Q after an oversupply caused a market correction in the first half. They have gradually climbed up since August. Major steel producers such as Baosteel Group raised ex-factory prices of their products for delivery in September and October.

Although government measures to save energy and reduce emissions may impact steel production, domestic coking coal prices in 3Q remained stable due to a supply shortage. The 4Q is traditionally the peak season for steel production and some major coal production areas such as Shanxi and Hebei are consolidating their mine resources. We believe coking coal prices will mildly increase.

China's crude steel production in 9M 2010



## Zhaiyadi coal processing plant to start operation soon Fushan's clean coal operations to be further strengthened

◆ Zhaiyadi coal processing plant will commence operation in 4Q this year. With capacity of 2.1 million tons per annum, our clean coal operations will be further strengthened. Trial run was conducted in September and achieved satisfactory results.

◆ The plant uses dense medium technology and floatation machines, and mainly produces No.9 semi-soft coking coal. It features low ash content, high sulfur content and high calorific value.



◆ The plant is close to with a number of major highways and rail lines including National Highway 307, Lishi-Jundu Highway and Taiyuan-Zhongwei-Yinchuan Railway.

◆ Upon completion of the plant at Zhaiyadi, the Group's three coal mines in Liulin, Shanxi will each have their own processing plants. The Group's aggregate annual processing capacity will increase from 4.2 million tons to 6.3 million tons. It is our long term strategy to step up efforts to expand clean coal operations and to increase sales in clean coal business.