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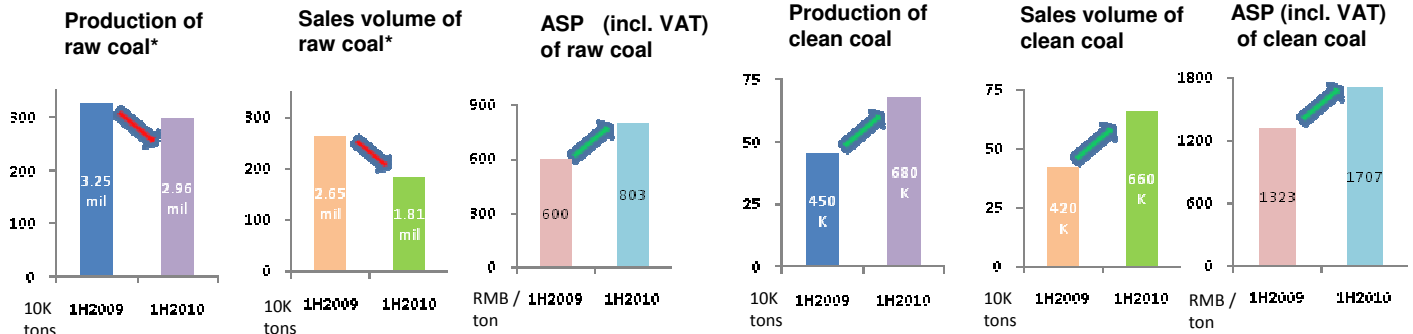
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# 福山國際能源集團有限公司

## Fushan International Energy Group Limited

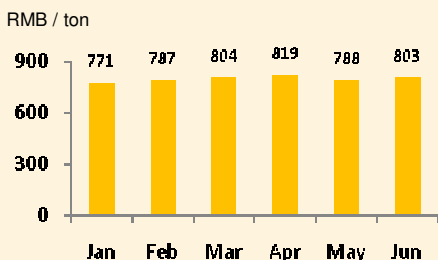
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2Q  
2010



\* In first half of 2010 our production of raw coal was lower when compared with the same period last year, as we took time to change the long wall in our mines in April and May, to ensure an increase in production efficiency and to provide a better working environment to our miners. We expect production volume will return to normal in the second half. Our long-term strategy is to shift our focus towards clean coal business. As a result, the sales volume of clean coal increased significantly in the first half over the same period last year while sales volume of raw coal had slightly decreased.

### Monthly ASP of raw coal in 1H (incl. VAT)



### Steady increase in coking coal prices in first half

According to the National Bureau of Statistics, crude steel production in China for the first half reached 323 million tons, an increase of 21% year-on-year and accounting for 46% of total world production. However, daily crude steel production eased gradually in May and June amid the slowdown in the property market.

Coking coal prices rose steadily while demand for the commodity in the Asia remained robust. According to Deutsche Bank, the settlement price for the second quarter stayed at US\$200 per ton, an increase of more than 50% over the contract price for 2009. As new supply in China was limited and some production provinces carried out coal mines consolidation, China faced structural shortage problems. Coking coal prices grew steadily in the first half (refer to the left chart for the monthly ASP of the Group's raw coking coal).

## Jinjiazhuang coal processing plant greatly enhances the Group's handling capacity

- ◆ The coal processing plant at Jinjiazhuang Mine commenced operation in June 2009. With an annual handling capacity of 3 million tons, it enables us to use our rich coal resources more efficiently and to vigorously expand our clean coking coal business, thereby forging a closer strategic cooperation with major steelmakers.
- ◆ The plant uses state-of-the-art dense medium technology for coal processing. Moreover, it is equipped with advanced monitoring systems to monitor the whole process of coal preparation to ensure the smooth production and production safety.



- ◆ The dense medium technology is currently the most effective means of sorting coal and has a higher sorting accuracy than other processing methods. Moreover, it facilitates control for automatic production and is highly adaptable to handling different volumes of coal with diverse qualities.
- ◆ The Group owns three coal mines in Liulin, Shanxi Province. The Xingwu and Jinjiazhuang Mines have their own coal processing plants. At Zhaiyadi Mine, the Group is building a new plant, which is expected to come into operation at year end. Our total handling capacity will increase to 6.3 million tons per annum from the existing 4.2 million tons. The increase in capacity will enable us to further expand our clean coal markets.