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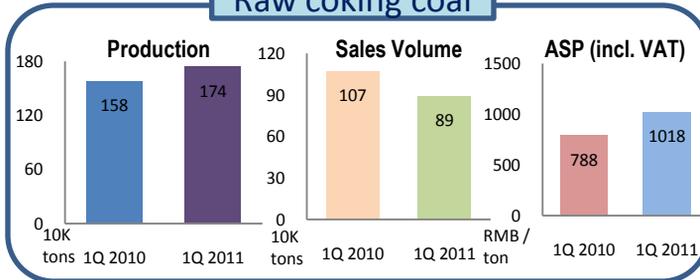
福山國際能源集團有限公司

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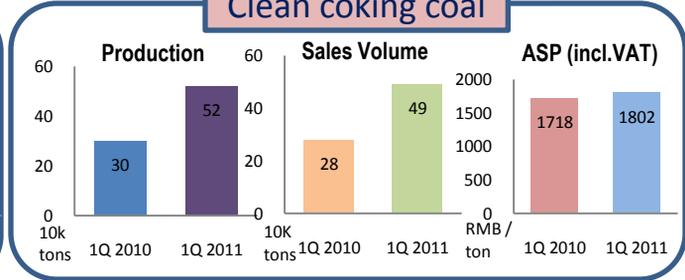
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2011
Q1

Raw coking coal



Clean coking coal



Raw coking coal production in 1Q 2011 increased 10% y-o-y to 1.74 million tons compared with 1Q 2010 at 1.58 million tons. Our clean coking coal production in 1Q increased by 73% y-o-y to 520,000 tons and sales volume of clean coal in 1Q increased by 75% y-o-y to 490,000 tons. This falls in line with the Company's long term strategy to shift our sales mix from raw coking coal to clean coking coal and this was why both production and sales volume of clean coking coal increased in 1Q 2011 and less raw coking coal was sold in 1Q 2011. The average selling price (included VAT) of raw coking coal in 1Q 2011 was RMB 1,018 / ton, up 29% y-o-y; and clean coking coal's average selling price was RMB 1,802 / ton in 1Q 2011, up 5% y-o-y from RMB 1,718 / ton. In 4Q 2010, our third coal preparation plant in Zhaiyadi began trial run and processed #9 clean coking coal and that increased our clean coking coal production and diversified our product mix.

Proposed Change of Company Name

Fushan proposed to change the Company's name to 'Shougang Fushan Resources Group Limited 首钢福山资源集团有限公司' and this is subject to shareholders' approval at the forthcoming AGM to be held on 19th May. The purpose of this name change is to reflect the shareholder background as well as the business nature of the Company plus the continual strong support from Shougang to the Company. The proposed new name would allow investors and stakeholders to understand the Company in a more comprehensive manner.

Market Condition of 1Q

The international spot price for coking coal had been increasing as we moved into 2011, mainly due to the inclement weather that caused the severe flooding in Queensland. A number of coal mines had to declare *force majeure* and terminate production in Dec 2010. As a result the supply of coking coal became very tight thus the price had been on a rising trend since the beginning of 2011. The international spot price went up to US\$330/tonne in March when Anglo-American signed their quarterly price with Nippon Steel. This spiked up the market for higher coking coal price in 2011.

With regards to the steel sector in China, domestic steel production continued to be strong in 1Q, despite the disruption from Queensland and Chinese New Year Holidays. According to the Iron and Steel Association, China steel produced in 1Q was 173mn tonnes up by 12% y-o-y.

2011 marks the beginning of the new 12th 5 year plan and we believe that new projects such as the kicking off of the high-speed railway, building of 10mn social housing and the infrastructure projects in the western part of China, all these will start to implement in the 2nd Half of the year, that will drive up the demand for steel. In addition, urbanization will continue to set a stage for domestic consumption in the coming years. In 2010, the urbanization rate in China was 47% and it is expected to rise to 51% by 2015, which means 50-75mn of the population will be urbanized. That will create strong demand for steel consumption in property, automobile, infrastructure and white goods. As an upstream supplier of the steel mills our Company will be ready to take advantage of this situation.

