中国中煤能源股份有限公司
CHINA COAL ENERGY COMPANY LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock Code : 01898

年度报告

中煤能源

Annual Report 2011

Contents

Note: In this report, unless otherwise indicated, all financial indicators are presented in RMB.

Overview of Key Financial Data

Summary of consolidated balance sheet

Unit: RMB 100 million

Items	As at 31 December 2011	As at 31 December 2010	Percentage change (%)	Notes to financial statements
Assets	**1,599.33**	1,229.36	30.1	
Of which: Property, plant and equipment	**602.24**	464.18	29.7	Note 7
Mining and exploration rights	**284.20**	186.11	52.7	Note 9
Investment in associates	**70.59**	39.95	76.7	Note 11
Inventories	**73.19**	62.15	17.8	Note 18
Trade and notes receivables	**78.03**	70.06	11.4	Note 19
Term deposits with initial terms of over 3 months	**112.95**	46.24	144.3	Note 21
Cash and cash equivalents	**208.78**	229.22	-8.9	Note 21
Equity	**959.65**	863.38	11.2	
Of which: Equity attributable to the equity holders of the Company	**817.45**	740.48	10.4	
Non-controlling interests	**142.20**	122.90	15.7	
Liabilities	**639.68**	365.98	74.8	
Of which: Long-term borrowings	**114.56**	107.16	6.9	Note 24
Provision for close down, restoration and environmental costs	**11.15**	8.88	25.6	Note 29
Trade and notes payables	**109.17**	92.54	18.0	Note 27
Taxes payable	**35.34**	16.51	114.1	

Summary of consolidated income statement

Unit: RMB 100 million

Items	For the year ended 31 December 2011	For the year ended 31 December 2010	Percentage change (%)	Notes to financial statements
Revenue	**877.73**	703.03	24.8	Note 6
Cost of sales	**694.66**	558.25	24.4	
Gross profit	**183.07**	144.78	26.4	
Profit from operations	**139.24**	110.62	25.9	
Profit before income tax	**140.42**	109.99	27.7	
Profit for the year	**106.59**	81.51	30.8	
Profit attributable to the equity holders of the Company	**98.02**	74.66	31.3	
Basic earnings per share attributable to equity holders of the Company (RMB/Share)	**0.74**	0.56	32.1	Note 34

Summary of the operating results of the segments (for the year ended 31 December 2011)

Unit: RMB 100 million

Items	Coal operations	Coking operations	Coal mining equipment operations	Other operations	Non-operating items	Elimination	Total
Revenue	720.35	52.74	81.29	44.00	–	-20.65	877.73
Of which: Revenue from external sales	717.41	52.74	70.73	36.85	–	–	877.73
Profit from operations	137.14	-0.75	5.85	0.07	-1.95	-1.12	139.24
Profit before income tax	136.07	-0.79	5.33	-0.81	1.74	-1.12	140.42
Assets	777.17	113.40	112.85	62.35	568.56	-35.00	1,599.33
Liabilities	162.21	10.24	46.46	43.98	409.33	-32.54	639.68

Summary of consolidated cash flow statement

Unit: RMB 100 million

Items	For the year ended 31 December 2011	For the year ended 31 December 2010
Net cash generated from operating activities	**146.98**	106.83
Net cash (used in)/generated from investing activities	**-351.78**	14.66
Net cash generated from/(used in) financing activities	**184.43**	-18.53
Net (decrease)/increase in cash and cash equivalents	**-20.37**	102.96
Cash and cash equivalents at the beginning of the year	**229.22**	126.28
Net foreign exchange losses	**-0.07**	-0.02
Cash and cash equivalents at the end of the year	**208.78**	229.22

Reconciliation of profit before tax to net cash generated from operations

Unit: RMB 100 million

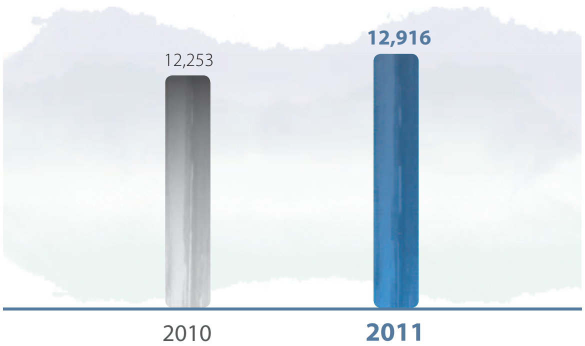
Items	For the year ended 31 December 2011	For the year ended 31 December 2010
Profit before tax	**140.42**	109.99
Adjustments for:		
Depreciation and amortisation	**46.69**	35.28
Losses from disposal of property, plant and equipment	**-0.04**	-0.14
Provision for impairment of available-for-sale financial assets, receivables, inventories and property, plant and equipment	**0.85**	2.39
Share of profits of associates and jointly controlled entities	**-2.95**	-0.46
Foreign exchange losses	**0.46**	1.27
(Gains)/losses on disposal of investments	**-0.04**	1.58
Gains on futures	**–**	-0.06
Interest and dividend income	**-6.27**	-4.99
Interest expense	**7.46**	4.62
Negative goodwill	**–**	-2.78
Changes in working capital	**-4.86**	-23.51
Decrease in provision for employee benefits	**-1.07**	-0.10
Increase in provision for close down, restoration and environmental costs	**1.87**	3.15
Net cash generated from operating activities	**182.52**	126.24

Overview of Business Financial Data

Items	2011	2010	Change (%)
(1) Coal operations (10 thousand tonnes)			
Raw coal production volume	12,916	12,253	5.4
Commercial coal production volume	10,279	9,438	8.9
Sales volume of commercial coal	13,470	11,727	14.9
Of which: Sales volume of self-produced commercial coal	10,015	8,975	11.6
(2) Coking operations (10 thousand tonnes)			
Coke production volume	206	206	0.0
Sales volume of coke	258	259	-0.4
(3) Coal mining equipment operations			
Coal mining equipment production value (RMB100 million)	81.5	71.6	13.8
Sales volume of coal mining equipment (10 thousand tonnes)	35.5	27.1	31.0

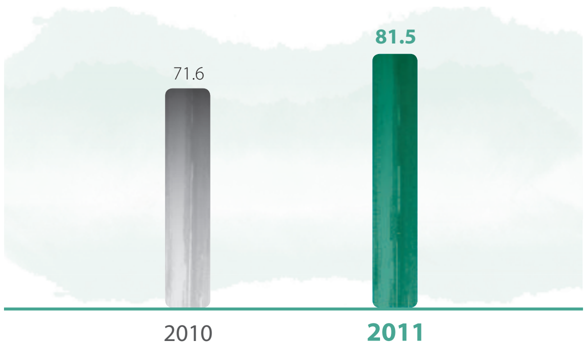
Raw coal production volume

Unit: 10 thousand tonnes



Coal mining equipment production value

Unit: RMB100 million



Sales volume of coke (10 thousand tonnes)	2011	2010	Change (%)
Self-produced	210	217	-3.2
Of which: Metallurgical coke	177	176	0.6
Foundry coke	33	41	-19.5
Proprietary and agency	48	42	14.3
Total	**258**	**259**	**-0.4**

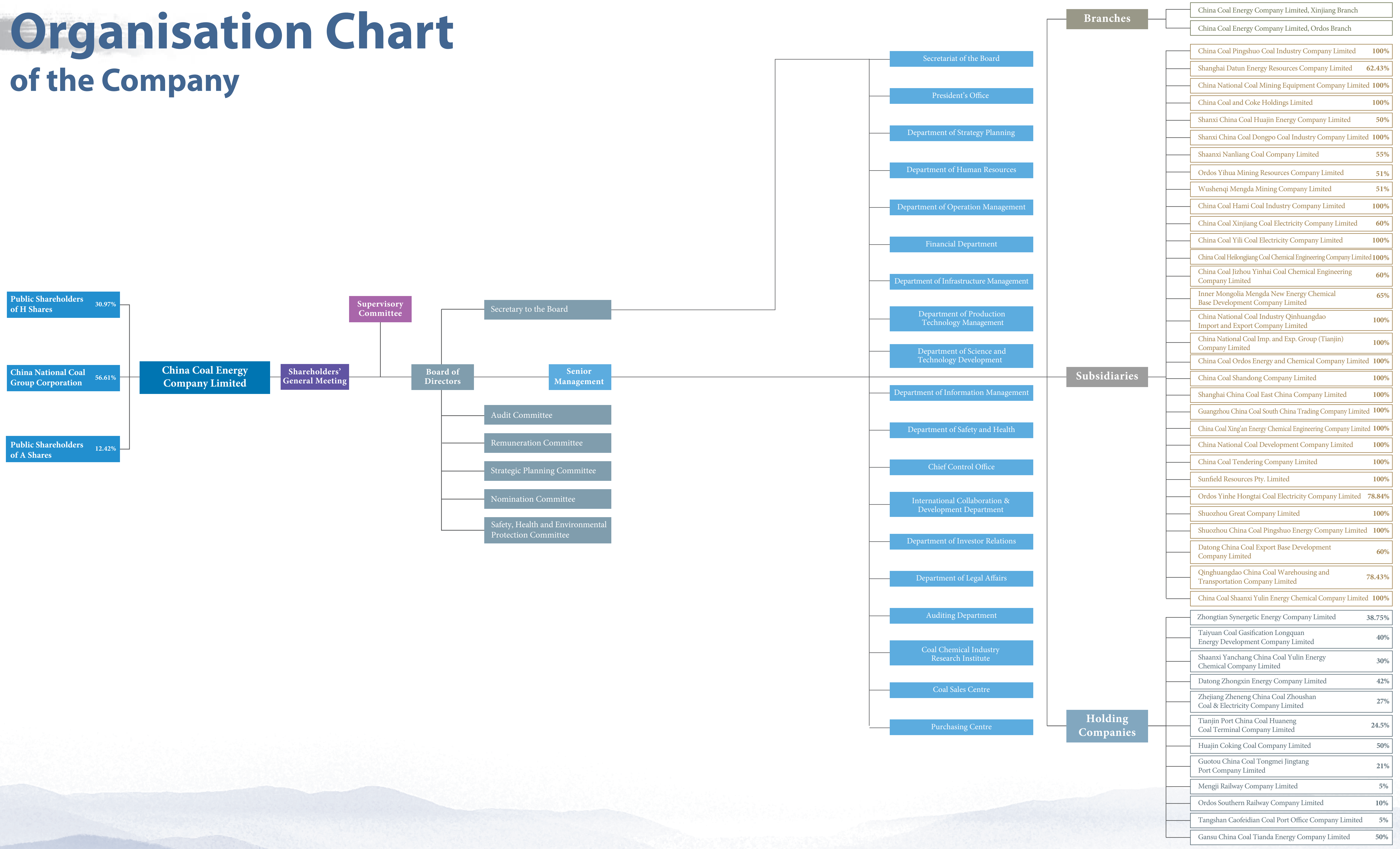
Coal mining equipment production value (RMB100 million)	2011	2010	Change (%)
Conveyor equipment	31.7	27.6	14.9
Support equipment	25.7	23.1	11.3
Road header	7.9	6.8	16.2
Shearer	7.2	6.1	18
Electric mining motor	9.0	8.0	12.5
Total	**81.5**	**71.6**	**13.8**

Sales volume of commercial coal (10 thousand tonnes)		2011	2010	Change (%)
(1) Domestic sales of self-produced coal		9,941	8,835	12.5
By region:	North China	4,202	2,888	45.5
	East China	4,102	3,372	21.6
	South China	1,589	1,055	50.6
	Northeast China	–	21	-100.0
	Others	48	1,499	-96.8
By coal type:	Thermal coal	9,854	8,728	12.9
	Coking coal	87	107	18.7
By contract:	Long- term contract	5,178	6,180	-16.2
	Spot trading	4,763	2,655	79.4
By transportation:	Seaborne	6,903	6,156	12.1
	Direct arrival	1,195	1,077	11.0
	Local sales	1,843	1,602	15.0
(2) Self-produced coal export		74	140	-47.1
By region:	Taiwan, China	58	108	-46.3
	Korea	3	18	-83.3
	Japan	13	7	85.7
	Others	0	7	-100.0
By coal type:	Thermal coal	74	140	-47.1
	Coking coal	–	–	–
By contract:	Long- term contract	74	140	-47.1
	Spot trading	–	0.3	-100.0
(3) Proprietary trading		3,087	2,394	28.9
Of which:	Domestic resale	2,639	2,077	27.1
	Self-operated exports	5	1	400.0
	Import trading	443	309	43.4
	Transshipment trading	–	7	-100.0
(4) Import & export agency sales		368	358	2.8
Including:	Import agency	84	–	–
	Export agency	284	358	-20.7
Total		**13,470**	**11,727**	**14.9**

Commercial coal production volume (10 thousand tonnes)	2011	2010	Change (%)
Pingshuo Mining Area	8,023	7,442	7.8
Datun Mining Area	726	753	-3.6
Liliu Mining Area	149	223	-33.2
Dongpo Coal Mine	720	510	41.2
Nanliang Coal Mine	189	190	-0.5
Shuozhong Energy	608	277	119.5
Dazhong Company	340	343	-0.9
Total	**10,279**	**9,438**	**8.9**

Coal resources reserve (100 million tonnes)	As of the end of 2011	Percentage (%)
By base:		
Shanxi	79.7	40.6
Inner Mongolia-Shaanxi	96.7	49.2
Jiangsu	11.7	6.0
Xinjiang	6.2	3.2
Heilongjiang	2.1	1.0
By coal type:		
Thermal coal	169.2	86.2
Coking coal	27.2	13.8
Total	**196.4**	**100.0**

Organisation Chart
of the Company



Chairman's Statement

Dear Shareholders,

In 2011, the profound impact of the international financial crisis lingered through the year and the Eurozone sovereign debt crisis had been escalating and deteriorating. The issue of slowing growth in emerging economies intertwined with the rise of commodity prices. Despite volatile global affairs and new dynamics and problems concerning the domestic economy, the Chinese economy maintained a stable and moderately fast growth. Influenced by macroeconomics, the coal industry of China had been operating stably. Total supply kept increasing and net import maintained a double-digit growth. An overall balance between demand and supply was achieved. Overall speaking, the market can be characterised by robust prices in the low season and low prices in the high season. China Coal Energy adhered to the principle of scientific development and strived to execute the "Twelfth Five-Year Plan" comprehensively, which got off to a good start as the Company had already achieved numerous successes in various aspects, including speeding up the adjustment in structural layout of the Company, strengthening innovations in management and enjoying a sustained, rapid growth in production and operations. On behalf of the Board, I am pleased to report the Company's operating results for 2011 to Shareholders.

During the reporting period, the coal production enterprises of the Company strengthened production organisation, enhanced production efficiency and improved product quality, achieving an overall completion of different tasks in reform, development, production and operation. The production volume of commercial coal surpassed 100 million tonnes for the first time with double-digit growth maintained in terms of revenue, profit, and earnings per share. Each of the key performance indicators once again hit record high since listing. The Company's raw coal production volume for 2011 was 129.16 million tonnes, representing a year-on-year increase of 5.4%. The production volume of commercial coal reached 102.79 million tonnes, representing a year-on-year increase of 8.9%. The raw coal production volume of Pingshuo Mining Area, which had previously achieved a coal production volume of 100 million tonnes, reached another historical high of 109.21 million tonnes for 2011. Persistently focusing on efficiency maximisation, the Company continued to strengthen the coordination among production, transportation and sales, increased the procurement of resources from external channels and secured more railway capacity, while at the same time expanded the scale of front-end transshipment and distribution. The sales volume of commercial coal for 2011 was 134.7 million tonnes, representing a year-on-year increase of 14.9%. Spot sales accounted for 47.9% of domestic sales of self-produced coal, representing a year-on-year increase of 17.8 percentage points. The Company recorded revenue of RMB87.773 billion, representing a year-on-year increase of 24.8%. Profit attributable to equity holders of the Company was RMB9.802 billion, representing a year-on-year increase of 31.3%. Basic earnings per share was RMB0.74, representing a year-on-year increase of 32.1%. Following the enshrined principle of pursuing a safe, human-oriented development, the Company, with a fatality rate of 0.008 per million tonnes of raw coal production, maintained its international advanced standards.

In 2011, the Company took the initiative to execute the targets set out in the "Twelfth Five-Year Plan", making new progress on the preliminary preparations of certain major projects as the infrastructure projects advanced smoothly. In the Shanxi Base, the construction of Pingshuo East Open Pit Mine was expedited, both open pit mining and on-load test of the coal preparation plant were carried out in September and 2 million tonnes of raw coal was produced for 2011. Construction of Wangjialing Coal Mine was resumed and Xiaohuigou Coal Mine was granted state approval. The industry chain of coking enterprises was extended and the Company entered into share purchase agreements to acquire the equity interest in Jinchang Coal Mine and Yushuo Coal Mine, further increasing our capability to secure resources. In the Inner Mongolia-Shaanxi Mining Base, the Company secured absolute control over the Shalajida Coal Field at Hujierte Mining Area, increasing premium coal resources by 1.66 billion tonnes and shoring up the Company's dominant position in the development of that mining area. The preliminary construction works for coal mines including Muduchaideng Coal Mine and Nalin River No. 2 Coal Mine Projects proceeded smoothly. The restructuring of Hecaogou Coal Mine was speeded up under a general contracting arrangement and Hecaogou Coal Mine is expected to commence operation in the first half of 2012. In Xinjiang and Heilongjiang Mining Bases, the preparation works of Weizigou and No. 10 Coal Mine in Hami Dananhu advanced smoothly, and the deep coal resources of Yilan Coal Mine No. 3 were secured. As of the end of 2011, under the PRC mining standards, the Company's coal resource reserve amounted to 19.64 billion tonnes, further improving the Company's sustainable development abilities.

In 2011, the Company completed the shareholding adjustment and split of Huajin Company, streamlining the relationship of management responsibilities of Wanjialing Coal Mine. The Company also actively promoted coal and power joint operations with large electricity enterprises, including the co-development of 2×600 MW power generation project with Datang Corporation and the cooperation with China Power International in the development of 2×600 MW power generation project, of which relevant companies have been established and preparation works have started. The Company successfully issued RMB15 billion medium-term notes, which was the largest issuance of medium-term notes by a Chinese enterprise in 2011. With financing cost being RMB700 million less than the finance costs of the current five-year term bank loan, the aforementioned issuance provided a solid capital support for the operations and development of the Company.

In 2011, the Company proactively pursued new strategies on technological innovations and continuously enhanced independent innovation capabilities. The Company formulated strategies to execute technological development and intellectual property planning during the "Twelfth Five-Year Plan". The Company also established China Coal Technology Research Institute and China Coal Chemical Industry Research Institute, built strategic close alliance with China Coal Technology & Engineering Group Corporation on technological innovations, forming a technological research and development system which was independent, open and integrated. The Company focused on the development of key operations and the construction of coal production bases, organising and implementing 50 major technological projects. Automatic integrated equipment for thin coal seams was successfully put to test in underground mining, while projects such as exploration of coal and geological structure and established National Resources Coal Mine Excavation Equipment Research and Development (Experiment) Centre achieved significant progress. The Company was awarded with 1 national technological improvement award, 18 provincial and ministerial technological improvement awards and registered 168 patents, representing a rapid year-on-year increase. The Company strived to develop "Green China Coal" and established the conceptual direction and strategic position of green development for the Company. The Company maintained leading position in the industry in terms of major energy conservation and emission reduction indicators. The development of a recycling economy in Pingshuo Mining Area was rated as an outstanding practice of corporate social responsibility by a state-owned enterprise in 2011.

In 2012, the dynamics of both international and domestic affairs are becoming more complicated. The recovery of the U.S., Japan and the Eurozone economies have been lackluster while the growth in emerging economies are showing clear signs of slowdown. Coupled with the significant increase in volatility of financial markets in some countries, a slump in global demand and a more intensified market competition, the global economy is heading towards a period of downturn. Coupled with rising prices, the downward trend in domestic economic growth aggravated most industries' problem of having a surplus production capacity, and contributed to a lack of ability to innovate in most industries as well as a rapid increase of operating costs. Regarding the coal industry, coal production capacity have been expanding quickly and has now entered a phase of concentrated release. The rate of increase for coal demand has appeared to slow down, in contrast with a sustained high level of coal import and increasing capabilities in coal supply. With logistical bottlenecks causing an under-utilisation of some of the industry's production capacity, it is expected that the demand and supply of coal will basically maintain a balance, although there may be cases of coal oversupply in some areas, and during certain periods. The sentiment of the coal industry, though expected to remain positive, is on a downward trend, and the operating pressure facing coal enterprises will see a marked increase. At the same time, we believe that the development of China is still at a time where vital strategic opportunities may yet arise for the industry. The investment projects of the "Twelfth Five-Year Plan" are in a phase of intense construction in 2012, and the central government's proactive fiscal policy shall boost domestic demand. These factors shall be conducive to a continuous, steady and healthy growth of the coal industry. As the central government encourages the construction of large coal production bases as well as construction projects by large enterprises, together with substantial support from local governments, the external environment shall be favourable to the Company's development.

China Coal Energy is determined to face any difficulties or challenges through proactively leveraging on government policies and market dynamics. Through focused efforts on effective production management, the Company shall aim to attain over 5% increase of raw coal production in 2012; through focused efforts on effectively coordinating production, transportation and sales, the Company shall strive to capture a greater market share; through focused efforts on the preliminary works for projects, the Company shall aim to have projects executed as planned; through focused efforts on management of construction projects, the Company shall aim to expedite the commencement of operations and shorten the time needed for operations to be on track and generate profits; through focused efforts on production safety, the Company shall aim to eradicate major and serious accidents; through focused efforts on the sound management of the Company's fundamentals, the Company shall aim to improve quality and efficiency of the Company's operations; through focused efforts on technological innovations, the Company shall aim to enhance the drive for innovation within the Company. While still placing great importance on safety and striving to enhance technology, increase production, lower cost, secure more railway capacity and maintain financing capabilities, the Company will put greater emphasis on long-term planning by keeping a close watch on preliminary works, expediting the completion of construction projects, building a solid foundation, nurturing a competent team, pooling talents and developing a sound corporate culture. The Company shall unceasingly pursue the enhancement of both corporate governance and the operating results in its unyielding efforts to create more value for the Company's Shareholders.

Wang An
Chairman

Beijing, the PRC
27 March 2012

Management Discussion and Analysis of Financial Conditions and Operating Results

The following discussion and analysis should be read in conjunction with the Group's audited financial statements and the notes thereto. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards.

I. Overview

In 2011, the Group arranged its production in a scientific way, strengthened the coordination among its production, transportation and sales, optimised its product structure and enhanced the profitability of its products, and its revenue and profit hit another record high. For the year ended 31 December 2011, the Group's total revenue (net of inter-segmental sales) amounted to RMB87.773 billion, representing a year-on-year increase of 24.8%; profit before income tax amounted to RMB14.042 billion, representing a year-on-year increase of 27.7%; profit attributable to equity holders of the Company amounted to RMB9.802 billion, representing a year-on-year increase of 31.3%; net cash generated from operating activities per share was RMB1.11, representing a year-on-year increase of RMB0.30; and basic earnings per share was RMB0.74, representing a year-on-year increase of RMB0.18.

	For the year ended 31 December 2011 (RMB100 million)	For the year ended 31 December 2010 (RMB100 million)	Increase/decrease (RMB100 million)	(%)
Revenue	**877.73**	703.03	174.70	24.8
Profit before income tax	**140.42**	109.99	30.43	27.7
EBIDTA	**185.94**	145.90	40.04	27.4
Profit attributable to equity holders of the Company	**98.02**	74.66	23.36	31.3
Net cash generated from operating activities	**146.98**	106.83	40.15	37.6

As at 31 December 2011, the gearing ratio (total interest-bearing debts/(total interest-bearing debts + equity)) of the Group was 23.2%, representing an increase of 10.9 percentage points from the beginning of the year.

	As at 31 December 2011 (RMB100 million)	As at 31 December 2010 (RMB100 million)	Increase/decrease (RMB100 million)	(%)
Assets	**1,599.33**	1,229.36	369.97	30.1
Liabilities	**639.68**	365.98	273.70	74.8
Interest-bearing debts	**290.34**	121.38	168.96	139.2
Equity	**959.65**	863.38	96.27	11.2
Equity attributable to the equity holders of the Company	**817.45**	740.48	76.97	10.4

II. Operating Results

(1) Combined Operating Results

1. Revenue

For the year ended 31 December 2011, the Group's total revenue (net of inter-segmental sales) increased from RMB70.303 billion for the year ended 31 December 2010 to RMB87.773 billion, representing an increase of 24.8%. The increase is mainly attributable to the significant year-on-year growth in revenue of the Group's coal and coal mining equipment business.

Changes in revenue net of inter-segmental sales from the Group's four operating segments of coal, coking, coal mining equipment and other operations for the year ended 31 December 2011 in comparison with the year ended 31 December 2010 were set out as follows:

	Revenue net of inter-segmental sales			
	For the year ended 31 December 2011 (RMB100 million)	For the year ended 31 December 2010 (RMB100 million)	Increase/decrease (RMB100 million)	(%)
Coal operations	**717.41**	558.39	159.02	28.5
Coking operations	**52.74**	48.88	3.86	7.9
Coal mining equipment operations	**70.73**	60.95	9.78	16.0
Other operations	**36.85**	34.81	2.04	5.9
Total	**877.73**	703.03	174.70	24.8

The proportion of revenue net of inter-segmental sales generated by each operating segment of the Group for the year ended 31 December 2011 and the year ended 31 December 2010 in the Group's total revenue were set out as follows:

	Proportion of revenue net of inter-segmental sales		
	For the year ended 31 December 2011 (%)	For the year ended 31 December 2010 (%)	Increase/ decrease (percentage points)
Coal operations	**81.7**	79.4	2.3
Coking operations	**6.0**	7.0	-1.0
Coal mining equipment operations	**8.1**	8.7	-0.6
Other operations	**4.2**	4.9	-0.7

2. *Cost of sales*

For the year ended 31 December 2011, the Group's cost of sales increased from RMB55.825 billion for the year ended 31 December 2010 to RMB69.466 billion, representing an increase of 24.4%.

Materials costs increased from RMB31.190 billion for the year ended 31 December 2010 to RMB39.985 billion, representing an increase of 28.2%. The increase was mainly attributable to the growth in the Group's materials consumption as a result of its expansion of production, the rise of raw materials prices and sales volume of proprietary coal trading, which led to a corresponding increase of materials costs.

Staff costs increased from RMB3.768 billion for the year ended 31 December 2010 to RMB4.080 billion, representing an increase of 8.3%. The increase was mainly attributable to the adjustment to staff wages in light of the growth in business performance during the reporting period. In addition, the provision of enterprise annuity made by the Group since January 2011 also contributed to the increase in staff costs.

Depreciation and amortisation expenses increased from RMB3.437 billion for the year ended 31 December 2010 to RMB4.081 billion, representing an increase of 18.7%. The increase was mainly attributable to an increase of production equipment and facilities being put into operation as a result of the Group's expansion of production and operation, resulting in a corresponding increase in the expenses.

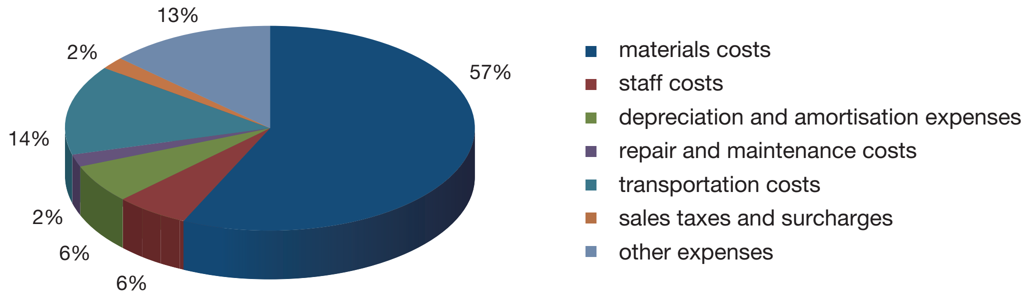
Repair and maintenance costs increased from RMB682 million for the year ended 31 December 2010 to RMB1.114 billion, representing an increase of 63.3%. The increase was mainly attributable to the increase in expenditure on repair and maintenance due to the higher utilisation rate of equipment as a result of the increase in coal production volume.

Transportation costs increased from RMB8.479 billion for the year ended 31 December 2010 to RMB9.694 billion, representing an increase of 14.3%. The increase in costs during the reporting period was mainly attributable to the increase in the volume of the Group's seaborne coal sales for which the Group bore the transportation costs and the increase in the transportation and port charges levied since 1 October 2011 in accordance with relevant PRC regulations.

Sales taxes and surcharges increased from RMB1.175 billion for the year ended 31 December 2010 to RMB1.364 billion, representing an increase of 16.1%. The increase was mainly attributable to the increase in corresponding taxes and surcharges as a result of the increase in the Group's coal production and sales volume and sales gross profit.

Other expenses increased from RMB7.094 billion for the year ended 31 December 2010 to RMB9.148 billion, representing an increase of 29.0%. The increase was mainly attributable to the corresponding increase of expenses incurred in relation to coal mining, including environmental restoration expenses and the sustainable development funds.

The cost of sales comprises:



3. Gross profit and gross profit margin

For the year ended 31 December 2011, gross profit increased from RMB14.478 billion for the year ended 31 December 2010 to RMB18.307 billion, representing an increase of 26.4%, and gross profit margin increased from 20.6% for the year ended 31 December 2010 to 20.9%, representing an increase of 0.3 percentage point.

The gross profit and gross profit margin of each operating segment of the Group for the year ended 31 December 2011 and for the year ended 31 December 2010 were as follows:

	Gross profit			Gross profit margin		
	For the year ended 31 December 2011 (RMB100 million)	**For the year ended 31 December 2010 (RMB100 million)**	**Increase/ decrease (%)**	For the year ended 31 December 2011 (%)	For the year ended 31 December 2010 (%)	Increase/ decrease (percentage points)
Coal operations	**164.53**	**129.87**	**26.7**	22.8	23.1	-0.3
Self-produced commercial coal	**158.85**	**126.39**	**25.7**	31.5	30.6	0.9
Proprietary coal trading	**5.14**	**3.03**	**69.6**	2.4	2.0	0.4
Coking operations	**0.84**	**-0.70**	**–**	1.6	-1.4	3.0
Coal mining equipment operations	**15.54**	**13.76**	**12.9**	19.1	19.5	-0.4
Other operations	**2.98**	**2.91**	**2.4**	6.8	7.0	-0.2
Group	**183.07**	**144.78**	**26.4**	20.9	20.6	0.3

Note: The above gross profit and gross profit margin of each operating segment are figures before netting of inter-segmental sales.

(2) Operating results of segments

1. Coal segment

- **Revenue**

The major coal products of the Group were thermal coal and coking coal. Revenue from the coal operations was mainly generated from selling coal produced from our own coal mines and coal washing plants (sales of self-produced commercial coal) to domestic and overseas customers. In addition, the Group also purchased coal from external coal enterprises for resale to customers (sales of proprietary coal trading) and was engaged in coal import and export agency services.

For the year ended 31 December 2011, the total revenue from coal operations of the Group increased from RMB56.266 billion for the year ended 31 December 2010 to RMB72.035 billion, representing an increase of 28.0%; revenue net of other inter-segmental sales increased from RMB55.839 billion for the year ended 31 December 2010 to RMB71.741 billion, representing an increase of 28.5%.

For the year ended 31 December 2011, revenue from sales of self-produced commercial coal increased from RMB41.341 billion for the year ended 31 December 2010 to RMB50.408 billion, representing an increase of 21.9%. After offsetting the revenue from inter-segmental sales, the revenue increased from RMB40.914 billion for the year ended 31 December 2010 to RMB50.114 billion, representing an increase of 22.5%. Revenue from sales of proprietary coal trading increased from RMB14.880 billion for the year ended 31 December 2010 to RMB21.573 billion, representing an increase of 45.0%. Revenue from coal import and export agency services increased from RMB45 million for the year ended 31 December 2010 to RMB54 million, representing an increase of 20.0%.

Changes in the Group's coal sales volume and selling price for the year ended 31 December 2011 in comparison with the year ended 31 December 2010 were set out as follows:

		For the year ended 31 December 2011		For the year ended 31 December 2010		Increase/decrease		Increase/decrease (%)	
		Sales volume (10,000 tonnes)	**Selling price (RMB/tonne)**	Sales volume (10,000 tonnes)	Selling price (RMB/tonne)	Sales volume (10,000 tonnes)	Selling price (RMB/tonne)	Sales volume (%)	Selling price (%)
I. Self-produced commercial coal	Total	**10,015**	**500**	8,975	456	1,040	44	11.6	9.6
	(I) Thermal coal	**9,928**	**493**	8,868	446	1,060	47	12.0	10.5
	1. Domestic sale	**9,854**	**490**	8,728	443	1,126	47	12.9	10.6
	(1) Long-term contract	**5,157**	**425**	6,150	410	-993	15	-16.1	3.7
	(2) Spot trading	**4,697**	**562**	2,578	521	2,119	41	82.2	7.9
	2. Export	**74**	**795**	140	662	-66	133	-47.1	20.1
	(1) Long-term contract	**74**	**795**	140	660	-66	135	-47.1	20.5
	(2) Spot trading	☆	☆	0.3	1,458	-0.3	–	-100	–
	(II) Coking Coal	**87**	**1,382**	107	1,267	-20	115	-18.7	9.1
	1. Domestic sale	**87**	**1,382**	107	1,267	-20	115	-18.7	9.1
	(1) Long-term contract	**21**	**1,412**	30	1,274	-9	138	-30.0	10.8
	(2) Spot trading	**66**	**1,373**	77	1,264	-11	109	-14.3	8.6
	2. Export	☆	☆	☆	☆	–	–	–	–
II. Proprietary coal trading	Total	**3,087**	**699**	2,394	621	693	78	28.9	12.6
	(I) Domestic resale	**2,639**	**710**	2,077	636	562	74	27.1	11.6
	(II) Self-operated exports	**5***	**2,529**	1*	2,982	4	–453	400.0	–15.2
	(III) Import trading	**443**	**614**	309	510	134	104	43.4	20.4
	(IV) Transshipment trading	☆	☆	7	568	–7	–	–100	–
III. Import and export agency	Total	**368**	**15★**	358	13★	10	2	2.8	15.4
	(I) Import agency	**84**	**3★**	☆	☆	84	–	–	–
	(II) Export agency	**284**	**18★**	358	13★	–74	5	–20.7	38.5

☆ : N/A

* : Briquette export

★ : Agency service fee

- **Cost of sales**

For the year ended 31 December 2011, cost of sales for the Group's coal operations increased from RMB43.279 billion for the year ended 31 December 2010 to RMB55.582 billion, representing an increase of 28.4%. Changes in the major cost items are set out as follows:

Items	For the year ended 31 December 2011 (RMB100 million)	For the year ended 31 December 2010 (RMB100 million)	Increase/decrease (RMB100 million)	(%)
Materials costs (excluding cost of external purchases of raw coal for washing purpose and proprietary coal trading cost)	**58.62**	49.39	9.23	18.7
Cost of external purchases of raw coal for washing purpose	**22.11**	16.29	5.82	35.7
Proprietary coal trading cost	**210.59**	145.77	64.82	44.5
Staff costs	**29.87**	27.97	1.90	6.8
Depreciation and amortisation	**35.05**	28.89	6.16	21.3
Repair and maintenance☆	**11.59**	7.22	4.37	60.5
Transportation costs	**91.31**	80.26	11.05	13.8
Coal sustainable development fund (reserve)	**19.14**	14.81	4.33	29.2
Outsourcing mining engineering fee	**24.09**	18.85	5.24	27.8
Sales taxes and surcharges	**11.99**	9.97	2.02	20.3
Other costs*	**41.46**	33.37	8.09	24.2
Total costs of sales for coal operations	**555.82**	432.79	123.03	28.4

Notes: ☆: Repair and maintenance expenses for coal operations include inter-segmental repair and maintenance expenses to be offset upon combination.

*: Other costs include environmental restoration expenses incurred in relation to coal mining operation and expenses for small and medium projects etc. incurred in relation to coal production.

For the year ended 31 December 2011, the Group's cost of sales of self-produced commercial coal was RMB34.523 billion, representing a year-on-year increase of RMB5.821 billion or 20.3%. The unit cost of sales of self-produced commercial coal was RMB344.71/tonne, representing a year-on-year increase of RMB24.93/tonne or 7.8%.

Changes of the major items of the Group's unit cost of sales of self-produced commercial coal are as follows:

Items	**For the year ended 31 December 2011 (RMB/tonne)**	For the year ended 31 December 2010 (RMB/tonne)	Increase/decrease (RMB/tonne)	(%)
Materials costs (excluding cost of external purchases of raw coal for washing purpose)	**58.54**	55.04	3.50	6.4
Cost of external purchases of raw coal for washing purpose	**22.08**	18.14	3.94	21.7
Staff costs	**29.83**	31.16	-1.33	-4.3
Depreciation and amortisation	**35.00**	32.18	2.82	8.8
Repair and maintenance	**11.58**	8.04	3.54	44.0
Transportation costs	**91.18**	89.42	1.76	2.0
Sales taxes and surcharges	**11.97**	11.11	0.86	7.7
Coal sustainable development fund (reserve)	**19.11**	16.50	2.61	15.8
Outsourcing mining engineering fee	**24.05**	21.01	3.04	14.5
Other costs	**41.37**	37.18	4.19	11.3
Total unit cost of sales of self-produced commercial coal	**344.71**	319.78	24.93	7.8

The increase in the Group's unit cost of sales of self-produced commercial coal for the year ended 31 December 2011 as compared to 2010 was mainly attributable to:

Materials costs increased by RMB3.50/tonne over the same period of 2010, which was mainly attributable to the corresponding increase in the cost of components, construction materials and explosives consumed as a result of factors including the entering into major maintenance period of some of the aged equipment of the open pit mines, the extension of working face excavation of underground mines, as well as the inflated cost of material. Furthermore, the expenses on anti-freeze spray for the coal products transported by railway increased year-on-year due to the cold weather in Shanxi Province at the beginning of the year and the safety management requirements by the relevant local department of railway authority.

Unit cost of externally purchased raw coal increased by RMB3.94/tonne over 2010, which was mainly due to the increase of volume and total costs of external purchases of raw coal for washing purpose.

Unit staff costs decreased by RMB1.33/tonne over the same period of 2010, which was mainly attributable to the decrease in staff cost per unit of coal produced due to the increase in production and sales volume of self-produced commercial coal.

Unit expenses of depreciation and amortisation increased by RMB2.82/tonne over 2010, which was mainly due to the increase in depreciation and amortisation costs as a result of the increase of production equipment and facilities put into use by the Group during the reporting period.

Unit repair and maintenance expenses increased by RMB3.54/tonne over the same period of 2010, which was mainly due to the increase in expenses resulting from the concentrated repairing of the production equipment of the Group's mining areas including Pingshuo Mining Area and Datun Mining Area.

Unit transportation costs increased by RMB1.76/tonne over the same period of 2010. The increase in costs was mainly due to the increase in the sales volume of seaborne coal for which the Group bore the transportation costs during the reporting period and the increase in the transportation and port charges levied since 1 October 2011 in accordance with relevant PRC regulations.

Unit cost in the coal sustainable development fund (reserve) increased by RMB2.61/tonne year-on-year. From 2011, in compliance with payment standard, Shanghai Company of the Group booked the coal sustainable development reserve as expense in accordance with the relevant policies of Xuzhou City, Jiangsu Province. The subsidiaries of the Group in Shanxi Province were, from 1 March onwards, subject to a statutory increase in the contribution to the coal sustainable development fund in the amount of RMB3/tonne of raw coal (which meant the contribution for thermal coal was increased from RMB13/tonne to RMB16/tonne and coking coal from RMB20/tonne to RMB23/tonne) under the relevant requirements of Shanxi Province, which resulted in an increase in cost.

Unit outsourcing mining engineering fees recorded a year-on-year increase of RMB3.04/tonne, which was primarily due to the increase in the outsourcing engineering volume, which includes outsourcing stripping volume and fully-mechanised contracting volume, as well as the increase in unit settlement price of the mining areas of the Group.

Unit other costs increased by RMB4.19/tonne over the same period of 2010, which was mainly due to the increase in environmental restoration expenses attributable to the mining areas, the labour costs settled and expenses for small and medium underground projects.

- **Segmental gross profit and gross profit margin**

For the year ended 31 December 2011, gross profit of the Group's coal operations segment increased from RMB12.987 billion for the year ended 31 December 2010 to RMB16.453 billion, representing an increase of 26.7%, and gross profit margin decreased by 0.3 percentage point from 23.1% for the year ended 31 December 2010 to 22.8%. Gross profit margin of self-produced commercial coal was 31.5%, representing a year-on-year increase of 0.9 percentage point. The decrease in gross profit margin of coal segment was mainly due to the year-on-year increase in sales volume and the increase in proportion of proprietary coal trading with lower gross profit margin. The Group actively increased proprietary coal trading sales mainly to prepare for the commissioning and production expansion of its coal mines which are under construction, so as to further reinforce and expand its market position.

2. COKING OPERATIONS

- **Segmental revenue**

For the year ended 31 December 2011, the Group's revenue from coking operations increased from RMB4.888 billion for the year ended 31 December 2010 to RMB5.274 billion (all from revenue of external sales), representing an increase of 7.9%. This was mainly due to a year-on-year increase in the selling price of coke and methanol.

For the year ended 31 December 2011, the revenue from the sales of coke of the Group was RMB4.321 billion, representing a year-on-year increase of RMB248 million.

Changes in the volume and price of the Group's coke sales were set out in the table below:

	For the year ended 31 December 2011		For the year ended 31 December 2010		Increase/decrease	
	(10,000 tonnes)	**(RMB/ tonne)**	(10,000 tonnes)	(RMB/ tonne)	(10,000 tonnes)	(RMB/ tonne)
1. Self-produced	**210**	**1,689**	217	1,564	-7	125
Domestic sales	**210**	**1,689**	217	1,564	-7	125
Exports	☆	☆	☆	☆	–	–
2. Proprietary trading	**38**	**2,045**	36	1,901	2	144
Domestic sales	**29**	**1,835**	26	1,680	3	155
Exports	**9**	**2,711**	10	2,456	-1	255
3. Export agency	**10**	**28***	6	21*	4	7

☆ : N/A

* : Agency service fee

For the year ended 31 December 2011, the Group's revenue from methanol, coal tar, crude benzol, etc. in the coking operations (excluding coke sales) amounted to RMB953 million, representing a year-on-year increase of RMB138 million. China Coal Longhua Company contributed self-produced methanol sales volume of 0.1634 million tonnes. Meanwhile, to avoid horizontal competition, as required by the undertakings made by China Coal Group upon the listing of the A Shares, all the methanol products produced by China Coal Longhua Company of China Coal Group were sold externally via the Group after the 0.25 million tonnes/year methanol project of China Coal Longhua Company came into operation, resulting in an increase of 0.0699 million tonnes in sales volume of methanol. During the reporting period, the Group's sales volume of methanol amounted to 0.2333 million tonnes, with a comprehensive selling price of RMB2,169/tonne and revenue of RMB506 million, representing a year-on-year increase of RMB385/tonne and RMB72 million respectively.

- **Segmental costs**

For the year ended 31 December 2011, sales costs of coking operations increased from RMB4.958 billion for the year ended 31 December 2010 to RMB5.190 billion, representing an increase of 4.7%. The increase was mainly attributable to the increase in unit cost of sales of methanol.

- **Segmental gross profit and gross profit margin**

For the year ended 31 December 2011, gross profit of the Group's coking operations segment increased from a loss of RMB70 million for the year ended 31 December 2010 to a profit of RMB84 million, representing an increase of RMB154 million, and gross profit margin increased from -1.4% for the year ended 31 December 2010 to 1.6%, representing an increase of 3.0 percentage points.

3. *Coal mining equipment operations*

- **Segmental revenue**

For the year ended 31 December 2011, the Group's revenue from the coal mining equipment operations increased from RMB7.071 billion for the year ended 31 December 2010 to RMB8.129 billion, representing an increase of 15.0%, of which the revenue net of other inter-segmental sales increased from RMB6.095 billion for the year ended 31 December 2010 to RMB7.073 billion, representing an increase of 16.0%. The increase was mainly attributable to the year-on-year increase in the sales volume of coal machinery products.

- **Segmental costs**

For the year ended 31 December 2011, cost of sales of coal mining equipment operations increased from RMB5.695 billion for the year ended 31 December 2010 to RMB6.575 billion, representing an increase of 15.5%. The increase was mainly attributable to the increase in sales volume of coal machinery products, resulting in the corresponding increase in cost of sales.

- **Segmental gross profit and gross profit margin**

For the year ended 31 December 2011, gross profit of the Group's coal mining equipment operations segment increased from RMB1.376 billion for the year ended 31 December 2010 to RMB1.554 billion, representing an increase of 12.9%, and gross profit margin decreased from 19.5% for the year ended 31 December 2010 to 19.1%, representing a decrease of 0.4 percentage point.

4. *Other operations segments*

For the year ended 31 December 2011, the Group's total revenue from operations such as sales of primary aluminum and power generation increased from RMB4.170 billion for the year ended 31 December 2010 to RMB4.400 billion, representing an increase of 5.5%, of which the revenue net of other inter-segmental sales increased from RMB3.481 billion for the year ended 31 December 2010 to RMB3.685 billion, representing an increase of 5.9%. The gross profit of other business segments increased by 2.4% from RMB291 million for the year ended 31 December 2010 to RMB298 million, and gross profit margin decreased from 7.0% for the year ended 31 December 2010 to 6.8%, representing a decrease of 0.2 percentage point.

(3) Selling, general and administrative expenses

For the year ended 31 December 2011, the Group's selling, general and administrative expenses increased from RMB3.749 billion for the year ended 31 December 2010 to RMB4.574 billion, representing an increase of 22.0%. The increase was mainly attributable to the year-on-year increase in staff costs resulting from the adjustment of remuneration level in accordance with the growth in business performance and provision for enterprise annuity.

(4) Other income/(loss)

For the year ended 31 December 2011, the Group's other income/(loss) recorded net income of RMB75 million from the net loss of RMB54 million for the year ended 31 December 2010, which was mainly attributable to the investment loss of RMB165 million incurred from the disposal of long-term equity investment in China Coal and Coke Mudanjiang Limited under the Group in 2010, while there weren't any such loss recorded for the current reporting period.

(5) Other gains, net

For the year ended 31 December 2011, the other net gains of the Group decreased from RMB387 million for the year ended 31 December 2010 to RMB116 million, representing a decrease of 70.0%. The decrease was mainly attributable to 2010's recognition of the RMB278 million excess of identifiable net asset fair value in the consideration paid for the shares of Xiaohuigou Coal acquired by the Group as other gains, while there were no analogous gains for the current reporting period.

(6) Profit from operations

For the year ended 31 December 2011, the Group's profit from operations increased from RMB11.062 billion for the year ended 31 December 2010 to RMB13.924 billion, representing an increase of 25.9%. Changes in profit from operations for each operating segment were as follows:

		For the year ended 31 December 2011 (RMB100 million)	For the year ended 31 December 2010 (RMB100 million)	Increase/decrease (RMB100 million)	(%)
The Group		**139.24**	110.62	28.62	25.9
Of which:	Coal operations	**137.14**	114.43	22.71	19.8
	Coking Operations	**-0.75**	-5.68	4.93	–
	Coal mining equipment operations	**5.85**	4.97	0.88	17.7
	Other operations	**0.07**	0.72	-0.65	-90.3

Note: The above profit from operations for each operating segment are figures before netting of inter-segmental sales.

(7) Finance income and finance costs

For the year ended 31 December 2011, the Group's net finance costs increased from RMB109 million for the year ended 31 December 2010 to RMB177 million, representing an increase of 62.4%, of which the finance income increased from RMB484 million for the year ended 31 December 2010 to RMB622 million, representing an increase of 28.5%. The increase was mainly attributable to an increase in the interest from bank deposits. The finance costs increased from RMB593 million for the year ended 31 December 2010 to RMB799 million, representing an increase of 34.7%, which was mainly due to the increase in bank borrowings and the year-on-year increase in interest expenses of RMB284 million in relation to the issuance of medium-term notes by the Group during the reporting period, while the year-on-year decrease in foreign exchange loss of RMB81 million partially offset the increase in finance costs.

(8) Share of profits of associates and jointly controlled entities

For the year ended 31 December 2011, the Group's share of profits of associates and jointly controlled entities increased from RMB46 million for the year ended 31 December 2010 to RMB295 million, representing an increase of 541.3%. This was mainly because the Group's investment gain from associates and jointly controlled entities recognised based on its shareholding increased during the reporting period.

(9) Profit before income tax

For the year ended 31 December 2011, the Group's profit before income tax increased from RMB10.999 billion for the year ended 31 December 2010 to RMB14.042 billion, representing an increase of 27.7%.

(10) Income tax expenses

For the year ended 31 December 2011, the Group's income tax expenses increased from RMB2.848 billion for the year ended 31 December 2010 to RMB3.383 billion, representing an increase of 18.8%.

(11) Profit attributable to equity holders of the Company

For the year ended 31 December 2011, profit attributable to equity holders of the Company increased from RMB7.466 billion for the year ended 31 December 2010 to RMB9.802 billion, representing an increase of 31.3%.

III. Cash Flow

As at 31 December 2011, the Group's cash and cash equivalents amounted to RMB20.878 billion, representing a net decrease of RMB2.044 billion as compared to the cash and cash equivalents of RMB22.922 billion as at 31 December 2010.

Net cash generated from operating activities increased from RMB10.683 billion for the year ended 31 December 2010 to RMB14.698 billion for the year ended 31 December 2011, representing an increase of 37.6%, mainly due to a year-on-year increase of RMB5.628 billion in net cash inflow generated from operating activities as a result of the expansion in operation, a year-on-year decrease of RMB429 million in cash inflow from interest income received, a year-on-year increase of RMB38 million in cash outflow for the payment of interest and a year-on-year increase of RMB1.147 billion in cash outflow for the payment of income tax.

Net cash used in/(generated from) investing activities for the year ended 31 December 2011 was net cash outflow of RMB35.178 billion, compared to the net cash inflow of RMB1.466 billion for the year ended 31 December 2010. This was mainly attributable to the cash outflow for the reporting period of RMB6.672 billion incurred in relation to term deposits with initial terms exceeding three months, as compared to the cash inflow of RMB18.190 billion for 2010, and cash used in the acquisition of property, plant and equipment for the Group's core businesses as well as cash paid for the acquisition of subsidiaries recorded a year-on-year increase of RMB10.300 billion.

Net cash flow generated from/(used in) financing activities for the year ended 31 December 2011 was net cash inflow of RMB18.443 billion, as compared to the net cash outflow of RMB1.853 billion for the year ended 31 December 2010. This was attributed to the net cash inflow of RMB 14.955 billion received in relation to the issuance of medium-term notes by the Group during the reporting period and the year-on-year increase of RMB5.775 billion in cash received from borrowings to meet the needs of production, operation and project construction, while the year-on-year decrease of RMB589 million in contribution from non-controlling interests partially offset the increase in cash received from the issuance of medium-term notes and borrowings.

IV. Liquidity and Sources of Capital

For the year ended 31 December 2011, the Group's funds were mainly derived from the proceeds generated from business operations, bank borrowings and net amounts of funds raised in capital markets. The Group's funds were mainly used for investments in production facilities and equipment for coal, coking and coal mining equipment operations, repayment of debts owed by the Group, and the Group's working capital and general recurring expenditures.

The cash generated from the Group's operation, the net proceeds from share offering in the global and domestic capital markets, and the relevant banking facilities obtained will ensure the sufficiency of capital funds for future production and operation activities as well as project construction.

V. Assets and Liabilities

(1) Property, plant and equipment

As at 31 December 2011, the net value of property, plant and equipment of the Group amounted to RMB60.224 billion, representing a net increase of RMB13.806 billion or 29.7% as compared to RMB46.418 billion as at 31 December 2010. This was mainly attributable to an increase in the net value of property, plant and equipment of RMB16.102 billion resulted from the increase in investment in construction projects of the Group and the fulfillment of production and operation needs, an increase in the net value of property, plant and equipment of RMB299 million resulted from the acquisition of subsidiaries, as well as a decrease in the net value of property, plant and equipment of RMB2.519 billion resulting from the loss of control over Huajin Company.

The composition of the Group's property, plant and equipment (net) as at 31 December 2011 and 31 December 2010 is set out as follows:

	As at 31 December 2011 (RMB100 million)	**Percentage (%)**	As at 31 December 2010 (RMB100 million)	Percentage (%)
Buildings	**91.14**	**15.1**	85.77	18.5
Mining structures	**44.45**	**7.4**	54.55	11.7
Plant, machinery and equipment	**165.75**	**27.5**	155.93	33.6
Railway structures	**4.41**	**0.7**	4.52	1.0
Motor vehicles, fixtures and others	**9.82**	**1.7**	7.77	1.7
Construction in progress	**286.67**	**47.6**	155.64	33.5
Total	**602.24**	**100.0**	464.18	100.0

(2) Mining and exploration rights

As at 31 December 2011, the net value of the Group's mining and exploration rights amounted to RMB28.420 billion, representing a net increase of RMB9.809 billion or 52.7% as compared to RMB18.611 billion as at 31 December 2010. This was primarily attributable to an increase of RMB11.006 billion in mining rights from the acquisition of equity interests in Ordos Yinhe Hongtai Coal Electricity Company Limited during the reporting period, as well as a corresponding decrease of RMB934 million in mining rights resulting from the loss of control over Huajin Company.

(3) Other non-current assets

As at 31 December 2011, other non-current assets of the Group amounted to RMB3.048 billion, representing an increase of RMB2.986 billion as compared to RMB62 million as at 31 December 2010. This was mainly attributable to the advance payment of mining and exploration rights acquisition and investment booked under other non-current assets by the Group according to the development progress of the projects. The payments shall be changed to mining rights or equity investments upon acquisition or realisation of investment in future.

(4) Trade and note receivables

As at 31 December 2011, the net amount of trade and note receivables of the Group amounted to RMB7.803 billion, representing an increase of RMB797 million or 11.4% as compared to RMB7.006 billion as at 31 December 2010, of which the net amount of trade receivables amounted to RMB5.379 billion, representing an increase of RMB805 million or 17.6% as compared to RMB4.574 billion as at 31 December 2010. The increase in trade receivables was mainly attributable to the increase in sales revenue as a result of the expansion of sales of the Group during the reporting period. The balance of trade receivables aged within six months amounted to RMB4.503 billion, accounting for 79.6% of the balance of trade receivables, representing an increase of RMB857 million or 23.5% as compared to RMB3.646 billion as at 31 December 2010.

(5) Borrowings

As at 31 December 2011, the balance of borrowings of the Group amounted to RMB14.079 billion, representing a net increase of RMB1.941 billion or 16.0% as compared to RMB12.138 billion as at 31 December 2010. The increase was mainly attributable to the corresponding increase in borrowings during the reporting period of RMB6.716 billion for the projects of the Group including the Pingshuo East Open Pit Mine Project during the reporting period, the corresponding decrease in borrowings of RMB3.380 billion resulting from the loss of control over Huajin Company, as well as the repayment of borrowings fallen due of RMB1.395 billion.

(6) Debentures payables

As at 31 December 2011, the balance of debentures payables of the Group amounted to RMB14.955 billion as a result from the issuance of medium-term notes by the Group during the reporting period.

VI. Significant Pledge of Assets

For the year ended 31 December 2011, the Group had no significant pledge of assets.

VII. Significant Investment

For details of significant investment during the reporting period, please refer to the section headed "Directors' Report" in this report.

VIII. Material Acquisition and Disposal

For details of material acquisition and disposal during the reporting period, please refer to the section headed "Directors' Report".

IX. Registration and Issuance of Medium-term Notes and Short-term Bonds

For details of registration and issuance of medium-term notes and short-term bonds during the reporting period, please refer to the section headed "Directors' Report" in this report.

X. Operational Risks

Please refer to the section headed "Directors' Report" in this report for details of operational risks.

XI. Contingent Liabilities

(1) Bank guarantees

As at 31 December 2011, the Group provided guarantees of RMB2.255 billion to its associates for bank loans in proportion to the Group's shareholding in the respective companies. The guarantees include RMB1.597 billion to Huajin Company (RMB885 million of which would be used for the construction of Wangjialing Mine Project; upon the Split, the guarantee would be changed to guarantee to the Company's subsidiary China Coal Huajin Company) and RMB658 million to Shanxi Pingshuo Gangue-fired Power Generation Company Limited.

(2) Environmental protection responsibilities

Environmental protection laws and regulations have been fully implemented in China. However, the management of the Group is of the opinion that other than those that have been accounted for in the financial statements, there are currently no any other environmental protection liabilities that may have material adverse impact on the financial position of the Group.

(3) Contingent legal liabilities

For the year ended 31 December 2011, the Group was not involved in any material litigation or arbitration, and to the knowledge of the Group, there is no material litigation or arbitration pending or threatened against or involving the Group.

Business Performance

I. Principal Business Operations of the Company in 2011

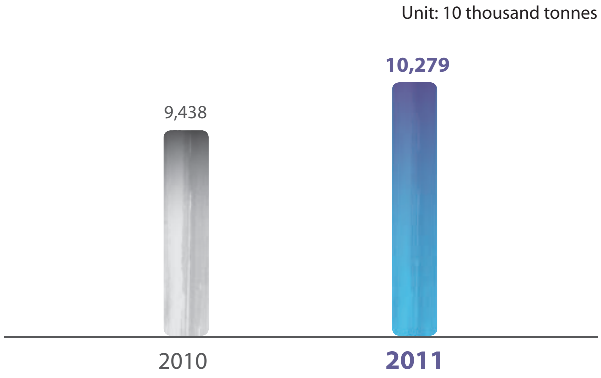
In 2011, the domestic coal production and sales volume maintained a relatively fast growth and the net import volume of coal witnessed a year-on-year increase. The capacity of railway transportation and port transshipment was further strengthened. The supply and demand of coal was basically balanced, with thermal coal prices fluctuating at high levels. Fully leveraging on favourable opportunities in the coal market, China Coal Energy enhanced the management of safe production, strengthened the coordination among coal production, transportation and sales, optimised the product structure and sales strategies, and focused on improving the profitability of the products. All core businesses achieved fast growth momentum and all major operation indicators reached historical high levels.

- ### Coal Operations

1. Rapid growth in coal production volume

In 2011, the Company's commercial coal production volume reached 102.79 million tonnes, representing a year-on-year increase of 8.41 million tonnes or 8.9%. Raw coal production volume reached 129.16 million tonnes, representing a year-on-year increase of 6.63 million tonnes or 5.4%.

Commercial coal production



Pingshuo Mining Area achieved a new record high with commercial coal production volume for the year amounting to 80.23 million tonnes, representing a year-on-year increase of 7.8%. The production arrangement of Datun Mining Area was strengthened while the production potential was maximised to achieve a constantly efficient and abundant production. The raw coal production volume of Datun Mining Area maintained at 10-million-tonne level. During the reporting period, the mining right of Liliu Mining Area was adjusted to further clarify the property rights of management entities and created favourable conditions for coal production volume growth in the future. By adopting the top caving technology, the commercial coal production volume of Dongpo Coal Mine reached 7.20 million tonnes, representing a year-on-year increase of 41.2%. Shuozhong Energy and Dazhong Company utilised the washing capacity of coal washing plants by expanding the external purchases of coal. The commercial coal production volume of the mine reached 9.48 million tonnes, representing a year-on-year increase of 52.9%.

Commercial Coal Production (10 thousand tonnes)	2011	2010	Change %
Pingshuo Mining Area	**8,023**	7,442	7.8
Datun Mining Area	**726**	753	-3.6
Liliu Mining Area	**149**	223	-33.2
Dongpo Coal Mine	**720**	510	41.2
Nanliang Coal Mine	**189**	190	-0.5
Shuozhong Energy	**608**	277	119.5
Dazhong Company	**340**	343	-0.9
Total	**10,279**	9,438	8.9

Note: 1. There was certain intra-group transactions volume in the Company, of which 4.76 million tonnes were transacted in 2011 and 3 million tonnes in 2010.

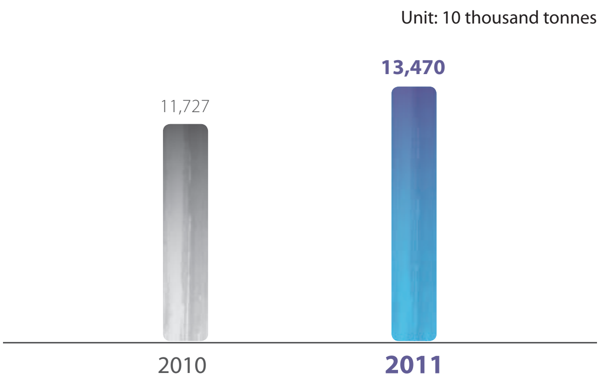
2. Due to the split of Huajin Company, the report only contains production information of Liliu Mining Area from January to August during the reporting period.

The Company made new progress in the construction of safe and highly efficient mines. The raw coal production efficiency of the Company reached 44.9 tonnes/worker-shift, representing a year-on-year increase of 4.4%. The average production efficiency rate of underground mines in Pingshuo Mining Area reached a new record of production at 111.9 tonnes/worker-shift. The Company, with a fatality rate of 0.008 per million tonnes of raw coal, maintained its international advanced standards. The completion of the "Six Systems" and permanent refuge chambers in main operating pits greatly improved the safety assurance capability of the Company.

2. *Significant year-on-year increase in coal sales volume*

In 2011, the Company's commercial coal sales volume reached 134.70 million tonnes, representing a year-on-year increase of 17.43 million tonnes or 14.9%.

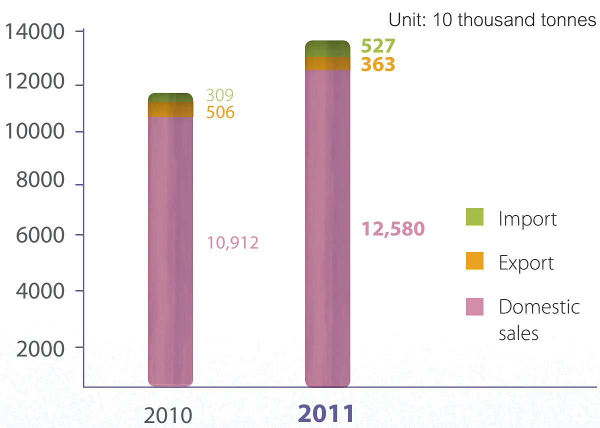
Commercial coal sales volume



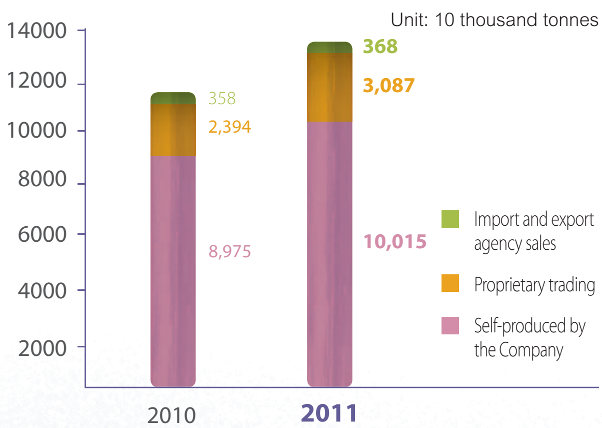
Business Performance

		2011	2010	Change %
Commercial Coal Sales (10 thousand tonnes)		**13,470**	11,727	14.9
(1) Domestic sales of self-produced coal		**9,941**	8,835	12.5
By region:	North China	**4,202**	2,888	45.5
	East China	**4,102**	3,372	21.6
	South China	**1,589**	1,055	50.6
	Northeast China	–	21	-100.0
	Others	**48**	1,499	-96.8
By coal type:	Thermal coal	**9,854**	8,728	12.9
	Coking coal	**87**	107	-18.7
By contract:	Long-term contract	**5,178**	6,180	-16.2
	Spot trading	**4,763**	2,655	79.4
By transportation:	Seaborne	**6,903**	6,156	12.1
	Direct arrival	**1,195**	1,077	11.0
	Local sales	**1,843**	1,602	15.0
(2) Self-produced coal export		**74**	140	-47.1
By region:	Taiwan, China	**58**	108	-46.3
	Korea	**3**	18	-83.3
	Japan	**13**	7	85.7
	Others	–	7	-100.0
By coal type:	Thermal coal	**74**	140	-47.1
	Coking coal	–	–	–
By contract:	Long-term contract	**74**	140	-47.1
	Spot trading	–	0.3	-100.0
(3) Proprietary trading		**3,087**	2,394	28.9
Of which:	Domestic resale	**2,639**	2,077	27.1
	Self-operated exports	**5**	1	400.0
	Import trading	**443**	309	43.4
	Transshipment trading	–	7	-100.0
(4) Import and export agency sales		**368**	358	2.8
Of which:	Import agency	**84**	–	–
	Export agency	**284**	358	-20.7

By markets



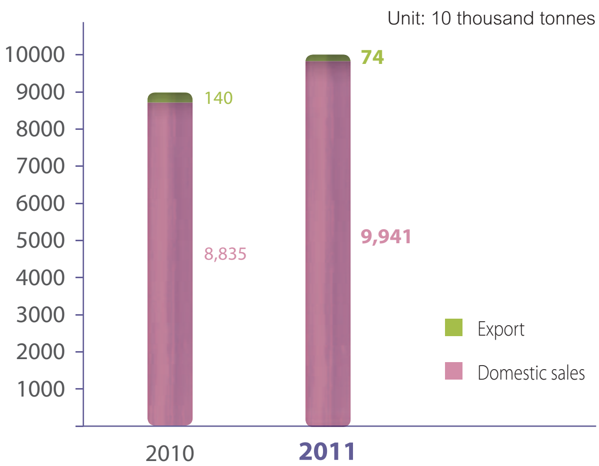
By product sources



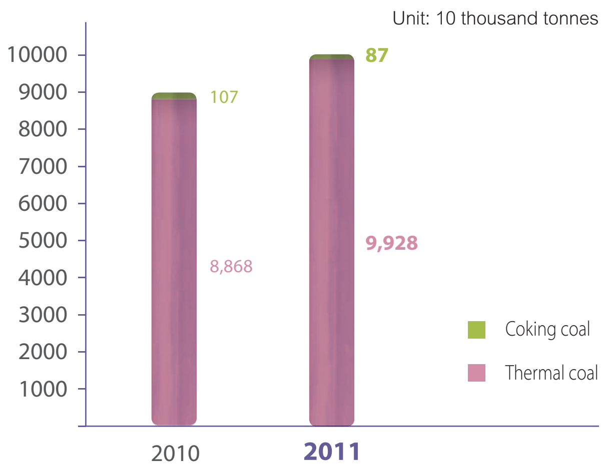
Sales volume of self-produced commercial coal grew steadily. Sales volume of self-produced coal reached 100.15 million tonnes, representing a year-on-year increase of 10.40 million tonnes or 11.6%. In particular, domestic sales of self-produced coal reached 99.41 million tonnes, representing a year-on-year increase of 12.5%. Export of self-produced coal reached 740,000 tonnes, representing a year-on-year decrease of 47.1%.

Reach of sales further extended by actively exploring coal resources purchased from external channels. The Company actively extended its reach to the hinterland of resources by making full use of the mega sales network platform and attaching more emphasis on connecting the down-stream markets. External purchase and sales of coal reached 30.87 million tonnes in 2011, representing a year-on-year increase of 6.93 million tonnes. The annual accumulated coal import reached 5.27 million tonnes, representing a year-on-year increase of 70.6%.

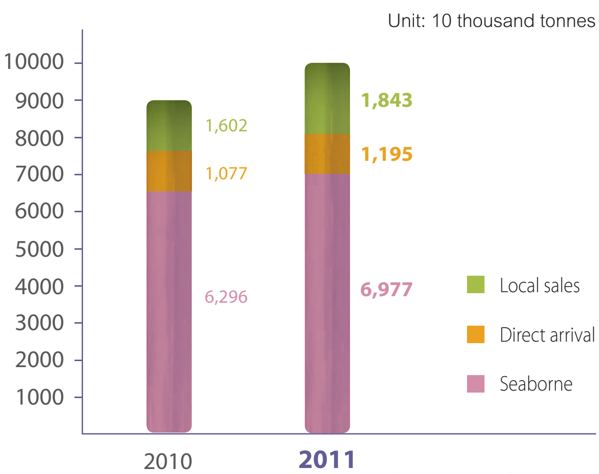
Self-produced coal sales – by market



Self-produced coal sales – by coal type



Self-produced coal sales – by transportation



Self-produced coal sales – by contract

Coal transportation volume significantly increased by streamlining the coordination among production, transportation and sales and enhancing transshipment. In face of the unfavourable situation of limited growth in the transportation capacity of the major domestic railway lines for coal transportation, the Company actively coordinated with the railway authorities and went all out in organising the transportation of coal in Northern Shanxi. The measures guaranteed a smooth implementation of the production, transportation and sales process and raised the economic benefit of the products.

Efficiency of products raised by optimising product and customer structure. The Company closely monitored the Bohai-Rim Steam-Coal Price Index and timely adjusted the spot trading sales price. Spot sales accounted for 47.9% of the domestic sales of self-produced coal, representing a year-on-year increase of 17.8 percentage points. The percentage in terms of sales to metallurgy, construction materials and chemical industries increased year-on-year. The Company strived to develop new products and increase the sales of profitable products. In 2011, 2.74 million tonnes of lump coal were screened at the loading port, resulting in nearly RMB100 million worth of economic benefit.

• Coking Operations

In 2011, the domestic coke industry continued to face the problem of oversupply. The majority of coke enterprises found it difficult in putting production capacity into full use and operating loss was prevalent. In response to the grim situation of the coke market, the Company stepped up its control over cost and product quality, actively strived for more railway transportation capacity and speeded up the collection of receivables, actively expanded the industry chain and further enhanced its operating results. The Company speeded up the adjustment on product structure and actively looked for coking coal resources. The project that transfers coke-oven gas into chemical fertiliser in Lingshi of Shanxi shall commence production in 2012. The integration and transformation stage for the acquired coking coal resource projects, namely Jinchang Coal Mine and Yushuo Coal Mine, shall also take place, which shall provide favourable conditions for the Company to improve its coking operations in the future.

In 2011, the Company realised coke production of 2.06 million tonnes, which was the same as 2010. Coke sales volume amounted to 2.58 million tonnes, roughly the same as 2010, of which, self-produced coke sales volume was 2.10 million tonnes, representing a year-on-year decrease of 3.2%; proprietary coke sales volume was 380,000 tonnes, representing a year-on-year increase of 5.6%.

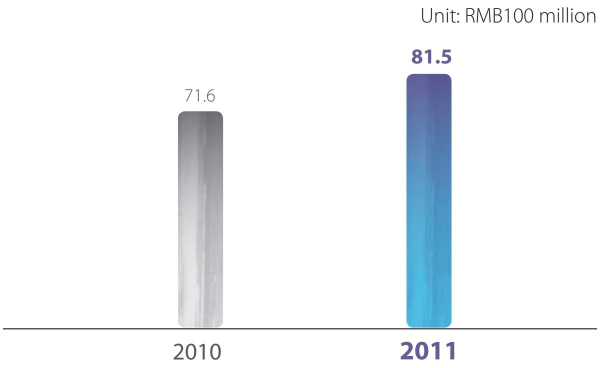
Sales volume of coke (10 thousand tonnes)	2011	2010	Percentage change %
Self-produced	**210**	217	-3.2
Of which: Metallurgical coke	**177**	176	0.6
Foundry coke	**33**	41	-19.5
Proprietary and agency	**48**	42	14.3
Total	**258**	259	-0.4

During the reporting period, the Company produced 153,000 tonnes of methanol, representing a year-on-year increase of 11,000 tonnes.

• Coal Mining Equipment Operations

The Company's coal mining equipment operations continued to maintain a fast growth momentum in 2011. Total production value of coal mining equipment operations was RMB8.15 billion, representing a year-on-year increase of 13.8%. The production volume of coal mining equipment reached 359,000 tonnes, representing a year-on-year increase of 18.9%, of which 21,477 units (sets) were major coal mining equipment.

Production value of coal mining equiment



Coal mining equipment	Production value (RMB100 million) 2011	2010	Percentage change %	Revenue in 2011 (RMB100 million)	Percentage of revenue of the coal mining equipment segment %
Conveyor equipment	**31.7**	27.6	14.9	**17.5**	21.5
Support equipment	**25.7**	23.1	11.3	**20.4**	25.1
Road header	**7.9**	6.8	16.2	**2.1**	2.6
Shearer	**7.2**	6.1	18.0	**4.7**	5.8
Electric mining motor	**9.0**	8.0	12.5	**7.2**	8.9
Total	**81.5**	71.6	13.8	**81.3**	–

Note: Revenue refers to revenue before eliminator of inter-segmental sales and the total revenue refers to the total revenue of the coal mining equipment segment.

Product type	Percentage of sales of the product in 2011 %	Market share in 2011 %
Medium and high-end armoured face conveyors	61	65
Medium and high-end hydraulic roof supports	83	19
Medium and high-end shearers	68	30
Medium and high-end electric motors	60	68
Medium and high-end road headers and drilling machines	30	10

The Company's strategy in committing to cutting-edge technology has led the coal mining equipment industry towards a path of technological innovation. During the reporting period, the Company assumed the responsibility to undertake a research task on the development of the coal mining equipment industry in the PRC during the "Twelfth Five-Year Plan" period and established the first National Energy Coal Mining Equipment R&D (Laboratory) Centre in China. Science awards on national, provincial and ministerial levels were granted to the Company in recognition of its accomplishment in a number of research projects. The Company also undertook a number of major national projects and gained remarkable achievements.

The Company enhanced its ability to manufacture the entire set of coal mining equipment and stepped up quality control, thereby increased its brand recognition and reputation in the market. The Company's major products were unrivaled in terms of market share. The Company also improved its after-sale services and strived to extend the value chain of products. Overall efficiency was further increased and the gross margin of the major coal mining equipment was raised as compared to 2010.

• Other Operations

In 2011, the production volume of the Company's primary aluminum was 110,000 tonnes, which was basically the same as 2010. Electricity generated was 4.27 billion Kwh, representing a year-on-year decrease of 7.0%.

II. Industry Trend in 2012

(I) Coal Demand

Currently, the global economy is facing more uncertainties. While the Chinese economy can still maintain a steady and relatively fast growth, the momentum is inevitably gearing down. The slowing economic growth will directly affect the coal demand of industries such as electricity, cement, building materials and metallurgy. Moreover, the Chinese government will proactively adjust the industrial structure and urge energy saving and emission reduction, causing a drop in energy consumption to a certain extent. It is expected that the growth rate of domestic coal demand for 2012 will gear down and the pressure on business operations will be significantly increased.

(II) Coal Supply

The raw coal production volume of China in 2011 was 3.52 billion tonnes. 2012 is the year when the industry's newly developed production capacity will be released. It is expected that the production volume of Shanxi and Inner Mongolia will grow by over 100 million tonnes respectively, while the coal production volume in provinces such as Henan will resume normal as the integration of coal mines completes. Meanwhile, the opening of several high speed railway lines such as Beijing-Shanghai High-Speed Railway released some of the transportation capacity of the previous routes. Coal supply in the PRC is expected to increase further.

(III) Railway Transportation Capacity

Currently, the transportation capacity of two of the three major railways for transporting coal is almost saturated. In 2011, Daqin Railway Line and Houyue Railway Line either reached or exceeded the designed capacity, with limited space for expansion. Although Shuohuang Railway Line had some space for expansion, it did not contribute much for 2011. Given the current transportation capacity, it is expected that railway transportation capacity in 2012 will still be the major bottleneck limiting the transportation of coal, particularly in the region of Northern Shanxi where the railway capacity for the transportation of coal is the most tight.

(IV) Coal Import and Export

Due to the robust domestic market demand and international and local coal price fluctuations in the past several years, coal export has been decreasing every year while import has been increasing. In 2011, net coal import in the PRC amounted to 168 million tonnes, representing a year-on-year increase of 15.2%. It is expected that the import volume in 2012 will remain high.

(V) Coal Prices

According to the relevant PRC regulations, and based on the contractual prices set at the beginning of 2011, the increase in the contractual prices of major thermal coal in 2012 shall not exceed 5%. Since 1 January, the ceiling FOBT price of thermal coal with calorific value of 5,500 kcal from Northern harbours shall not exceed RMB800 per tonne. The prices of other thermal coal with different calorific value shall be calculated based on the ceiling price set for 5,500 kcal. For the two sides of the thermal coal trade, the market trading price of thermal coal transported by railways and by roads shall not exceed the actual settlement price as at the end of April 2011. Based on an analysis of the market trend and the transportation capacity, it is more likely that during the peak seasons in 2012, the spot price will hover around the ceiling price set by the government.

III. Principal Production and Operation Activities of the Company in 2012

In 2012, the Company will adhere to annual production and operation goals, enhance coal production management, actively acquire more transportation capacity, optimise product structure and marketing efforts, strengthen corporate governance and improve business results, so as to ensure that all the operational missions set by the Board will be attained.

1. **Enhance production management to achieve the production goal set for 2012.** To live up to the standard of upgrading safe and highly-efficient mines, establish a motivation mechanism for safe and highly-efficient coal production and fulfill the six major system requirements of coal production, the Company will proactively promote economies of scale in production, modernisation in equipment, specialisation of professional teams and informatisation of management. In addition, the Company will endeavour to strengthen coal production technology management, continual management of mining and exploitation and fundamental coal quality control to ensure that the production goal set for 2012 can be achieved.

2. **Strengthen the coordination among coal production, transportation and sales to expand market share.** The Company will enhance the communication and cooperation with the railway authorities, coordinate coal transportation in Northern Shanxi and strive to achieve beyond the goal of railway transportation for 2012. Meanwhile, the Company will proactively complete the product optimising support system to maximise sales profits of self-produced coal. The Company will also fully utilise the strength of a traditional trading enterprise to expand the source of external purchase and the scale of proprietary coal trading.

3. **Accelerate the preparation of projects to speed up construction progress.** Through speeding up project approval and acquisition of resources and fully prepared in exploration rights application, the Company will make all efforts to ensure early commencement of projects. Meanwhile, the Company will, while ensuring safety and quality, strengthen the management of construction projects to speed up the construction progress and improvement of coal mining technology to increase production capacity as soon as possible.

4. **Strive for safe production to eradicate large and serious accidents.** With safety measures gradually implemented and the "Ten Precautions" closely adhered to, the Company will start in-depth improvement and reform in mining technology and work safety. By adopting the most suitable measures, the Company is determined to eradicate large and serious accidents and limit minor accidents in order to establish a long-lasting safe production mechanism, strengthen the foundation of safety management and achieve "zero fatality".

5. **Excel in corporate foundation management to enhance operation quality and efficiency.** The Company will strengthen budget management. Through strict evaluation, supervision and implementation of budgets, the Company will ensure cost control and achievement of operation goal. Meanwhile, the Company will promote comprehensive risk management and internal control system to raise risk alert, response capacity and management standard. By enforcing fundamental management and enhancing the application of informatisation, the Company will develop its innovative corporate management.

6. **Strive for technological innovation to increase the momentum for innovation.** Integrating innovative resources and cooperating with production and research professionals will allow the Company to upgrade the standard of safe and highly-efficient modern mines for further promotion and application. The Company will proactively explore and implement energy-saving projects such as green mining and restoration of the natural habitat around mines; and a contingency system will also be established to remedy environmental incidents.

Capital Expenditure

I. Performance of Capital Expenditure Budgeted for 2011

Focusing on principal operations including coal, coal chemical, coal mining equipment and power generation, the Company's capital expenditure for 2011 was budgeted at RMB34.237 billion, of which RMB31.482 billion or 92.0% was invested during the reporting period.

Performance of Capital Expenditure Budgeted for 2011 (By items)

Unit: RMB100 Million

Items of capital expenditure	Actual Investment in 2011	Budgeted Investment in 2011	Actual Investment Ratio %
Infrastructure projects	211.33	272.18	77.6
Acquisition and maintenance of fixed assets	32.67	41.77	78.2
Equity investment	70.82	28.42	249.2
Total	314.82	342.37	92.0

Major equity investment projects in 2011 included: investment of RMB758 million in the 2×600MW exemplary power plant which is co-founded with the Datang Corporation as the acquisition consideration for equity interest in China Coal Pingshuo No.1 Coal Gangue Power Generation Company Limited; payment of RMB426 million as the acquisition consideration for equity interest in China Coal Jinchang Mining Company Limited and China Coal Yushuo Mining Company Limited in Puxian of Shanxi; payment of RMB3.655 billion as the acquisition consideration for equity interest in Ordos Yinhe Hongtai Coal Electricity Company Limited (the Shalajida Coal Mine Project) in Ordos; payment of RMB1.47 billion as the acquisition consideration for equity interest in Shaanxi Yanchang China Coal Yulin Energy Chemical Company Limited, in proportion to the Company's shareholding in it.

Performance of Capital Expenditure Budgeted for 2011 (By business segments)

Unit: RMB100 Million

Business segments	Actual Investment in 2011	Budgeted Investment in 2011	Actual Investment Ratio %
Coal	213.61	243.47	87.7
Coal chemical	73.41	71.99	102.0
Coal mining equipment	13.89	16.30	85.2
Power generation	9.23	2.01	461.5
Other	4.68	8.60	54.4
Total	314.82	342.37	92.0

II. Progress of major investment projects in 2011

The Pingshuo East Open Pit Mine Project in Shanxi has a production capacity of 20 million tonnes/year with a total investment budget of RMB10.57 billion, and its construction commenced in January 2009. As at 31 December 2011, the accumulated actual investment amounted to RMB9.588 billion, of which RMB4.943 billion was invested in 2011. The open pit mine has entered into production and overburden removal stage. Main projects such as the building of the coal preparation plant and the raw coal silo have been completed, and single-machine tests have been carried out. 96% of the dedicated rail subgrade earthwork and 91% of the filled volume were completed.

The Wangjialing Mine Project in Xiangning of Shanxi has a production capacity of 6 million tonnes/year with a total investment budget of RMB5.021 billion, and its construction commenced in April 2007. As at 31 December 2011, the accumulated actual investment amounted to RMB3.975 billion, of which RMB712 million was invested in 2011. The main and auxiliary adits of the coal mine have been completed. Construction of phase 2 and 3 of the roadway drivage project has commenced in full scale. The main structures and equipment installation of the production system of the coal preparation plant have been completed, which is ready for combined trial operation. Equipment installation and single-machine tests have been completed at the power plant for resource comprehensive utilisation, which is ready to be integrated to the grid. All the five sections of the dedicated railway line have commenced construction in full scale.

The Kongzhuang Mine renovation and expansion works in Jiangsu has a production capacity of 1.8 million tonnes/year with a total investment budget of RMB532 million, and its construction commenced in November 2007. As at 31 December 2011, the accumulated actual investment amounted to RMB482 million, of which RMB133 million was invested in 2011. All the roadway drivage design works have been completed and the project has entered into the stage of equipment installation.

The Hecaogou Coal Mine project in Shaanxi has a production capacity of 3 million tonnes/year with a total investment budget of RMB2.18 billion, and its construction commenced on 9 September 2010. As at 31 December 2011, the accumulated actual investment amounted to RMB1.258 billion, of which RMB1.195 billion was invested in 2011. Projects including the main inclined shaft and auxiliary inclined shaft, and the No.1 ventilation inclined shaft have been completed, and the construction of the remaining parts of the mine shaft project of phase 2 and 3 are underway. The coal preparation plant has basically been completed.

The No.106 Coal Mine project in Xinjiang has a production capacity of 1.80 million tonnes/year with a total investment budget of RMB677 million, and its construction commenced in March 2010. As at 31 December 2011, the accumulated actual investment amounted to RMB312 million, of which RMB132 million was invested in 2011. Currently, the project is in smooth progress.

The Muduchaideng Coal Mine project in Ordos of Inner Mongolia has a production capacity of 6 million tonnes/year with a total investment budget of RMB6.021 billion. After obtaining a consultation letter from the National Energy Administration on the commencement of preliminary work in 2010 and a project safety approval from the State Administration of Work Safety in 2011, the project is undergoing other approval procedures.

The coke-oven gas produced chemical fertiliser project in Lingshi of Shanxi has a production capacity of 180,000 tonnes/year of synthetic ammonia and 300,000 tonnes/year of urea, with a total investment budget of RMB997 million. As at 31 December 2011, the accumulated actual investment amounted to RMB520 million, of which RMB376 million was invested in 2011. Major civil engineering works of urea, carbon dioxide compression and air separation have been basically completed.

The Mengda Coal Based Methanol in Ordos of Inner Mongolia has a production capacity of 600,000 tonnes/year of methanol with a total investment budget of RMB3.547 billion, and its construction commenced in October 2007. As at 31 December 2011, the accumulated actual investment amounted to RMB1.126 billion, of which RMB811 million was invested in 2011. In 2011, the installation of underground pipelines was completed, and the civil engineering works of the major equipment for air separation and gasification as well as production plants were basically completed.

The Phase 1 of Ordos Tuke Fertiliser Project in Inner Mongolia has a production capacity of 1 million tonnes/year of synthetic ammonia and 1.75 million tonnes of urea, with a total investment budget of RMB9.506 billion, and its construction commenced on 1 April 2011. As at 31 December 2011, the accumulated actual investment amounted to RMB2.337 billion, of which RMB2.235 billion was invested in 2011. The construction of civil engineering works of all major equipment for gasification and purification has commenced, certain civil engineering works of auxiliary projects have been completed and orders for long-term equipment have been placed.

The construction project of Coal Machinery Equipment Industrial Park in Zhangjiakou of Hebei has an investment budget of RMB2.362 billion. As at 31 December 2011, the accumulated actual investment amounted to RMB1.19 billion, of which RMB701 million was invested in 2011. In 2011, the construction of the main structure of production plants and equipment infrastructure was completed, and the hydraulic plant, mining chain plant and casting plant have entered into the stage of mechanical and electrical equipment installation.

The Jiangsu High-precision Aluminum Sheet Project has a production capacity of 100,000 tonnes/year with a total investment budget of RMB1.701 billion, and its construction commenced in May 2009. As at 31 December 2011, the accumulated actual investment amounted to RMB1.611 billion, of which RMB228 million was invested in 2011. In 2011, the adjustment and test on casting, hot rolling and sheet workshop equipment were all completed and the project has commenced combined trial operation.

III. Arrangement for Capital Expenditure in 2012

The Company's capital expenditure budget for 2012 is RMB43.146 billion, representing an increase of RMB8.909 billion or 26.0% over 2011. Out of the capital expenditure budget stated above, RMB30.921 billion (including expenditure of RMB296 million for preliminary works prior to the commencement of the projects) will be invested in infrastructure projects; RMB4.926 billion will be invested in the acquisition of fixed assets, small-scale construction, renovation and maintenance; and RMB7.3 billion (including expenditure of RMB146 million for preliminary works prior to the commencement of the projects) will be utilised in equity investment.

Set out below is the capital expenditure budget by business segments:

Unit: RMB100 Million

Business segments	Investment budget in 2012	Actual investment in 2011	Increase/ decrease in 2012 (budget) compared with 2011 (actual) (%)	% to Total
Coal	232.33	213.61	8.8	53.9
Coal chemical	170.91	73.41	132.8	39.6
Coal mining equipment	18.41	13.89	32.5	4.3
Power generation	2.70	9.23	-70.7	0.6
Others	7.11	4.68	51.9	1.6
Total	431.46	314.82	37.0	100.0

Capital Expenditure

Set out below are the major infrastructure projects in 2012:

Unit: RMB100 Million

No.	Name of Project	Construction Scale	Expected Total Amount of Investment	2012 Budgeted Investment
Coal segment				
1	Pingshuo East Open Pit Mine of Shanxi	20 million tonnes/year	105.70	18.22
2	Wangjialing Coal Mine in Xiangning of Shanxi	6 million tonnes/year	50.21	9.15
3	Renovation and expansion of Kongzhuang Mine in Jiangsu	1.8 million tonnes/year	5.32	1.10
4	Hecaogou Coal Mine in Shaanxi	3 million tonnes/year	21.80	7.81
5	Renovation and expansion of No.106 Coal Mine in Xinjiang	1.8 million tonnes/year	6.77	3.12
6	Muduchaideng Coal Mine in Ordos of Inner Mongolia	6 million tonnes/year	60.21	17.70
7	Nalin River No. 2 Coal Mine in Ordos of Inner Mongolia	8 million tonnes/year	68.90	17.26
8	Xiaohuigou Coal Mine in Shanxi	3 million tonnes/year	21.68	7.18
Coal chemical segment				
9	Coke-Oven Gas Produced Chemical Fertiliser in Lingshi of Shanxi	180,000 tonnes/year of synthetic ammonia, 300,000 tonnes/year of urea	9.97	3.61
10	Mengda Coal Based Methanol in Ordos of Inner Mongolia	600,000 tonnes/year	35.48	15.80
11	Phase 1 of Tuke Fertiliser Project in Ordos of Inner Mongolia	1 million tonnes/year of synthetic ammonia, 1.75 million tonnes/year of urea	95.06	40.57
12	Mengda 500,000 tonnes/year Engineering Plastics Project in Ordos of Inner Mongolia	500,000 tonnes/year	104.22	27.19
Coal mining equipment segment				
13	Equipment Manufacturing Base in Ordos of Inner Mongolia	—	8.99	5.47
14	Coal Machinery Equipment Industrial Park in Zhangjiakou of Hebei	—	23.62	6.23
Power generation segment				
15	Pingshuo 2x600MW Exemplary Project in Shanxi	2x600MW	63.92	0.50
Resource comprehensive utilisation segment				
16	Pingshuo Purified Fly Ash Resource Comprehensive Utilisation Exemplary Project in Shanxi	40,000 tonnes/year of white carbon black and 98,000 tonnes/year of aluminium oxide	8.34	4.19

The plan of major equity investment projects in 2012 includes: contribution of RMB981 million for capital increase in Zhongtian Synergetic Company; payment of RMB464 million as the acquisition consideration for equity interest in Xiaohuigou Coal Mine; payment of RMB2.16 billion as the acquisition consideration for equity interest in Shalajida project of Datang Corporation; contribution of RMB540 million for capital increase in Hohhot-Junggar-Ordos Railway; payment of RMB670 million as the acquisition consideration for equity interest in Jinchang and Yushuo Coal Mine in Shanxi.

According to the development plan and objectives of the Company, the abovementioned budgeted capital expenditure may be subject to change in line with the Company's business development (including potential acquisitions), the progress of the investment projects, the change in market conditions and the status of the required government approvals and regulatory documents. The Company will make timely disclosure in accordance with the requirements of the regulatory authorities and the stock exchanges.

IV. Overview of the "Twelfth Five-Year Plan"

During the period of "Twelfth Five-Year Plan", China Coal Energy will uphold its market-oriented and customer-centered operation philosophy, and will actively promote the economies of scale in production, modernisation in equipment, specialisation of professional teams and informatisation of management. The Company has established strict working standards with high starting point, high target, high quality, high efficiency and high benefits. Putting the development of core coal business as top priority, the Company will expand coal chemical and power generation-related businesses while optimising the coal equipment business. The Company will accelerate the construction of the five major coal production and transformation bases in Shanxi, Inner Mongolia-Shaanxi, Jiangsu, Heilongjiang and Xinjiang, forming an industrial layout with four pillar businesses of coal, coal chemical, power generation, coal mining equipment and a geographic layout of five major coal production and transformation bases. The Company will focus on the construction of Pingshuo recycling economy exemplary zone and the 100 million tonnes ultra-large coal base in Inner Mongolia-Shaanxi; and the expansion of the core coal business and the industry chain covering coal chemical and power generation-related businesses, as well as the development mode for economies of scale, intensive management and modernisation. The Company will strive to achieve strong growth in the production volume of major products, asset size, turnover and profit at the end of the "Twelfth Five-Year Plan" period, with an aim of doubling the economic volumes.

Coal industry:

Under the direction of the national coal industry development plan and the relevant policies of the PRC, the Company will optimise production layout, product portfolio and market structure, further strengthen the core and fundamental position of coal business, and improve the capacity to acquire and control over coal resources. In addition to accelerating the safety and technology renovation of its existing production coal mines, the Company will also focus on the development of the "five major" coal bases located in Shanxi, Inner Mongolia-Shaanxi, Xinjiang and other areas, as well as the construction of large-scale safe coal mines with high efficiency. Efforts will also be made to push forward active consolidation of local coal resources and exploration of overseas resources to push forward the construction of coal logistics infrastructures and distribution network. During the "Twelfth Five-Year Plan", coal production is expected to reach over 200 million tonnes.

Coal chemical industry:

Based on the development layout as well as the policies of coal chemical industry announced by the PRC government, the Company will leverage on its strength in the coal industry to develop new types of coal chemical business from a high starting point. Taking into account of water resources, product transportation and market demand, the Company will establish a technology supporting system and a talent pool for coal chemical development and endeavour to develop it into the Company's pillar business. The Company will promote the strategic adjustment and upgrade of its business structure with focus on coal-based olefin and coal-based natural gas, the improvement of coking and related industries as well as the proactive development of integrated businesses involving coal chemical resources. Emphasis will also be placed on the construction of demonstrative coal chemical projects, as well as the development and operation of integrated coal, chemical and power bases.

Power industry:

Based on the power industry plan, power resources layout as well as the preferential policies on joint operation between coal and power enterprises announced by the PRC government, the Company will leverage on its strength in the coal industry to enhance the strategic cooperation between coal and power enterprises by taking into account of water resources, power transmit channels and market demand. Priority will be given to the development of power plants that utilise integrated resources which are fuelled by middling coal, coal slurry and coal gangue. Efforts will be made to forge ahead coal and power joint operation and the construction of coal-fired power generation projects with high volume, high parameter and low emission, as well as the construction of the state-level Pingshuo Energy Base. The Company will seek power resources with advanced technology standard and ample expansion capacity in coastal regions with intensified power loading and carry out equity investment in large scale coal-fired power generation projects if appropriate.

Coal mining equipment industry:

With an aim to develop high-end coal mining equipment products with proprietary intellectual property rights, the Company strives to improve its technological innovation capacity and strengthen its coal mining equipment business. Backed by the capability to supply "three machines and one roof support" underground set equipment, the Company will proactively improve its capacity in coal washing and preparation, research and manufacture of underground trackless transport and open pit exploration equipment so as to strengthen the market share of its high-end products. The Company will take the initiative to facilitate the construction of its five major coal bases and extend the value chain of coal mining equipment products by focusing on the expansion of coal mining equipment maintenance and leasing service markets. The Company will put emphasis on export expansion in a move to improve its marketing reach and capacity on coal mining equipment. During the "Twelfth Five-Year Plan", the Company will endeavour to build its coal mining equipment business into a pillar business with sales revenue exceeding RMB10 billion and cement the Company's influence and leadership within the industry.

Technological Innovation

Throughout 2011, with a focus on integrated innovation, the Company vigorously implemented a "cutting-edge technological innovation strategy". With priority on supporting principal operations and base construction, strengthening key technological development, and establishing a technological innovation system, the Company promoted technological innovation systematically through integrated innovation and collaborative innovation. As a result, proprietary innovation capacity was being constantly enhanced, further contributing to the sustainable development of the Company and technological progress of the industry as a whole.

I Strengthen technological innovation strategy and planning management

The Company explicitly positions technological innovation as one of the major strategies during the "Twelfth Five-Year Plan" and as the guidance of technological development. Attaching great importance to the top-level design of technological innovation and advanced systematic strategy deployment, and promoting the implementation of integrated and leading technological innovation strategy, the Company formulated and executed its technological development plan and intellectual property strategic plan for the "Twelfth Five-Year Plan", determined the objectives, approaches and tasks of technological development, and strengthened significant technological breakthroughs and product development in key areas such as coal production, coal chemicals and equipment, which provided firm technical support for the technological, safe, and healthy development of the Company.

II Focus on key and core technological breakthroughs

The technological innovation strategy and plan of the Company were executed comprehensively. Focusing on improving the ability in ensuring safety production, supporting the development of principal operations and project construction, pioneering in technological advancement in the industry, and adhering to the principle of "Partly from innovation and reserve, partly from research and development, and partly from application and promotion", the Company increased the investment in and concentrated on technological advancement and executed 50 key technology projects, with an aim to develop cutting-edge technology in the coal energy industry, and achieve new breakthroughs in technological advancement.

—Promulgated and implemented on a trial basis the Technological Standards for Safe and Highly-efficient Modern Mines which were more stringent than industrial and national standards, filling the vacuum in the industry and taking the lead in technological development of the industry;

—Milestone results were achieved for the complete set technology of goaf detection, assuring safe and efficient production of the Company's underground mines;

—The field test of complete equipment of thin coal seam drum shearer with largest installed power, most comprehensive integration and highest degree of automation for manless automatic coal working face has achieved success;

Technological Invention

—The Company developed the SGZ1400/3×1600 intelligent extra heavy duty AFC with the largest installed capacity in the manufacturing industry and the technologically leading ZFY12000/28/60D high mining height sub-level coal caving powered supports, both filling the gap in the PRC;

—Annual scientific research targets set for state technology projects undertaken by the Company have been attained as planned.

Progress of state technology projects undertaken by China Coal Energy in 2011

No.	Nature of project	Name of project	Progress
1	National High-tech R&D Programme (863 Programme)	Shearer Remote Control Technology and Monitoring System	Passed interim acceptance inspection and entered industrial trial
2	National High-tech R&D Programme (863 Programme)	Road Header Control Technology and Monitoring System	Passed interim acceptance inspection and entered industrial trial
3	NDRC Innovative Ability Development Programme	Improvement of Innovative Ability for Technology Centre of Zhangjiakou Coal Mining Machinery	Passed acceptance inspection
4	National Energy R&D (Laboratory) Centre	Construction of National Coal Mining Equipment R&D Centre	Put into full scale construction
5	National Key Technologies R&D Programme	Complete Equipment of 2×1000 Fully-Mechanised Top Caving Working Face AFC for High Coal Seam	Passed acceptance inspection
6	National Major Science and Technology Support Programmes	ZF15000/28/52 LTCC Hydraulic Roof Support for High Coal Seam	Passed acceptance inspection
7	State Torch Program of Science and Technology Ministry	Complete Set Conveyor Equipment of Working Face for Top Caving Method with Annual Output of 10 Million Tonnes of Coal	Completed R&D

III. Construct open and integrated independent innovation system

The Company coordinated and optimised internal and external technological innovation resources, and speeded up the establishment of a "Development with Two Wings" technological research and development platform centering on proprietary development capacity mainly supported by external technological resources. The Company integrated internal technological resources and major research and development activities to establish China Coal Technology Research Institute and China Coal Chemical Industry Research Institute, which are directly responsible for the development of key technologies of the Company. The institutes conducted prospective and general technological researches and provided technological support for key construction programmes to offer high-level technological support to the Company's development. The Company also entered into an intensive technological innovation strategic alliance with China Coal Technology & Engineering Group Corporation. Relying on the modern energy base in Inner Mongolia-Shaanxi mining areas with a production capacity of 100 million tonnes, the Company conducted key technological development and new technological integrated application and project demonstrations to promote the efficiency of base construction and production, broke down the technical bottleneck and system constraints of industry development, and jointly secured a leading position in technological development of the industry. All of the above were of huge strategic significance for realising strategic goals of the Company, promoting the transformation and upgrade of coal industry in PRC and leading industrial technological advancement.

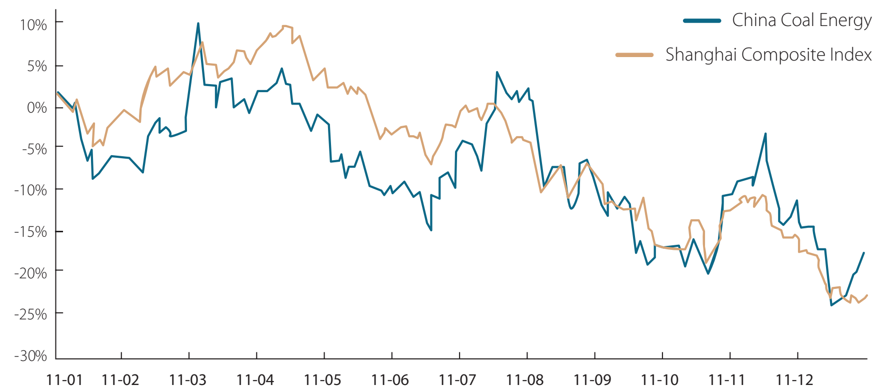
IV. New achievements of technological innovation

The Company gained several new technological innovation achievements with proprietary intellectual property rights and top technologies in the coal industry in 2011. With significantly enhanced proprietary innovation capacity, the Company was granted one national technological improvement award and 18 provincial and ministerial technological improvement awards; and was honoured with a national patent award for the first time. The Company has also applied for (and has its applications accepted) 197 patents and gained 168 authorised patents. The number of effective patents of the Company reached 469, recording a rapid year-on-year growth.

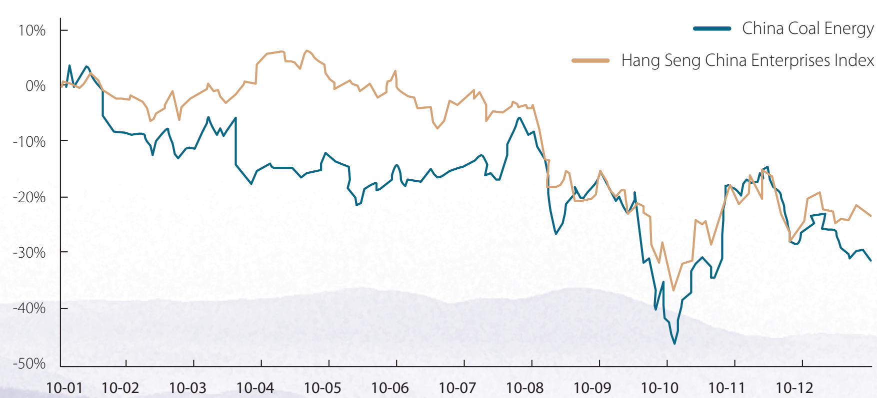
Investor Relations

In 2011, the global economy grew at a slower pace, the global financial markets experienced significant volatility, various risk factors increased notably, giving rise to greater instability and more uncertainties for world economic recovery, and the chain effects of the European debt crises gradually came to surface. As China became an increasingly important component of the global economy, in 2011, the domestic economy growth showed a trend of slowing down quarter by quarter, the global capital redistribution speeded up, and the various intertwining uncertainties plaguing the global economy and financial markets influenced Chinese capital markets. Hong Kong stocks and A shares fluctuated downwards and the trend of the coal sector converged with that of the big caps throughout the year. As at the end of the reporting period, Shanghai Composite Index closed at 2,199.42 points, representing a decrease of 22.9% from the beginning of the year; and Hang Seng China Enterprises Index closed at 18,434.39 points, representing a decrease of 21.34% from the beginning of the year.

Share price performance of China Coal Energy A Share (601898.SH) in 2011



Share price performance of China Coal Energy H Share (01898.HK) in 2011



In 2011, China Coal Energy aimed to boost investors' recognition of the Company's values by continuously enhancing the transparency of corporate governance, extending the scope and depth of information disclosure and improving communication platform with investors to strengthen the management of investor relations, and held 431 investors' meetings with 1,975 attendees in total. On the basis of conducting overseas road show, the Company organised domestic results presentation road show for the first time, winning unanimous high praise from A-share investors.

The Company focused on strengthening the communication and contact with investors, and enriched the content and form of voluntary information disclosure constantly. The Company insisted on disclosing monthly production and operation data, increasing the scope of disclosure of periodical reports, especially the quarterly reports, and timely introducing the latest developments of the Company. The Company was also in close communication with analysts in the industry and fund managers, actively convened special teleconferences for major issues in the production and operation of the Company, and answered the questions raised by investors very seriously. Furthermore, the Company appointed dedicated staff to patiently answer questions from investors through an investor enquiry hotline, fax line and mailbox, so as to stay in close contact with small and medium-sized investors.

The Company placed high importance to recommendations and opinions from the capital markets, and improved our relationship with investors constantly. Keeping a close eye on rating and valuation changes of the Company by mainstream brokerages, the Company studied and analysed the methodology and approach for building the valuation model for listed companies and made specific in-depth communication with coal market analysts on issues of concern, which facilitated the correct understanding of the Company's inherent investment value on the capital markets.

The Company also placed emphasis on communication with mainstream financial media. In 2011, China Coal Energy staged two media symposia and the Ta Kung Pao of Hong Kong had an exclusive interview with Chairman Wang An, where China Coal Energy's excellent business results and promising development potential were fully demonstrated, building up a favourable media environment for the Company's development in the long run.

List of investor relations events in 2011

Activities	Time	Type	Name of activity	Session(s)	Number of attendees
Major activities	March 2011	A Share	Investors & Analysts Presentation of 2010 annual results		25
	March 2011	A Share	Non-deal road show: Beijing, Shanghai, Shenzhen, Guangzhou	21	59
	March 2011	H Share	Investors & Analysts Presentation of 2010 annual results		125
	March 2011	H Share	Press conference of 2010 annual results		28
	March 2011	H Share	Non-deal road show: Hong Kong, Australia, Europe	41	75
	August 2011	A Share	Investors & Analysts Presentation of 2011 interim results		23
	August 2011	H Share	Investors & Analysts Presentation of 2011 interim results		195
	August 2011	H Share	Press conference of 2011 interim results		31
	August 2011	H Share	Non-deal road show: Hong Kong		51
	Subtotal			**62**	**612**

Activities	Time	Type	Name of activity	Session(s)	Number of attendees
Investment Fora	January 2011	H Share	Deutsche Bank Access China Conference in Beijing	2	26
	January 2011	H Share	The Eleventh UBS Greater China Symposium	3	30
	April 2011	H Share	Nomura China Meeting	3	22
	May 2011	H Share	The Second Morgan Stanley Investment Forum	2	35
	May 2011	H Share	CLSA China Forum 2011	3	22
	May 2011	A Share	Qilu Securities Face-to-face Meeting Between Listed Companies in Upstream and Raw Materials Sectors and Institutional Investors	1	8
	May 2011	H Share	Macquarie Securities Bulk Commodities Annual Meeting	1	40
	June 2011	H Share	The Seventh J. P. Morgan China Investment Forum	3	18
	June 2011	H Share	Credit Suisse China Investment Annual Meeting	3	11
	June 2011	H Share	Standard Chartered Bank Earth Resources Conference	4	15
	June 2011	A Share	Great Wall Securities Interim Strategies Meeting 2011	1	11
	June 2011	H Share	CITIC Securities Interim Strategies Meeting 2011	1	30
	September 2011	A Share	Shenyin Wanguo Exchange Meeting Between Listed Companies and Investors 2011	3	41
	September 2011	A Share	High-end Annual Meeting of Merchants Securities Relationship Development Between Listed Companies and Institutional Investors 2011	1	15
	September 2011	A Share	Qilu Securities Investors' Face-to-face Meeting	1	17
	September 2011	H Share	HSBC Global Natural Resource Symposium 2011	6	97
	October 2011	H Share	The eighteenth China Economic Development Forum of Banque Nationale de Paris	3	20
	October 2011	H Share	Citibank Greater China Investors' Meeting 2011	2	18

Investor Relations

Activities	Time	Type	Name of activity	Session(s)	Number of attendees
	October 2011	H Share	Macquarie Chinese Commodities Annual Meeting 2011	1	29
	October 2011	H Share	Goldman Sachs Gao Hua China Investment Front Annual Meeting 2011	2	13
	November 2011	H Share	Merrill Lynch Beijing Investors' Summit 2011	1	11
	November 2011	A Share	China International Capital Corporation Investment Strategic Exchange Meeting 2012	4	31
	November 2011	A Share	Shenyin Wanguo Face-to-face Meeting Between Listed Companies and Investors	2	25
	November 2011	A Share	Ping An Securities A Share Market Investment Strategies Reporting Meeting 2012	2	35
	Subtotal			**55**	**620**
Day-to-day receptions	Throughout the year	A+H Share		314	697
Reverse road show	June	A+H Share			34
	December	A Share			12
	Total			**431**	**1,975**

In 2011, China Coal Energy won widespread attention and recognition in the capital markets. It won 14 financial securities honour awards including Platts Top 250 Energy Companies and Financial Times of the UK Global 500 listed companies, Best Governance Improvement Award for Constituents of Hang Seng Index 2011 by Hong Kong Institute of Certified Public Accountants. Its annual report of 2010 won the Gold Award of Annual Report Cover Design and the Bronze Award of Annual Report Preparing by international organisation ARC. Moreover, its Corporate Social Responsibility Report of 2010 won the A class grade by Rankings CSR Ratings (RKS). These awards fully reflected the good operation results of the Company in recent years and the unremitting efforts made by the management of the Company in respect of corporate governance. With full recognition of the potential of China Coal Energy, China Coal Group, the controlling shareholder of the Company, increased its shareholdings of A shares of China Coal Energy many times in 2011, buying in 23,581,580 shares in aggregate. As at 31 December 2011, China Coal Group held 56.61% of total shares of the Company.

The Company won Best Governance Improvement Award for Constituents of Hang Seng Index 2011

Awards received by China Coal Energy in 2011

No.	Granted by	Awards
1	Platts Top 250 Energy Companies	No. 97 in the world and No. 24 in Asia in terms of overall results; No. 3 in both the global and Asia's industries of coal and consumption fuel oil.
2	Financial Times of the UK	No. 452 of FT Global 500 listed companies 2011
3	Hong Kong Institute of Certified Public Accountants	Best Governance Improvement Award for Constituents of Hang Seng Index 2011 of Best Corporate Governance Disclosure Awards 2011
4	China Enterprise Reform and Development Society Warton Economic Institute	No. 28 in The Tenth Session of Top 100 Listed Companies The Chairman, Wang An, won the China's Top Ten Entrepreneurs Medal The President, Yang Lieke, won the China's Top 10 Business Leadership Award Secretary to the Board, Zhou Dongzhou, won China's Best Secretary of the Board Award
5	Fortune	No. 45 of China's top 500 companies 2011
6	Secutimes	100 Most Valuable Companies Listed in Chinese Main Board
7	CCTV Finance 50 Index	Top 10 Companies with Social Responsibilities
8	Ta Kung Pao (Hong Kong) Company Limited	China Securities Bauhinia Award Committee Listed Company with the Most Social Responsibilities
9	International organisation ARC	Annual report of 2010 won the Gold Award of Annual Report Cover Design and the Bronze Award of Annual Report Preparing by international organisation ARC; Social Responsibilities Report of 2010 won the A class grade by Rankings CSR Ratings (RKS)

Looking forward, China Coal Energy will be more shareholder-oriented, conduct continuous research on new management method of investor relations and further improve the quality of investor relations in order to contribute to the capital market with solid work and satisfactory results.

Safety, Health, Environmental Protection and Social Responsibility

I. Safe Production

Adhering to the Scientific Development Concept and the principles of human-oriented and safe development, the Company made improvements in its "environment, quality and responsibility" system and insisted on building a safe enterprise with three-year efforts, improving management effectiveness, solidifying the foundation, investing in safety education and strengthening supervision. The safety work was further strengthened and safe production was significantly improved. The Company, with a fatality rate of 0.008 per million tonnes of raw coal, maintained its international advanced standards.

Firstly, the safety infrastructure was enhanced. The Company formulated the safe enterprise standards and assessment rules, revised and improved the safety and quality standardisation management rules, issued the standards of coal machinery equipment manufacture, coal washing and screening, power generation and coal sales. Four companies met the super standard and seven coal mines were conferred the title of "Mine meeting the State-level Safety and Quality Standard". Through speeding up the construction of a system of emergency shelters, the Company established emergency systems of "Pingshuo mode" and "Datun mode" which played exemplary and leading roles in the industry. The Company promulgated and implemented on a trial basis the Safe and Efficient Modern Mine Technical Standards and actively promoted its application. The Company increased safety input, accelerated elimination and the refitting of old equipment and revising outdated working processes, which further improved the safe working environment.

Secondly, the implementation of safety responsibility was enhanced. The Company revised and improved its production safety responsibility system, designated safety red lines for each post, educated all employees on the safety responsibility system and organised self-check activities against benchmarks. The safety management system was thereby strengthened and the safety management at all levels, along with the technical staff's knowledge, were enriched, which in turn strengthened the effectiveness of safety supervision. The Company also reinforced incentives and disincentives, raised the proportion of salary linked to safety performance in an employee's total income, which greatly promoted the implementation of safety responsibility.

Thirdly, the safety supervision and checks were intensified. The Company enhanced safety supervision and management during important periods, further promoted the removal, investigation and resolution of potential problems, and maintained the high priority given to safety. The senior management of the Company repeatedly led teams to the production lines and underground mines to supervise and provide guidance for safety works. The Company and its subsidiaries repeatedly carried out on-site safety checks during key periods, which included safety supervision, water prevention, "One Ventilation and Three Preventions" and labour use investigations, totaling 258 specific safety checks. By designating 26 internal and external experts to diagnose and optimise the systems in all production mines, through such diagnosis the Company discovered and dealt with a series of major problems and hidden dangers that had long existed.

Fourthly, the safety awareness of the staff was strengthened. For the first time, the Company published a safety declaration, made security commitments across all levels and proactively guided and educated the cadres and workers to impress upon them the core concept of "safety is of vital importance as life is most valuable" through activities titled "March Safety Warnings", "Production Safety Month" and "100-day Safety". Based on personal experience, the senior management made a total of 18 speeches on safety and according to various units' practical situation, a series of safety activities was developed, in which all the staff participated. A production safety promotion scenario with wide coverage and powerful influence was thus formed. The Company organised safety knowledge competitions for 36,000 frontline workers, and was rated as an excellent organisational unit of "production safety month" and a winning unit of national "knowledge competition of an enterprise's responsibility for implementing safety production". The TV programme created by Nanliang Coal Mine won the second prize in the Second National Production Safety TV Programme Competition.

II. Occupational Health

The subsidiaries of the Company are involved in dealing with 14 kinds of occupational hazard factors including coal dust, rock dust, other harmful dust, and toxic and harmful substances, etc. There are 19,621 employees who are engaged in various works that expose them to various occupational hazards, among which 15,416 are engaged in works that expose them to dust-related occupational hazard.

In 2011, the Company pursued the policy of "focusing on prevention, combining prevention with control, and managing comprehensively", and the safety concept of "people-oriented and health first", and focused on controlling and preventing occupational hazards factors scientifically through inspections and evaluations. Aiming at safeguarding staff's health, the Company adjusted the occupational health leadership group through enhancing the quality of its personnel and management team, improved related systems of occupational hazard preventive measures and effectively improved the safe working environment by carrying out a series of effective measures. Sparing no efforts to protect staff's physical and psychological health, the Company promoted its social image further.

The subsidiaries completed and improved 14 management systems, forming a unified and effective occupational health management system; through a one-week touring exhibition promoting occupational disease prevention, the staff's awareness of occupational disease prevention and their right to protect their own health was thereby strengthened. The monitoring of occupational health was also strengthened; the monitoring rate of hazard factors of occupational disease was 100%; the training rate of occupational health of staff was 95% and the rate of being notified of the occupational disease hazard and the rate of setting warning marks in work place were 100%, creating a favourable setting towards enhancing occupational health. In 2011, Shanghai Company was honoured with the title of Pioneer in Occupational Disease Prevention by the Federation of Trade Union of Jiangsu Province and Jiangsu Provincial Centre for Disease Control and Prevention.

III. Environmental Protection

The Company spared no efforts to promote the creation of a "Green China Coal", and made positive achievements in environmental protection. In 2011, the integrated energy consumption per RMB10,000 production output decreased by 23.2% year-on-year; the emission of sulfur dioxides and chemical oxides was the same as 2010 and was effectively under control; the integrated energy consumption of raw coal production was 3.49 kgce/tonne, the utilisation rate of mine water was 79.7% and the integrated utilisation rate of coal gangue was 97.1%, making the Company the leading domestic enterprise in these fields. The Company was honoured with the title of Excellent Enterprise of the Central Government in Energy Saving and Emission Reduction of the "Eleventh Five-Year Plan". The case of developing recycling economy by Pingshuo Coal Industry Company was awarded with the accolade as the Excellent Enterprise of the Central Government putting Corporate Social Responsibility in practice in 2011.

The Company implemented the policy and guideline of energy saving, emission reduction and green development in the national "Twelfth Five-Year Plan", strengthened the strategic importance of green development in the overall development and promulgated and issued the outline of green development, the plan of energy saving and environmental protection of the "Twelfth Five-Year Plan" and the annual plan for the creation of a "Green China Coal", thus conducting a top-level design and overall planning for energy saving and creating a "Green China Coal" through formulating medium and long-term strategies, a five-year plan and an annual plan.

The Company actively promoted clean production. Based on international and domestic advanced core technologies, including fully-mechanised top caving method for mining in shallow-buried hard coal seam with hard top and under Lake mining for coals, the Company increased the recovery rate of coal resources; the resource recovery rate in open pit mines reached over 95% and the recovery rate in most mining areas reached over 80%. Almost all raw coal was washed and most coal preparation plants adopted heavy medium coal washing and preparation technology to effectively reduce ash and sulfur content. The recycling of closed-circuit circulation of coal slurry was carried out, thereby significantly reducing pollution inflicted on the environment.

The Company adjusted measures in accordance with local geographical conditions and carried out reclamations in mining areas to facilitate ecological restoration and mine construction. As at the end of 2011, the reclamation ratio of Pingshuo mining area reached over 50% and the vegetation coverage of dumping ground reached over 90%, which was much higher than the original vegetation coverage of 10%. Diversified plant nursery bases and breeding bases were established on reclaimed land in Pingshuo mining area resulting in an exemplary model for ecological agricultural development, comprising a combination of ecological agriculture planting, modern animal husbandry, cultivation of traditional Chinese medicine and ecological tourism. Datun mining area by Weishan Lake in Jiangsu Province first adopted the method of reclamation by refilling subsidence areas with coal gangue and covering the earth's surface with the lake mud, a method which utilised the coal gangue; the fertile lake mud was also beneficial to the growth of crops.

IV. Social Responsibility

For details of the social responsibility, please refer to the CSR report separately disclosed by the Company.

Directors, Supervisors and Senior Management

1. General Information on Directors, Supervisors and Senior Management

Name	Age	Position held	Date of appointment	Term of service
Directors				
Wang An	53	Chairman, Executive Director	Chairman: 27 December 2010 Executive Director: 23 December 2010	3 years
Peng Yi	49	Vice Chairman, Non-Executive Director	Vice Chairman: 27 December 2010 Non-Executive Director: 23 December 2010	3 years
Yang Lieke	54	Executive Director, President	Executive Director: 23 December 2010 President: 27 December 2010	3 years
Li Yanmeng	66	Non-Executive Director	23 December 2010	3 years
Zhang Ke	58	Independent Non-Executive Director	23 December 2010	Till 23 August 2012
Wu Rongkang	71	Independent Non-Executive Director	23 December 2010	Till 21 November 2012
Zhang Jiaren	67	Independent Non-Executive Director	23 December 2010	3 years
Zhao Pei	62	Independent Non-Executive Director	23 December 2010	3 years
Ngai Wai Fung	50	Independent Non-Executive Director	23 December 2010	3 years
Supervisors				
Wang Xi	56	Non-Employee Representative Supervisor, Chairman of the Supervisory Committee	Non-Employee Representative Supervisor: 23 December 2010 Chairman of the Supervisory Committee: 27 December 2010	3 years
Zhou Litao	51	Non-Employee Representative Supervisor	23 December 2010	3 years
Zhang Shaoping	47	Employee Representative Supervisor	23 December 2010	3 years
Senior Management				
Yang Lieke	54	President, Executive Director	President: 27 December 2010 Executive Director: 23 December 2010	3 years
Gao Jianjun	53	Vice-President	27 December 2010	3 years
Qi Hegang	52	Vice-President	27 December 2010	3 years
Niu Jianhua	49	Vice-President	27 December 2010	3 years
Pu Jin	51	Vice-President	27 December 2010	3 years
Weng Qing'an	55	Chief Financial Officer	27 December 2010	3 years
Zhou Dongzhou	53	Secretary to the Board and Company Secretary	27 December 2010	3 years

The Company currently has two executive directors, two non-executive directors and five independent non-executive directors. Other than working relationship, there is no any other relationship between any of the directors, supervisors and senior management of the Company in respect of finance, business and family or in other material ways. The Company has received an annual confirmation letter from each of the independent non-executive directors of the Company with regard to their independence. As at the date of this report, the Company considers that all the independent non-executive directors are independent pursuant to Hong Kong Listing Rules.

2. Details of Directors, Supervisors and Senior Management

Directors

Wang An, aged 53, is a Chairman and Executive Director of the Second Session of the Board of the Company. Mr. Wang is also the Director and General Manager of China Coal Group. Mr. Wang is a member of the Chinese Academy of Engineering and also Dean of the School of Management of China University of Mining and Technology. He graduated in August 1982 from Shanxi Mining Institute with a Bachelor's Degree majoring in underground coal mining. He also holds a Master's Degree in Engineering from Liaoning Technical University. He is a Professorate Senior Engineer, a Senior Professional Manager in coal industry and is entitled to special government allowance granted by the State Council. He served as the Chief Engineer of Wuda Coal Bureau, the Vice Chairman of the board of directors, the General Manager and Chief Engineer of Shenfu Dongsheng Coal Company Limited of Shenhua Group Corporation Limited, the General Manager of Shendong Coal Branch of China Shenhua Energy Company Limited, the Deputy General Manager of Shenhua Group Corporation Limited and Chairman and Executive Director of the First Session of the Board of the Company. Mr. Wang has long term experience in the field of technology management regarding coal production and management of coal production enterprises. He has in-depth knowledge and academic achievements with respect to coal production technology and extensive experience in managing large-scale enterprises and is an excellent entrepreneur in the coal industry of China.

Peng Yi, aged 49, is a Vice Chairman and Non-Executive Director of the Second Session of the Board of the Company. He is also the Vice General Manager and Chief Accountant of China Coal Group, as well as a Director of China Coal Insurance Company Limited. Mr. Peng graduated in July 1984 from the Construction Engineering Department of Wuhan Construction Material Industry Institute (currently known as Wuhan University of Technology), obtained a Master's Degree in Business Administration from Wuhan University in June 1999 and obtained a P.h.D degree in economics from Wuhan University of Technology in 2011. Mr. Peng is also a Senior Engineer, Senior Accountant and a Senior Professional Manager in the coal industry, and is entitled to special government allowance granted by the State Council. Mr. Peng was the Head of the Design Department of Zhongnan Architectural Design Institute, the Deputy Head of Zhongnan Architectural Design Institute, Shenzhen Branch, Head of the Finance Department of Zhongnan Architectural Design Institute, Deputy General manager, Chief Economist and Chief of Finance of Wuhan Kaidi Electric Power Company Limited, Chairman of the Board of Wuhan Gelin Tiandi Environmental Protection Enterprises Group Company Limited, Chairman of the Board of Wuhan Kaidi Lantian Technology Company Limited, and Executive Director, Executive Vice-President and Chief Financial Officer of the First Session of the Board of the Company. Mr. Peng has extensive experience in enterprise management, capital operation and financial management.

Yang Lieke, aged 54, is an Executive Director of the Second Session of the Board of the Company and the President of the Company. Mr. Yang graduated in June 1982 from Xi'an Mining Institute (currently known as Xi'an University of Science and Technology), with a Bachelor's Degree majoring in mining engineering. Mr. Yang is a Senior Engineer and a Senior Professional Manager in the coal industry, and is entitled to special government allowance granted by the State Council. He served as the Manager of the logistics department and planning department of China National Coal Industry Import & Export Corporation, the General Manager of China Coal Import & Export Company, Director of Sunfield Resources Pty. Limited and Shanghai Datun Energy Company Limited and Executive Director and President of the First Session of the Board of the Company. Mr. Yang is familiar with the processes of production, operation and management of coal enterprises as well as the domestic and international coal market. He has extensive experience in enterprise production operation and management, and has more than 20 years of experience in the production, operation and management in coal industry.

Li Yanmeng, aged 66, is a Non-Executive Director of the Second Session of the Board of the Company. Mr. Li is also an External Director of China Coal Group and an Independent Non-Executive Director of Dongfang Electric Corporation Limited and Datang International Power Generation Company Limited. Mr. Li graduated from the Electric Engineering Department of Wuhan School of Water Resource and Hydropower in September 1981 with a major in power plant and electric system, and he is a Senior Engineer. He served as Deputy Office Director, Deputy Manager and Manager in the Second Engineering Department of Shandong Electric Construction Corp., the head of Huangtai Power Plant, an Assistant Director of Shandong Electricity Power Bureau, Deputy Director-General of Construction Coordination Department of the Ministry of Electric Industry, Deputy Director-General of Key Construction Department, Deputy Director-General of Investment Department, Director-General of Basic Industry Development Department of the State Planning Commission, Director of the Office of the National Electric Power System Reform Working Team, Deputy General Manager of State Grid Corporation of China and Independent Non-Executive Director of the First Session of the Board of the Company. Mr. Li has extensive working experience for substantive periods in various power enterprises and State departments of macroeconomic controls relating to basic energy management.

Zhang Ke, aged 58, is an Independent Non-Executive Director of the Second Session of the Board of the Company. Mr. Zhang currently serves as the Chairman and the Principal Partner of ShineWing Certified Public Accountants Company Limited, the Chairman of Beijing ShineWing Management and Consulting Company Limited, an Independent Director of Hua Rong Securities Company Limited as well as the Vice-President of China Institute of Certified Public Accountants, and Vice-president of Beijing Association of Forensic Science. Mr. Zhang obtained a Bachelor's Degree in Economics from the Industrial Economics Department of Renmin University of China in 1982. Mr. Zhang is a certified accountant with qualification in securities dealing and a Senior Accountant. He served as the Department Manager of China International Economics Consultants, the Deputy Executive Officer of Zhongxin Accountants Firm, Deputy General Manager of Zhongxin Yongdao Accountants Firm, a Partner of Coopers & Lybrand International, General Manager of Zhongxin Yongdao Accountants Firm, Vice Executive Director of Coopers & Lybrand (China), an Independent Director of various listed companies including China Minsheng Bank Limited, Zhuhai Zhongfu Enterprise Company Limited, and Air China Limited. He was also the Committee Member of the Examination Board of the Certified Accountants of the Ministry of Finance, Adjunct Professor at the Department of Accounting of Renmin University of China and an Independent Non-Executive Director of the First Session of the Board of the Company. Mr. Zhang has more than 20 years of experience in reviewing and analysing financial statements of listed companies. He has supervised a number of domestic and overseas listings and large-scale management consultation and investment projects, and has given professional opinions in the course of work. He has extensive experience in dealing with internal and external auditors regarding the supervision of internal control and the auditing of financial statements.

Wu Rongkang, aged 71, is an Independent Non-Executive Director of the Second Session of the Board of the Company, and serves as the honorary adviser of China National Coal Association. Mr. Wu is a Professorate Senior Engineer and is entitled to special government allowance granted by the State Council. He graduated from the Mining Department of Huainan Mining Institute in September 1961. Mr. Wu served as an Engineer, Chief Engineer and Deputy General Manager of Liyi Coal Mine in Huainan Mining Bureau, Deputy Director-General in Anhui Coal Mining Industry Company, Deputy Director of Huaibei Mining Bureau, Director–General of Production Coordination Department of the Ministry of Coal Industry, Director of Economic Operation Centre of the State Administration of Coal Industry, member of National Energy Experts Advisory Committee, visiting professor of Beijing Graduate School of China University of Mining & Technology and Independent Non-Executive Director of the First Session of the Board of the Company. Mr. Wu has extensive professional knowledge in the coal industry and has over 40 years of working experience related to coal production and technological management.

Zhang Jiaren, aged 67, is an Independent Non-Executive Director of the Second Session of the Board of the Company, Non-Executive Director of Societe Generale (China) Limited, Independent Director of Hangzhou Industrial & Commercial Trust Company Limited and of China Erzhong Group (Deyang) Heavy Industries Company Limited. Mr. Zhang graduated from Hefei Industrial University in 1966 majoring in electrical engineering. Mr. Zhang is a Professorate Senior Economist and is entitled to special government allowance. He was elected as National Model Worker and was a representative of the Ninth National People's Congress. Mr. Zhang served as Technician of Jingmen Refinery Company Limited, Technician, Engineer and Vice Division Principal of Zhejiang Refinery Company Limited, Deputy Chief of the Department of Engineering of Zhenhai Petrochemical General Plant, President of the refinery of Zhenhai Petrochemical General Plant, Vice-President and President of Zhenhai Petrochemical General Plant, General Manager and Chairman of Zhenhai Refining & Chemical Company Limited, Deputy General Manager of China Petrochemical Corporation, Director, Vice-President, Senior Vice-President and Chief Financial Officer of China Petroleum & Chemical Corporation, Chairman of Sinopec Finance Corporation, and Senior Advisor to China Petrochemical Corporation. Mr. Zhang is familiar with the production and operation management of energy chemical enterprises as well as the financial management and capital operation.

Zhao Pei, aged 62, is an Independent Non-Executive Director of the Second Session of the Board of the Company and currently the Vice-President and General Secretary of Chinese Society for Metals. Mr. Zhao served as Executive Director and President of Advanced Technology & Materials Company Limited (AT&M), Chairman of Beijing Gang Yan Diamond Products Company, Chairman of Heye Special Steel Company Limited. Director of Zhong Lian Advanced Steel Materials Technology Company Limited. He also served as a Professor and Deputy Dean at the University of Science & Technology Beijing, Division Chief of the Science & Technology Department of the Ministry of Metallurgy, Deputy Chief Engineer and Chief of Engineering Centre of Central Iron & Steel Research Institute, Vice-President of Central Iron & Steel Research Institute, Chairman of New Metallurgy High-tech Group Company Limited, Chairman of Beijing Iron & Steel Research New Metallurgy Engineering Design Company Limited. Mr. Zhao is a PhD of engineering, a Postdoctoral Fellow at the University of Leeds in UK, Professor and Doctorial Tutor, and is entitled to special government allowance. Mr. Zhao is proficient in metallurgical technology and material science and familiar with related enterprises and research institutions both in China and abroad, which allows him to gain full understanding of the technological development and market trend of the sector, and has given him plenty of experiences in the management and operation of large-scale high-tech enterprises and listed companies.

Ngai Wai Fung, aged 50, is an Independent Non-Executive Director of the Second Session of the Board of the Company, the Managing Director of MNCOR Consulting Limited, as well as the Chief Executive Officer of SW Corporate Services Group Limited. He is currently an Independent Non-Executive Director of China Railway Construction Corporation Limited, BaWang International (Group) Holdings Limited, Bosideng International Holdings Limited, Powerlong Real Estate Holdings Limited, Sany Heavy Equipment International Holdings Company Limited, SITC International Holdings Company Limited, Biostime International Holdings Limited and LDK Solar Company Limited, and the Vice-President of the Hong Kong Institute of Chartered Secretaries. He graduated from Shanghai University of Finance and Economics, The Hong Kong Polytechnic University, Andrews University of Michigan, the United States and the University of Wolverhampton, the United Kingdom. He has obtained a Doctor's Degree in Finance, Master's Degree in Finance, an MBA Degree and a Bachelor's Degree in Laws (with Honours). Mr. Ngai is a member of the Association of Chartered Accountants in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Chartered Secretaries and Administrators in the United Kingdom, a fellow of the Hong Kong Institute of Company Secretaries, a fellow of the Hong Kong Institute of Directors and a member of the Hong Kong Securities Institute. Mr. Ngai has more than 20 years of senior management experience, and has acted as the Executive Director and Chief Financial Officer of a number of Hong Kong listed companies, including China COSCO Holdings Company Limited, China Unicom and Industrial and Commercial Bank of China (Asia) Limited, etc., He also served as the Independent Non-Executive Director of China Life Insurance Company Limited and Franshion Properties (China) Limited. Mr. Ngai has participated in or led a number of key financing projects, including listing, mergers and acquisitions and issuance of bonds, and provided professional services for various state-owned enterprises and red chip companies.

Supervisors

1. Wang Xi, aged 56, is the Chairman and Non-Employee Representative Supervisor of the Second Session of the Supervisory Committee of the Company and the Employee Director and Union President of China Coal Group. Mr. Wang graduated from Renmin University of China in June 1986, majoring in industrial economy. He is a Senior Economist. He served as Principal Staff Member of National Planning Commission and National Production Commission of the State Council, Vice Division Chief of Economic Operations Bureau of the State Economic and Trade Commission, Division Chief of Fiscal and Financial Affairs Department of the State Economic and Trade Commission, Division Chief and Deputy Director-General of Comprehensive Department of the State Economic and Trade Commission and Deputy Director-General of Performance Examination Bureau of State-owned Assets Supervision and Administration Commission of the State Council. Mr. Wang has long term experience in the relevant national economic operation departments and state-owned assets supervision agencies and gained rich experience in the research of macro economy policy, analysis of the economic operation, business management and operation performance examination.

2. Zhou Litao, aged 51, is a Non-Employee Representative Supervisor of the Second Session of the Supervisory Committee of the Company and General Legal Counsel of China Coal Group, Executive Vice-President of the Energy Law Academy of China Law Society and Deputy Chairman of Legal Issues Committee of China National Coal Association. He graduated in 1983 from Hubei Institute of Finance (currently known as Zhongnan University of Economics and Law) with a Law Degree. He finished the management science and engineering course for Master's Degree in the China University of Mining and Technology in September 2000, and was granted an Executive MBA Degree by HEC Business School Paris, France, in December 2007. He obtained a doctorate diploma and became a doctor in Law from China University of Political Science and Law in June 2011. Mr. Zhou is a senior economist and a qualified corporate legal advisor. He served as General Manager of Legal Affairs Department of China Coal Group and Supervisor of the First Session of the Supervisory Committee of the Company. Mr. Zhou is familiar with PRC Civil Law, Commercial Law and International Commercial Principles, and has rich experience in corporate legal matters.

3. Zhang Shaoping, aged 47, is the Employee Representative Supervisor of the Second Session of the Supervisory Committee of the Company and the Deputy General Manager of China National Coal Development Company Limited. He graduated from the Hebei Institute of Coal Mining and Civil Engineering majoring in industrial and civil construction in July 1986, and obtained a Bachelor's Degree in engineering. He is a Senior Engineer and Senior Professional Manager of the coal industry. He served as staff of Beijing Coal Planning and Design General Institute, staff and Principal Staff Member of China Unified Distribution Coal Mine Corporation, Principal Staff Member and Assistant Consultant of Policy and Regulation Department of the Ministry of Coal Industry, Deputy Director of the Office of China National Coal Sales and Transportation Corporation; Deputy Director and Director of the Party Committee Office and Director of Party Work Department of China National Coal Industry Import and Export Group Corporation and Director of Party Work Department of China National Coal Group Corporation. Mr. Zhang has worked in the coal industry for an extensive period and has full understanding of the coal industry and extensive experience in business management.

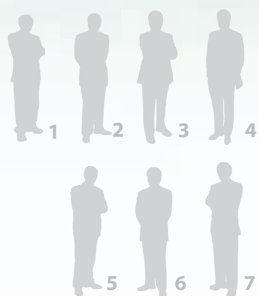
Senior Management

1. Yang Lieke, aged 54, is an Executive Director of the Second Session of the Board of the Company and the President of the Company. For detail bibliography of Mr. Yang, please refer to the section headed "Directors".

2. Gao Jianjun, aged 53, is the Vice President of the Company, the Chairman and General Manager of Shanghai Company, the Vice Chairman of Tianjin Port China Coal Huaneng Coal Terminal Co. and a Director of GreenGen Company Limited and Zhongtian Synergetic Company. He obtained a Bachelor's Degree in mining from Shandong Mining Institute (currently known as Shandong University of Science and Technology) in 1982, and a Master's Degree in engineering from Liaoning University of Engineering and Technology in 1998. He is a Senior Engineer and a Senior Professional Manager in the coal industry, and is entitled to special government allowance granted by the State Council. He served as Assistant to the General Manager, General Manager of the Enterprise Development Department and Manager of the Human Resources Department of China Coal Group, Director of the Huajin Company. He also served as an officer in the Human Resources Division and New Technology Promotion Division of the China Coal Research Institute; and worked in the General Office of China National Coal Corporation and the General Office of the Ministry of Coal Industry. Mr. Gao has worked in the coal mining industry for an extensive period, has gained a thorough understanding of the coal mining industry, and has developed rich management skills in respect of enterprise development strategies, restructuring and project investment.

3. Qi Hegang, aged 52, is the Vice President of the Company and the Dean of China Coal Energy Technology Research Institute. He graduated from Shanghai Datun Intermediate Specialised Institute majoring in mining engineering, and obtained Master's Degree in Industrial Engineering and Executive Master degree in Business Administration from China University of Mining and Technology and School of Economics and Management of Tsinghua University respectively. He is a member of the Mining Committee of the Coal Miners of Coal Industry Technology Committee, an adjunct professor of China University of Mining and Technology, and member of the Council of Establishment of National Higher Education Institutions. He is also a Professorate Senior Engineer and a Senior Professional Manager in the coal industry. He served as the Head of Mine Design Division, Vice Chief Engineer, Deputy Head, and Head for the Yaoqiao Mine of Datun Coal and Electricity (Group) Company Limited, the Chief Engineer of Datun Coal Power (Group) Company Limited and a Director of Shanghai Company. Mr. Qi has been involved in the production, operation and management of coal mining work for an extensive period and has developed extensive knowledge of the coal industry. He has over 30 years of operational and management experience in the industry.

4. Niu Jianhua, aged 49, is the Vice President of the Company, the Vice Chairman of Zhejiang Zheneng Zhongmei Zhoushan Coal & Electricity Company Limited and a Director of Guotou Zhongmei Tongmei Jingtang Port Company Limited. He graduated from Shandong Mining Institute (currently known as Shandong University of Science and Technology) in 1984, majoring in Calculating Mathematics, and obtained an Executive Master degree in Business Administration from the School of Economics and Management of Tsinghua University in 2011. He is a Senior Engineer and a Senior Professional Manager in the coal industry. He served at the Human Resources Division of the China Coal Research Institute and as a Deputy Director of the Technical Cadre Division of the Personnel Department of



the Ministry of Coal Industry, and Secretary of the General Office of the Ministry of Coal Industry and the Director of the General Office and Assistant to the General Manager of China Coal Group. Mr. Niu has worked in the coal industry for an extensive period, has developed extensive understanding of the industry, and has rich experience in administrative management.

5. Pu Jin, aged 51, is the Vice President of the Company. He is also an Executive Director and General Manager of China National Coal Mining Equipment Company Limited, Vice-president of China National Coal Machinery Industry Association, Executive Director of China Coal Society, Deputy Director of Machinery and Electrical Experts Committee of Coal Industry Technology Committee and Deputy Director of National Coal Industry "653" Steering Committee. He graduated from the China University of Mining and Technology in 1998, with a Master's Degree in engineering, and he obtained a Doctoral Degree in management studies from the School of Management Science and Engineering of Tongji University in 2003. He is a Professorate Senior Engineer, a National Senior Professional Manager and a Senior Professional Manager in the coal industry, and he is entitled to special government allowance granted by the State Council. He served as Assistant to the General Manager and Deputy General Manager of Automatic Engineering Division and Overseas Operations Division of China National General Machinery Engineering Corp. under the Ministry of Machinery Industry, General Manager of China Coal Shenzhen Company, General Manager of China Coal Southern Energy Resources Company Limited and Chairman of China National Coal Mining Equipment Group Corp. Mr. Pu has extensive experience in enterprise management as well as solid theoretical expertise in coal mining machinery.

6. Weng Qing'an, aged 55, is the Chief Financial Officer of the Company. He graduated from China University of Mining and Technology in July 1998 majoring in accounting. He is a Senior Accountant and a Senior Professional Manager in the coal industry and a qualified corporate legal advisor. He served as Section Chief, Deputy Chief Accountant, Deputy Director and Director of the Finance Office of Datun Coal and Electricity (Group) Company Limited, Deputy Chief Accountant, Chief Accountant and Director of Datun Coal and Electricity (Group) Company Limited, Supervisor and Director of Shanghai Company, Chief Accountant of Pingshuo Coal Industry Company, and Chairman of the Supervisory Committee of Huajin Company. Mr. Weng has been working for coal mining enterprises at the basic level and listed companies for an extensive period and has over 30 years of experience in financial work in state-owned enterprises as well as rich experience in capital operation and financial management in listed companies.

7. Zhou Dongzhou, aged 53, is the Secretary to the Board and the Company Secretary of the Company. He obtained a Bachelor's Degree in English from China Mining College (currently known as China University of Mining and Technology) in July 1982. He also obtained a Master's Degree of Engineering in management science from the same university in May 1997. He is an Associate Professor of Translation and a Senior Professional Manager in the coal industry. He served at China University of Mining and Technology, the Science and Education Division of the Ministry of Coal Industry, and served as the Secretary of the General Office of the Ministry of Coal Industry and the General Office of State Administration of Coal Industry, the Manager of the Market Development Department and Deputy Head of the Coal Trading Division of China Coal Group, Deputy General Manager of China Coal Import & Export Company and Joint Company Secretary of the Company.

3. Remuneration of Directors, Supervisors and Senior Management

1. Decision-making procedures for the remuneration of directors, supervisors and senior management

Remuneration for directors and supervisors is subject to the approval by the shareholders' meeting, while the remuneration for senior management is subject to the approval by the Board. For the year of 2011, the total remuneration for directors, supervisors and senior management of the Company was RMB6.43 million (tax inclusive). Details are as follows:

Name	Position held	Total remuneration received from the Company during the reporting period (before taxation) (RMB'000)	Whether remuneration or allowances received from shareholders or other connected parties	Remarks
Directors				
Wang An	Chairman, executive director	Nil	Yes	
Peng Yi	Vice Chairman, non-executive director	Nil	Yes	
Yang Lieke	Executive director, President	64.1	No	
★Li Yanmeng	Non-executive director	2.4	No	
Zhang Ke	Independent non-executive director	30.0	No	
Wu Rongkang	Independent non-executive director	30.0	No	
Zhang Jiaren	Independent non-executive director	30.0	No	
Zhao Pei	Independent non-executive director	30.0	No	
Ngai Wai Fung	Independent non-executive director	30.0	No	
Supervisors				
Wang Xi	Chairman of the Supervisory Committee, Supervisor	Nil	Yes	
Zhou Litao	Supervisor	Nil	Yes	
*Zhang Shaoping	Employee Representative Supervisor	57.7	No	
Senior Management				
Yang Lieke	President, Executive director	64.1	No	
Gao Jianjun	Vice-President	52.5	No	
Qi Hegang	Vice-President	58.5	No	
Niu Jianhua	Vice-President	58.4	No	
*Pu Jin	Vice-President	82.7	No	
Weng Qing'an	Chief Financial Officer	58.4	No	
Zhou Dongzhou	Secretary to the Board and Company Secretary	58.3	No	
Total	/	643.0	/	

Notes: 1. Remuneration is calculated by reference to the period that they held office.

2. The remunerations during the reporting period are the remunerations of directors, supervisors and senior management received from the Company.

3. * Included deferred cash payment for the emoluments of duties in the past.

4. ★The remuneration that Mr. Li Yanmeng received from the Company was conference allowance only.

2. Basis for determining the remuneration of directors, supervisors and senior management

Appraisal and incentive systems are adopted to determine annual salary for the Company's senior management. The annual salary comprises base salary and performance-related salary: base salary is determined by the production and operation of the Company with reference to the prevailing salary level in the market and income level of employees; the performance-related salary is determined based on the "Measures for Performance Evaluation on Operating Results Achieved by Senior Management" and the accomplishment level of operation plans of the year, which is subject to final assessment and approval by the Board.

Directors' Report

Dear shareholders,

The board of directors of China Coal Energy Company Limited is pleased to present the directors' report of the Company and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2011 prepared in accordance with the International Financial Reporting Standards.

1. Principal operations

The Group is principally engaged in coal operations, coking operations, coal mining equipment operations and other related operations in China. The coal operations of the Group include coal production, sales and trading. The coking operations of the Group include the production and sales of coke and coal chemical products and sales of coke products. The coal mining equipment operations of the Group include the design, research and development, manufacturing and sales of coal mining machinery and equipment and provision of after-sales services. Other operations of the Group include the production and sales of electricity and primary aluminum. Details of the principal business of the Group's principal subsidiaries are set out in note 43 to the financial statements.

2. Operating results

The financial and operating results of the Group for the year ended 31 December 2011 are set out in the section headed "Management Discussion and Analysis of Financial Conditions and Operating Results".

3. Distributable profits, dividends and closure of share register

(I) Distributable profits and Final Dividend

On 27 March 2012, pursuant to the relevant PRC laws and regulations, the Board recommended the payment of cash dividends of RMB2,851,145,100 to shareholders of the Company, representing 30% of the net profits attributable to shareholders of the Company for the year ended 31 December 2011, which amounted to RMB9,503,817,000 as set out in the consolidated financial statements of the Company prepared in accordance with the PRC Accounting Standards for Business Enterprises. The proposed dividend distribution will be made based on the Company's entire issued share capital of 13,258,663,400 shares, representing a dividend of RMB0.215 per share (inclusive of tax). Should the proposed profits distribution plan be approved by the Shareholders at the 2011 annual general meeting by passing an ordinary resolution, a final dividend will be distributed to the H Shareholders whose names appear on the Company's H Share register of members on 31 May 2012.

Pursuant to the Enterprise Income Tax Law of the People's Republic of China which came into effect on 1 January 2008 and its implementing rules and other relevant rules, the Company is required to withhold enterprise income tax at a rate of 10% before distributing the final dividend to non-resident enterprise Shareholders whose names appear on the Company's H Share register of members. Any shares registered in the name of the non-individual registered Shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organisations, will be treated as being held by non-resident enterprise shareholders and therefore an enterprise income tax shall be withheld for their dividends receivables.

Pursuant to The Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 issued by the State Administration of Taxation on 28 June 2011, the dividend received by the overseas resident individual Shareholders from the stocks issued by domestic non-foreign invested enterprises in Hong Kong is subject to individual income tax at a rate of 10% in general. However, the tax rates for respective overseas resident individual Shareholders may vary, depending on the relevant tax agreements between those countries where the overseas resident individual Shareholders reside and China. Pursuant to the abovementioned notice, the Company will withhold 10% of the final dividend as individual income tax unless otherwise required by the relevant tax agreements, tax treaties or notices, while distributing the final dividend to the H Shareholders whose names appear on the Company's H Share register of members on 31 May 2012.

The 2011 annual general meeting will be convened by the Company on 25 May 2012. The share register of the Company will be closed from 25 April 2012 to 25 May 2012 (both days inclusive). In order to qualify for attending and voting at the annual general meeting, holders of H Shares of the Company should, no later than 4:30 p.m. on 24 April 2012, submit all the transfer documents to the Company's share registrar for H Shares in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The share register of the Company will be closed from 31 May 2012 to 4 June 2012 (both days inclusive). In order to qualify for receiving dividend, holders of H Shares of the Company should, no later than 4:30 p.m. on 30 May 2012, submit all the transfer documents to the Company's share registrar for H Shares in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Under relevant regulations of China Securities Depository and Clearing Corporation Limited Shanghai Branch and in line with the market practice regarding dividend distribution for A Shares, the Company will publish a separate announcement in respect of its dividend distribution to holders of A Shares after the Company's annual general meeting for 2011, which, among other things, will set out the record date and ex-rights date of dividend distribution for A Shares.

As of 31 December 2011, no arrangement was reached pursuant to which the shareholders waived or agreed to waive their dividends.

4. Shareholdings of substantial shareholders

The details of substantial shareholders (as defined under the Securities and Futures Ordinance) of the Company are set out in the section headed "Corporate Governance Report" of this report.

5. Directors' and supervisors' interests and short positions in the shares, underlying shares and debentures of the Company

As at 31 December 2011, none of our directors or supervisors had any interests or short position in the shares, underlying shares of equity derivatives or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which are required to be entered in the register of interests maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or which are required to be notified to the Company and HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

As at 31 December 2011, the Company had not granted any rights to any directors, supervisors of the Company or their spouses or children under 18 years of age to acquire shares or debentures of the Company or any of its associated corporations, nor did any of the above-mentioned individuals exercise any such rights to acquire the aforesaid shares or debentures.

6. Public float

Based on the information that is publicly available to the Company and to the knowledge of the directors, as at the date of this report, the Company had maintained the prescribed public float under Listing Rules of HKSE.

7. Service contracts of directors and supervisors

Each of the directors and supervisors of the Company entered into a service contract with the Company on 23 December 2010. Pursuant to the terms of the service contract, each of the directors and supervisors agrees to perform his/her duties as the Company's director or supervisor. Term of service: save for Mr. Zhang Ke (director of the Company whose term of service for the second session of the Board commenced from the date of appointment and shall end on 23 August 2012) and Mr. Wu Rongkang (director of the Company whose term of service commenced from the date of appointment and shall end on 21 November 2012), the term of service of other directors is three years from the date of appointment. The term of service for Supervisors is three years from the date of appointment. Such service contracts can be renewed in accordance with the Articles of Association of the Company and the relevant requirements of HKSE Listing Rules, and can be terminated before their expiry date according to the provisions of such contracts.

Save as disclosed above, none of the directors or supervisors of the Company has entered into a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

8. Directors' and supervisors' interests in contracts

Apart from the service contracts, for the year ended 31 December 2011, none of the directors or supervisors of the Company is materially interested, whether directly or indirectly, in any contract of significance to which the Company, or any of its holding companies or any of its subsidiaries, or fellow subsidiaries of the holding company is a party.

9. Remuneration of directors and supervisors

The details of the remuneration of directors and supervisors of the Company for the year ended 31 December 2011 are set out in note 36 to the consolidated financial statements and the section headed "Directors, Supervisors and Senior Executives" of this report.

For the year ended 31 December 2011, no directors or supervisors of the Company had agreed to waive any remuneration.

The remuneration package of directors of the Company is determined by the remuneration committee and is subject to approval by the Board and shareholders at the forthcoming annual general meeting. To determine the remuneration package, the remuneration committee and the Board will take into consideration a number of factors, such as directors' duties, responsibilities and performance as well as the operating results of the Group and so on.

10. Purchase, sale or repurchase of shares of the Group

For the year ended 31 December 2011, the Company and its subsidiaries had not purchased, sold or repurchased any securities (the term "securities" has the prescribed meaning under HKSE Listing Rules) of the Group.

11. Use of proceeds

(1) Use of proceeds from H Share issuance

After deducting related expenses, the net proceeds from H Share issuance of the Company amounted to RMB14.466 billion. For the year ended 31 December 2009, all net proceeds were used in the way disclosed in the prospectus of H Shares. As at 31 December 2011, among the many investment projects funded by the H Share proceeds, Antaibao underground mine and Heilongjiang methanol project (with a production capacity of 250,000 tonnes/year) were completed and put into commercial generation, and Pingshuo East Open Pit Mine has realised open pit mining and on-load trial operation in coal preparation plant, with raw coal output of 2.00 million tonnes for 2011.

(2) Use of proceeds from A Share issuance

As at 31 December 2011, the actual application of proceeds from A Share issuance amounted to RMB16.861 billion in total, representing approximately 66.6% of the net proceeds from A Share issuance, details of which are listed below:

Unit: 100 Million

Net Proceeds Raised	253.20	Total proceeds applied during the reporting period	22.77
		Total proceeds applied so far	168.61

Committed projects	Any change in project	Proposed investment	Actual investment	Meets the planned schedule	Expected revenue	Actual revenue
Ordos project and ancillary engineering facilities with an annual production capacity of 25 million tonnes of coal, 4.2 million tonnes of methanol and 3 million tonnes of dimethyl ether	No	41.58	20.94	No	—	—
Heilongjiang Project and ancillary engineering facilities with an annual production capacity of 10 million tonnes of coal, 1.8 million tonnes of methanol and 0.6 million tonnes of olefin	No	—	0.12	No	—	—
Supplementing the working capital of the Company for general corporate purpose or for the acquisitions of core business related assets	No	41.33	41.33	Yes	—	—
Nalin River No. 2 Coal Mine Project developed by Mengda Mining Company with an annual production capacity of 8 million tonnes of coal	Yes	16.69	13.30	Yes	—	—
Muduchaideng Coal Mine Project developed by Ordos Yihua Mining Resources Company Limited with an annual production capacity of 6 million tonnes of coal	Yes	44.64	16.94	Yes	—	—
Xiaohuigou Coal Mine Project developed by Xiaohuigou Coal with an annual production capacity of 3 million tonnes of coal	Yes	28.06	8.53	Yes	—	—
Hecaogou Coal Mine Project developed by Shaanxi Yan'an Hecaogou Coal Mine Company Limited with an annual production capacity of 3 million tonnes of coal	Yes	12.00	7.00	Yes	—	—
Zhangjiakou Coal Machinery Equipment Industrial Park Project to be developed by China Coal Zhangjiakou Coal Mining Machinery Company Limited	Yes	23.62	11.07	Yes	—	—

Committed projects	Any change in project	Proposed investment	Actual investment	Meets the planned schedule	Expected revenue	Actual revenue
Yulin Energy and Chemical Comprehensive Utilisation Project to be developed by Shaanxi Yulin Energy Chemical Company Limited with an annual production capacity of 0.6 million tonnes of polyethylene and 0.6 million tonnes of polypropylene	Yes	21.00	21.00	Yes	—	—
Supplementing the working capital of the Company for general corporate purpose or for the acquisitions of core business related assets	Yes	28.38	28.38	Yes	—	—
Total		—	168.61	—	—	—

Reasons for failure to meet schedule (by project)	Ordos project and ancillary engineering facilities with an annual production capacity of 25 million tonnes of coal, 4.2 million tonnes of methanol and 3 million tonnes of dimethyl ether is actively seeking approval and preparatory work for the construction has been completed on the whole.
Intended use of unapplied proceeds	Deposited as term deposit with the bank in which a special account for proceeds was maintained.

12. Property, plant and equipment

The details of the changes in the property, plant and equipment of the Company for the year ended 31 December 2011 are set out in note 7 to the audited financial statements for the year.

13. Donation

For the year ended 31 December 2011, the charitable and other donations made by the Company amounted to RMB12,021,000.

14. Subsidiaries and associates

The details of subsidiaries and associates of the Company as at 31 December 2011 are set out in note 43 to the audited financial statements for the year.

15. Pre-emptive rights and share option arrangement

There are no provisions for the pre-emptive rights under relevant laws of the PRC which would entitle the shareholders of the Company to subscribe for shares on a pro rata basis. Currently, the Company does not have any share option arrangement.

16. Major customers and suppliers

For the year ended 31 December 2011, the revenues derived from the Company's largest external customer and its top five external customers accounted for 6.56% and 17.88% of the operating revenue of the Company for the year ended 31 December 2011 respectively.

For the year ended 31 December 2011, the total purchases from the Company's top five suppliers represented less than 30% of the total purchases made by the Company for the year ended 31 December 2011.

To the knowledge of the Company, none of the directors of the Company and their associates and any shareholders holding more than 5% of the issued share capital of the Company held any interests in any of the above customers and suppliers.

17. Material contracts

Save as disclosed in the section headed "connected transactions" in this report, none of the Company or any of its subsidiaries entered into any material contracts with the controlling shareholders or any of its subsidiaries other than the Group, nor was there any material contract in relation to the provision of services to the Company or any of its subsidiaries by the controlling shareholder or any of its subsidiaries other than the Group.

18. Connected transactions

The following are the major connected transactions of the Group during the year of 2011:

(1) Continuing connected transactions

The Company has entered into certain connected transaction agreements with the Company's controlling shareholder China Coal Group and other connected persons of the Company. Such transactions under these agreements constitute continuing connected transactions of the Company under Chapter 14A of HKSE Listing Rules. The terms of the relevant connected transaction agreements, the 2011 annual caps and the actual amounts incurred are as follows:

1. Coal Export and Sales Agency Framework Agreement

On 31 December 2008, the Company entered into a Coal Export and Sales Agency Framework Agreement with China Coal Group. The agreement is effective until 31 December 2011 and is renewable upon expiry. Pursuant to the agreement, the Company has appointed China Coal Group as the non-exclusive coal export and sales agent of the Company to provide export quotas and export agency services. The agency services provided by China Coal Group shall be made on terms no less favourable than those from other agents.

The agency fee payable to China Coal Group by the Company shall be determined based on relevant market prices. At present, (1) the agency fee for exporting coal to countries and regions other than China Taiwan market is 0.7% of the FOB price of each tonne of coal products for export, and (2) the agency fee for exporting and selling coal to China Taiwan market is 0.7% of the FOB price, plus US$0.5 for each tonne of coal products sold.

The annual cap for the coal export agency fee paid to China Coal Group for the year ended 31 December 2011 was RMB155 million. The actual agency fee incurred in 2011 was RMB5 million.

2. Coal Supplies Framework Agreement

On 31 December 2008, the Company and China Coal Group entered into a Coal Supplies Framework Agreement, which is effective until 31 December 2011 and renewable upon expiry. Pursuant to the agreement, China Coal Group will procure that all coal products produced from the mines under restructuring will be supplied exclusively to the Company, and has undertaken not to sell such coal products to any third party.

Pricing principles: (1) market price, which is determined with reference to the prevailing market rates for comparable coal products as available on an arm's length basis from independent coal producers located in the region or surrounding areas of the mines which are under restructuring; (2) where market price is unavailable, a price to be agreed between the parties will be adopted, which is calculated based on the price costs incurred in supplying the relevant coal products plus a reasonable 5% profit. The parties will set prices with reference to historical transaction prices (if any).

The annual cap of coal purchase expenditure for 2011 payable by the Company to China Coal Group in respect of the supply of coal products produced at the coal mines under restructuring by China Coal Group to the Company for the year ended 31 December 2011 was RMB1.870 billion. The actual expenditure incurred was RMB1,224 million.

3. Integrated Materials and Services Mutual Provision Framework Agreement

The Company and China Coal Group entered into an Integrated Materials and Services Mutual Provision Framework Agreement on 31 December 2008. The agreement is effective until 31 December 2011 and renewable upon expiry. Pursuant to the agreement, China Coal Group and the Company shall provide production material supplies and ancillary services to each other. The Company shall provide related coal export services to China Coal Group for the export of coal by China Coal Group to third parties.

Pricing principles shall be in the following order: the price fixed by the Chinese Government; the guiding price set by the Chinese Government; the prevailing market price of similar products or services provided by independent suppliers in surrounding areas on an arm's length basis; the price agreed by the parties involved.

On 26 December 2011, the Company's directors, according to the sustained development of the Company and China Coal Group as well as the estimates on demand for China Coal Group's raw materials and supporting services and the Company's coal production capacity, expected that the relevant caps for integrated materials and services provided by the Company to China Coal Group under Integrated Materials and Services Mutual Provision Framework Agreement cannot meet the production and operation needs of the Company, and therefore proposed to revise the annual caps by 31 December 2011. Please refer to the Company's announcement at HKSE on 26 December 2011.

For the year ended 31 December 2011, (1) the annual cap of the expenses paid for production materials and ancillary services provided by China Coal Group for 2011 was RMB4.775 billion and the actual expenses incurred were RMB2.316 billion; (2) the annual cap of the expenses paid for social and support services provided by China Coal Group for 2011 was RMB70 million and the actual expenses incurred were RMB63 million; (3) the original and amended annual caps of the income generated as a result of integrated materials and services provided by the Company to China Coal Group for 2011 were RMB685 million and RMB1,010 million, and the actual income was RMB894 million; (4) the annual cap of the service fee receivable in respect of coal export related services provided by the Company to China Coal Group for 2011 was RMB320 million and the actual incurred amount was RMB51 million.

4. Mine Construction, Mine Design and General Contracting Service Framework Agreement

The Company and China Coal Group entered into a Mine Construction, Mine Design and General Contracting Service Framework Agreement on 31 December 2008. The agreement is effective until 31 December 2011 and renewable upon expiry. Pursuant to the agreement, China Coal Group and its subsidiaries and units shall provide coal mine construction services to the Company and its subsidiaries and units and the Company and its subsidiaries and units shall provide mine design and general contracting services to China Coal Group and its subsidiaries and units.

Pricing principles: in respect of mine construction, mine design and general contracting services required by either party, service providers shall be selected and service charge shall be determined through an independent tender process. If the price and other terms offered by a party are equal to or more favourable than those offered by other independent service providers participating in the tender, the party instead of other independent service providers shall be selected.

For the year ended 31 December 2011, (1) the annual cap of the expenses paid by the Company in respect of the coal mine construction services provided by China Coal Group and its associates for 2011 was RMB4.275 billion, and the actual expenses incurred were RMB3.712 billion; (2) the annual cap of the income receivable by the Company in respect of the provision of mine design services to China Coal Group and its associates for 2011 was RMB284 million, and the actual income was nil.

5. Mine Design and General Contracting Service Framework Agreement

The Company and China Coal Group entered into a Mine Design and General Contracting Service Framework Agreement on 4 December 2009. The agreement is effective until 31 December 2011 and renewable upon expiry. Pursuant to the agreement, China Coal Group and its subsidiaries and units shall provide mine design and general contracting services to the Company and its subsidiaries and units.

Pricing principles: in respect of the mine design and general contracting services under the agreement, service providers and service charge shall be determined by way of tender. If the price and other terms offered by one party are equal to or more favourable than those offered by other independent service providers participating in the tender, that party instead of other independent service providers shall be selected.

For the year ended 31 December 2011, the annual cap of the expenses in respect of the coal mine design and general contracting services provided by China Coal Group and its associates to the Company in 2011 amounted to RMB83 million, and the actual expenses incurred were RMB44 million.

6. Property Leasing Framework Agreement

The Company and China Coal Group entered into a Property Leasing Framework Agreement on 5 September 2006. The agreement has a term of 10 years and is renewable upon expiry. Pursuant to the agreement, China Coal Group and its associates shall lease to the Company structures and properties which are mainly used for production and operation.

Pricing principles: total maximum annual property rentals paid by the Company (or its subsidiaries) to China Coal Group and its associates in relation to structures and properties leased to the Company are approximately RMB71 million. The rentals shall be paid at the end of each year and are subject to review and adjustment every three years by reference to the prevailing market prices within the term of the property leasing framework agreement. The rental payable after adjustment shall not exceed the prevailing market rate to be confirmed by an independent property valuer.

The annual cap for 2011 in respect of property rentals paid by the Company to China Coal Group and its associates in respect of the structures and properties leased amounted to RMB79 million. For the year ended 31 December 2011, the actual rentals incurred were RMB71 million.

7. Land Use Rights Leasing Framework Agreement

The Company and China Coal Group entered into a Land Use Rights Leasing Framework Agreement on 5 September 2006. The agreement has a term of 20 years and is renewable upon expiry. Pursuant to the agreement, China Coal Group and its associates shall lease to the Company land use rights, which are mainly used for production and operation.

Pricing principles: the Company shall pay China Coal Group and its associates total annual rentals of approximately RMB8.9 million. The rentals shall be paid at the end of each year. The rental charges are subject to review and adjustment every three years with reference to the prevailing market rates of comparable land located in the same region or area under similar conditions within the term of the land use rights leasing framework agreement. The rental payable after adjustment shall not exceed the prevailing market rate to be confirmed by an independent property valuer.

The annual cap for 2011 in respect of the land use rights rental paid by the Company to China Coal Group and its associates amounted to RMB23 million. For the year ended 31 December 2011, the actual rental incurred was RMB22 million.

8. Coal and Other Related Products and Services Supply Framework Agreement

Datong Coal Industry Company Limited, Shanxi Coking Coal Group, Shaanxi Coal and Chemical Industry Group Company Limited, Jizhong Energy Machinery Equipment Company Limited and Shaanxi Yulin Coal Import & Export Group Corporation, all of which being substantial shareholders of the Company's subsidiaries, are all joint venture partners of the Company in respect of its coal and other related products and services business. The Company will continue to purchase from or sell to these five substantial shareholders of the Company's subsidiaries coal and other related products and services. The Company therefore entered into a Coal and Other Related Products and Services Supply Framework Agreement with each of the aforementioned five substantial shareholders of the Company's subsidiaries. The agreements are effective from 1 January 2009 until 31 December 2011 and renewable upon expiry.

Pricing principles shall be in the following order: the price fixed by the Chinese Government; the guiding price set by the Chinese Government; the prevailing market price of similar products or services provided by independent suppliers in surrounding areas on an arm's length basis; and the price agreed by the parties involved.

For the year ended 31 December 2011, (1) the annual cap for 2011 in respect of the expenses paid by the Company for purchasing coal and other related products and services from substantial shareholders of relevant subsidiaries amounted to RMB5.910 billion and the actual expenses incurred were RMB385 million; and (2) the annual cap for 2011 in respect of the income generated from sales of coal and other related products and services by the Company to substantial shareholders of relevant subsidiaries amounted to RMB3.465 billion, and the actual income generated was RMB189 million.

The auditor of the Company has issued a letter to the Board in relation to the abovementioned continuing connected transactions stating the following:

1. The terms of these transactions are determined in accordance with the relevant provisions of the agreements and documents governing the transactions;

2. The value of these transactions conforms to the pricing criteria stated in the relevant agreements;

3. These transactions have been approved by the Board; and

4. The relevant actual amounts incurred do not exceed the relevant waiver limits.

The independent non-executive directors of the Company have reviewed the above continuing connected transactions and have confirmed that the transactions are:

1. in the Company's ordinary course of business;

2. on normal commercial terms; and

3. in accordance with the relevant agreements governing them and on terms that are fair and reasonable and in the interests of shareholders of the Company as a whole.

(2) Renewal or re-entering into of continuing connected transactions agreement for 2012-2014 and the annual waiver limits

The Company signed several continuing connected transactions framework agreements at the time of listing of H shares, renewed or re-signed some connected transactions framework agreements in 2008 and applied to HKSE for the waiver limits for its continuing connected transactions for 2009-2011 under the aforesaid framework agreements according to the listing rules of HKSE.

Coal Supplies Framework Agreement, Integrated Materials and Services Mutual Provision Framework Agreement and Project Design, Construction and General Contracting Service Framework Agreement expired on 31 December 2011. The Company renewed or amended the abovementioned continuing connected transactions agreement on 21 October 2011, for a term of 3 years from 1 January 2012 to 31 December 2014 and proposed to revise the respective annual cap of the coming three years. In the meantime, the Company also proposed to revised the respective annual cap of Property Leasing Framework Agreement and Land Use Rights Leasing Framework Agreement for the coming three years.

Details of the aforementioned transactions are set out on the announcements published on China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily on 21 October and 16 December 2011, and on the websites of HKSE, Shanghai Stock Exchange and the Company.

(3) Non-continuing connected transactions

Non-continuing connected transactions conducted during the reporting period were the division of Huajin Company. Please refer to the section headed 'Material Acquisition and Disposal' in the "Management Discussion and Analysis of Financial Conditions and Operating Results" of the report for details.

Save as disclosed above, no connected transaction or continuing connected transaction set out in note 42 to the financial statements meets the definition of connected transaction or continuing connected transaction in HKSE Listing Rules. As for the aforementioned connected transactions and continuing connected transactions, the Company has complied with the disclosure requirements set out in the Listing Rules of HKSE from time to time.

19. Reduce horizontal competition

In early 2011, China Coal Import & Export Company Limited, wholly-owned subsidiary of China Coal Group, and China Coal Jinhaiyang Company, China Coal Longhua Company and Taiyuan Coal Gasification Group, held as to 60%, 76.56% and 51.57% by China Coal Group respectively, engaged in coal production and coal chemical business. Since 2011, China Coal Group and the Company have been positively tackling horizontal competition and have achieved the following progresses:

(I) The Company carried out work relating to purchasing 80% equity of Shanxi Zhongxin Tangshangou Coal Mine Company Limited (held by China Coal Import & Export Company Limited), which has been approved on 27 March 2012 at the first meeting of the second session of the Board for the year 2012. This purchase will bring the Company 70.62 million tonnes of premium Jurassic thermal coal resource and a verified annual production capacity of 1.2 million tonnes.

(II) The Company carried out work relating to purchasing 100% of the restructured equity of China National Coal Sales and Transportation Corporation held by China Coal Group, which has been approved on 27 March 2012 at the first meeting of the second session of the Board for the year 2012. This purchase will provide the Company's coal business with transport capacity and supporting logistic services, and reduce transportation cost and the Company's horizontal competition in the coal trade.

(III) On 30 December 2011, China Coal Group purchased the remaining 23.44% equity of China Coal Longhua Company held by China Cinda Asset Management Company Limited, so that China Coal Longhua Company has become a wholly-owned subsidiary of China Coal Group, providing favourable conditions for further integration of China Coal Longhua Company and its injection into China Coal Group.

(IV) On 13 April 2011, China Coal Group entrusted 16.18% equity interests in Taiyuan Coal Gasification Group to the State-owned Assets Supervision and Administration Commission of Shanxi Provincial People's Government, which in turn appointed Jinmei Group to manage the 51% equity (including both its self-owned and entrusted equity interests) of Taiyuan Coal Gasification Group, making Jinmei Group the effective controller of Taiyuan Coal Gasification Group. In addition, China Coal Group is transferring without consideration the 16.18% equity entrusted to State-owned Assets Supervision and Administration Commission of Shanxi Provincial People's Government, which, if approved, will turn China Coal Group into a participating shareholder of Taiyuan Coal Gasification Group, so that the coal and coal chemical businesses of Taiyuan Coal Gasification Group will no longer constitute horizontal competition for the Company.

Since the state has imposed stricter regulatory requirements on safe coal production, resulting in longer approval period of coal projects. The Company will, in comprehensive consideration of the factors like the status of capital markets and its development strategy and with a high sense of responsibility to investors, progressively exercise its pre-emptive rights based on the principle of "purchasing the project once it has matured" after completing formalities of relevant projects, so as to reduce horizontal competition between China Coal Group and the Company by purchasing assets of relevant coal and coal chemical businesses of China Coal Group.

20. Issues, difficulties and risks arising from the operation of the Company and relevant strategies and measures

(I) Risks of fluctuation in macro economy

The coal industry is a fundamental sector of Chinese economy, which is closely linked to the macro economy and significantly affected by other relevant industries, i.e. electricity, metallurgy, construction materials and chemistry. The cyclical fluctuation of the macro economy will have a material effect on the coal consumption industry as well as the operation of the coal industry and coal enterprises.

(II) Risks of overcapacity

With the rapid expansion of production capacity due to the increasing investment in the coal industry, the newly developed production capacity will all come into play in the next few years and the coal market may be confronted with serious oversupply. As coal enterprises have similar business models, the homogenised competition among them shall be fierce and overcapacity will trigger price decrease and squeeze the profit margins of the coal enterprises.

(III) Risks of regulation in the sector

The PRC government imposed temporary control over thermal coal prices: based on the contractual prices set at the beginning of 2011, the increase in the contractual prices of major thermal coal in 2012 shall not exceed 5%. Since 1 January, the ceiling FOBT price of thermal coal with calorific value of 5,500 kcal from Northern harbours shall not exceed RMB800 per tonne. The prices of other thermal coal with different calorific value shall be calculated based on the ceiling price set for 5,500 kcal. For the two sides of the thermal coal trade, the market trading price of thermal coal transported by railways and by roads shall not exceed the actual settlement price as at the end of April 2011.

Regulation policies including price intervention may have a certain impact on coal enterprises in the short term, but they will help the coal sector and other relevant industries to enjoy a sound and harmonious development in the long run.

(IV) Risks of safety production

Restricted by geological and mining conditions, coal mining involves inherent production safety risks. The Company makes energetic efforts in promoting the "Three Constructions" policies, which cover safe and efficient mines, safety-assured mines and production technology management system, and improving its safety management system through upgrading automatic production and reducing staff working underground to stay ahead in safety production amongst its competitors.

(V) Risks of environmental protection

The mining of coal resources will unavoidably affect the environment to a certain extent. The Company has strictly complied with the laws and regulations on energy saving and emission reduction and upheld the concept of developing "black resources" in a "green way". The Company has strived to strike a balance between coal mining development and environmental protection through increasing investment in technological and environmental protection, while actively promoting the recycling economy to build itself into an energy-saving and environmental-friendly enterprise.

(VI) Risks of rising costs

Rising raw material costs, rigid growth of labour cost and increasing investment in safety production and environmental protection have been persistently bringing up the costs of coal production. In the future, the Company will exert more efforts in cost control, optimise production distribution and reduce material purchase costs and unit consumption through adopting new technologies, new working processes and equipment to maintain its leading competitive edge in cost control in the industry.

(VII) Risks of changes in global coal markets

As affected by conditions of demand and supply and the changes in prices in global and domestic coal markets, Chinese coal import underwent significant growth, while coal export has been dwindling since 2009. As the Chinese economy globalises, together with a market-oriented reform of its coal industry, changes in global coal markets will have material effects on the domestic coal market.

(VIII) Foreign exchange risk

The Group's export sales are generally settled with US dollars and the Group has liabilities denominated in foreign currencies, including Japanese Yen and US dollars. Meanwhile, the Group needs foreign currencies, mainly US dollars, to pay for imported equipment and spare parts. The changes in foreign exchange rates of Renminbi to any other foreign currencies will have bilateral compound effects on the operating results of the Company.

21. Significant Events

(1) Share capital structure

As at 31 December 2011, the structure of the share capital of the Company was as follows:

Type of Shares	Number of Share	Percentage (%)
A Shares	9,152,000,400	69.03
Inclusive of A Shares held by China Coal Group	7,505,225,354	56.61
H Shares	4,106,663,000	30.97
Inclusive of H Shares held by China Coal Hong Kong Limited, a wholly-owned subsidiary of China Coal Group	120,000,000	0.91
Total	13,258,663,400	100.00
Inclusive of shares held by China Coal Group and parties acting in concert with it	7,625,225,354	57.52

(2) Distribution of final dividends for 2010

The Company's 2010 profit distribution plan was considered and approved at the Company's 2010 annual general meeting held on 27 May 2011. Cash dividends of RMB2,072,693,400 were distributed to the shareholders of the Company, equal to 30% of the net profit attributable to the shareholders of the Company, which was RMB6,908,978,000 (the lower of post-tax profits in the financial statements prepared in accordance with PRC Accounting Standards of Business Enterprises and International Financial Reporting Standards). The distribution was made based on the Company's entire issued share capital of 13,258,663,400 shares, representing a dividend of RMB0.15633 per share (inclusive of tax). The above final dividends were paid to the shareholders of the Company on 28 June 2011.

As at the date of this report, the above final dividends for 2010 had been duly paid to the shareholders of the Company.

(3) Amendment to the Articles of Association

During the reporting period, the Company made no amendments to the Articles of Association.

(4) Assets transactions

On 27 May 2011, the third meeting in 2011 of the Second Session of the Board of the Company resolved to approve the split and restructuring arrangement of Huajin Company. Pursuant to the arrangement, Huajin Company would be split into two limited liability companies by way of split-off in accordance with laws and both of the limited liability companies would be jointly held by the Company and Shanxi Coking Coal each with 50% shareholding. Upon the split, the company holding the segmental assets of Wangjialing Mine would become a subsidiary of the Company. In addition, the Company has been approved to unilaterally make the further capital contribution into the company holding Wangjialing Mine which therefore would be held 51% and 49% by the Company and Shanxi Coking Coal respectively. Upon the split, Shanxi Coking Coal has also been approved to unilaterally make the further capital contribution into Huajin Company which therefore would be held 51% by Shanxi Coaking Coal and 49% by the Company respectively upon the completion of capital contribution.

On 12 June 2011, the name of the company holding Wangjialing assets has been approved by the Shanxi Provincial Administration of Industry & Commerce as China Coal (Shanxi) Huajin Energy Company Limited.

On 5 August 2011, the Company officially entered into the Split Agreement of Huajin Coking Coal Company Limited with Shanxi Coking Coal Group, Huajin Company and China Coal Huajin Company.

On 8 September 2011, China Coal Huajin Company officially completed the registration to the relevant administrative authority for industry and commerce and become a subsidiary of the Company. Huajin Company has ceased to be consolidated into the Company. The Company carried out relevant accounting procedures in accordance with the PRC GAAP.

For details, please refer to the relevant announcements published on the websites of SSE, HKSE and the Company on 27 May and 8 August 2011.

(5) Other major events

1. Issuance of Medium-term Notes and Short-term Bonds

On 27 May 2011, the Company adopted at its 2010 annual general meeting the Proposal on China Coal Energy Company Limited's Registration and Issuance of Medium-term Notes and Short-term Bonds, approving the Company to register each of the medium-term notes and short-term bonds for an amount up to RMB35 billion (or an issuance cap determined based on 40% of the latest audited net assets at each registration).

The proceeds from the issuance of medium-term notes and short-term bonds are intended to be used for replenishing general working capital of the Company and for adjusting debt structure. The proceeds from the medium-term notes may also be injected to related projects of the Company in line with actual needs.

On 17 August 2011, the Company issued the first tranche of medium-term notes of 2011 with the total actual issuance amount of RMB15 billion and the term of 5 years. The face value is RMB100 each, with the issuance coupon rate of 5.65%. All the proceeds were fully credited into the Company's account on 18 August 2011.

Please refer to relevant announcements released on the websites of SSE, HKSE and the Company on 19 May, 27 May, 21 July and 18 August 2011.

2. Production Resumption of Wangjialing Coal Mine of China Coal Huajin Company

Resulting from the flooding accident on 28 March 2010, the completion of Wangjialing Coal Mine, which was owned and was being constructed by Huajin Coking Coal Company Limited, a company also 50% owned by China Coal Energy, had to be postponed and the Company made corresponding information disclosure on the follow-up. During the reporting period, Wangjialing Coal Mine resumed construction pursuant to the obtained Notice on Approval of Construction Resumption of Wangjialing Coal Mine (Lin Mei Gong Fa [2011] No. 447) issued by Linfen Coal Industry Bureau.

Please refer to relevant announcements released on the websites of SSE, HKSE and the Company on 19 October 2011.

3. Production Suspension and Resumption of Coal Mine

On 16 September 2011, a flooding accident occurred in Yuanbaowan Coal Mine when integration and technological innovation works were being carried out. Yuanbaowan Coal Mine was owned by China Coal Jinhaiyang Energy Company, a company affiliated with the Company's controlling shareholder, China Coal Group, and had been undergoing integration and technological innovation. After the flooding accident, Shanxi Provincial People's Government required that both China Coal Group's underground mines and the Company's five underground mines in Shanxi Province be suspended for rectification and shall not resume operation until they pass the relevant inspections by the local authorities. In order to draw a lesson from the accident and strengthen safety consciousness, the Company had made active efforts in identifying and eliminating hidden perils, through campaigns like "eliminating the flooding problem through prevention" and "one ventilation, three prevention", through control-focused major safety inspections, and through adopting effective measures to ensure production safety. By the end of the reporting period, the Company's five underground mines in Shanxi have resumed operation. The Company is of the opinion that the short-term suspension for rectification will not have material impact on the production and operation of the Company.

Please refer to relevant announcements released on the websites of SSE, HKSE and the Company on 19 September, 2 October, 20 October and 15 November 2011.

4. Shareholding Increase in the Company by Controlling Shareholder

The Company's controlling shareholder China Coal Group has, since September 2011, increased its shareholding in A shares of the Company on several occasions, amounting to 23,581,580 shares during the reporting period, and after which China Coal Group held 7,505,225,354 A shares, accounting for 56.61% of the Company's total issued shares. China Coal Group undertook not to decrease its shareholding in the Company within 12 months from the date of the said increase.

Please refer to relevant announcements released on the websites of SSE, HKSE and the Company on 23 September 2011.

5. External Investment

On 22 March 2011, the resolution of the First Meeting of the Second Board of Directors for the year 2011 approved the Proposal on Investment in the Construction of Phase 1 of Ordos Tuke Fertiliser Project, agreeing that the Company would make investment in the construction of the project and establish a wholly-owned subsidiary to take charge of the project's implementation. For the purpose of controlling risks, the Company decided to implement the project phase by phase, in which the annual output of Phase 1 was 1 million tonnes of synthetic ammonia and 1.75 million tonnes of urea, with an estimated total investment of approximately RMB9,510.56 million.

Tuke Fertiliser Project obtained a response from Inner Mongolia Development and Reform Commission in September 2009, and started overall construction and long-term equipment order in March 2011. On 8 June, China Coal Ordos Energy and Chemical Company Limited, responsible for construction and operation of the project, was established and signed with the contractor design, purchase, and construction general contracts on main installations for air separation, gasification, synthetic ammonia and urea. At present, the project goes forward at a steady pace.

Please refer to relevant announcements released on the websites of SSE, HKSE and the Company on 22 March 2011.

6. Environmental protection

In May 2010, the Ministry of Environmental Protection of China issued the Circular on Examination Results after Environmental Protection Inspection on Listed Companies, which addressed the environmental issues in the relocation of China Coal and Coke Jiuxin Limited (a subsidiary of the Company) in Lingshi. The Company attached great importance to the issues on the relocation of China Coal and Coke Jiuxin Limited and took initiatives to communicate and negotiate with local government and villagers. Currently, the issue is being addressed in a proactive manner.

Please refer to relevant announcements released on the websites of SSE, HKSE and the Company on 27 May 2010.

22. Material Legal Proceedings

As at 31 December 2011, the Company was not involved in any material litigations or arbitrations, and to the best knowledge of the Company, there was no pending, threatened or ongoing material litigation or claim against the Company as at 31 December 2011.

23. Auditors

The Company has appointed PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian as its international and domestic auditor respectively for the year ended 31 December 2011. The financial statements prepared by the Company in accordance with the International Financial Reporting Standards have been audited by PricewaterhouseCoopers.

Resolution in relation to the appointment of PricewaterhouseCoopers as the Company's international auditor for the year 2012 and PricewaterhouseCoopers Zhong Tian as the Company's domestic auditor for the year 2012 will be considered at the 2011 annual general meeting to be convened on 25 May 2012.

24. Taxation

For details of taxation matters, please refer to the sub-section headed 'Distributable profits, Ddividends and distributable profits, closure of share register' of the Directors' Report in this report.

The Company, according to the relevant taxation provisions, has deducted and paid relevant taxes when distributing dividends for the year 2011 to foreign non-resident enterprises or resident individual shareholders.

25. Reserves

Details of changes in the reserves of the Group during the year are set out in note 25 to the consolidated financial statements and the consolidated statement of changes in equity respectively.

As at 31 December 2011, reserves available for distribution to shareholders by the Company in accordance with the laws and regulations of the PRC were RMB14.747 billion.

26. Financial Summary

A summary of the Group's financial information for the last five financial years was extracted from the audited financial statements. The summary does not form part of the audited financial statements.

27. Subsequent Events

There are no material subsequent events for the Group.

By order of the Board
China Coal Energy Company Limited
Chairman and Executive Director
Wang An

Beijing, China
27 March 2012

As at the date of this directors' report, the executive directors of the Company are Wang An, Yang Lieke; the non-executive directors of the Company are Peng Yi, Li Yanmeng; and the independent non-executive directors of the Company are Zhang Ke, Wu Rongkang, Zhang Jiaren, Zhao Pei and Ngai Wai Fung.

Supervisory Committee Report

During the reporting period, with an aim to protect the interests of the Company and its shareholders, all members of the Supervisory Committee of the Company discharged their powers and obligations with the utmost conscientiousness and performed their supervising functions in accordance with relevant requirements of the Company Law of the People's Republic of China, the Articles of Association and the rules of procedures for the Supervisory Committee of the Company, fully completing the work of the Supervisory Committee in 2011 and promoting the standardised operation and scientific development of the Company.

I. The work of the Supervisory Committee

Sessions of Meetings	Dates of Meetings	Newspapers for Disclosure of the Resolutions	Dates for Disclosure of the Resolutions
First meeting for 2011 of the second session of the Supervisory Committee	22 March 2011	China Securities Journal, Shanghai Securities News, Securities Times	23 March 2011
Second meeting for 2011 of the second session of the Supervisory Committee	26 April 2011	China Securities Journal, Shanghai Securities News, Securities Times	27 April 2011
Third meeting for 2011 of the second session of the Supervisory Committee	16 August 2011	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	17 August 2011
Fourth meeting for 2011 of the second session of the Supervisory Committee	21 October 2011	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	22 October 2011
Fifth meeting for 2011 of the second session of the Supervisory Committee	16 December 2011	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	17 December 2011

During the reporting period, the Supervisory Committee convened five physical meetings, details of which are set out below:

The first meeting for 2011 of the second session of the Supervisory Committee convened on 22 March 2011 considered and approved six resolutions principally in relation to the Company's 2010 annual report and its summary, 2010 annual results announcement, report of the Supervisory Committee, 2010 annual financial report, proposed profits distribution plan for 2010, report of the Board for 2010 on the self-assessment of the Company's internal control, and the implementation work plan for the Company's internal control regulations.

The second meeting for 2011 of the second session of the Supervisory Committee convened on 26 April 2011 considered and approved the resolution on the Company's first quarterly report for 2011.

The third meeting for 2011 of the second session of the Supervisory Committee convened on 16 August 2011 considered and approved the resolutions in relation to the Company's 2011 interim report and the Company's Internal Control Management Manual and Internal Control Assessment Manual.

The fourth meeting for 2011 of the second session of the Supervisory Committee convened on 21 October 2011 considered and approved the resolutions in relation to the Company's third quarterly report for 2010 and the determination of the annual caps for continuing connected transactions during 2012-2014.

The fifth meeting for 2011 of the second session of the Supervisory Committee convened on 16 December 2011 considered and approved the resolution on the revision to the Company's 2011 annual cap for connected transactions in relation to the supply of production material and ancillary services to China Coal Group.

II. Opinions of the Supervisory Committee in respect of the work of the Company

During 2011, overcoming the adverse impact of the global economic slowdown, the spreading Euro crisis, rising inflationary pressures and inelastic cost increase, the Company proactively dealt with the complicated economic conditions at home and abroad. By adhering to the strategy of scientific development, accelerating structural adjustments and strengthening managerial innovation, the Company maintained a rapid growth in production and operations with a number of operating indicators reaching historically high levels, getting off to a good start for the Twelfth Five-Year period. The Supervisory Committee is satisfied with the Company's accomplishments and is confident in its future development.

III. Independent opinions have been given by the Supervisory Committee in respect of the following issues of the Company in 2011:

1. Operation of the Company in 2011 in accordance with the laws

During the reporting period, the Supervisory Committee supervised, examined and assessed the financial affairs of the Company and the duties performed by the directors and senior management. The Supervisory Committee is of the opinion that the Company was able to operate in strict compliance with the laws and regulations of the state, and that the decision-making procedures were within the boundaries of laws. The Company management conscientiously implemented the resolutions of shareholders' general meetings and Board meetings, continued to improve its internal control system and strengthened its risk prevention capabilities. Directors and senior management of the Company duly performed their duties, and the Supervisory Committee is not aware of any act of the directors or senior management of the Company which was in violation of any laws, regulations and the Articles of Association or was detrimental to the interests of the Company.

2. Examination of the financial affairs of the Company

After carefully reviewing the annual financial report, the proposed profit distribution plan and other matters of the Company, the Supervisory Committee considers that the Company's financial management and accounting works were being increasingly standardised, the Company had sound financial positions, and the auditor's report with standard unqualified opinions provided by PricewaterhouseCoopers Zhong Tian and PricewaterhouseCoopers represented a true, objective and fair description of the financial conditions, operating results and cash flow of the Company without any false records, misleading statements or material omissions.

3. Use of proceeds

During the reporting period, the expended proceeds from A Share issuance amounted to RMB2.277 billion while the accumulated expended proceeds amounted to RMB16.861 billion. The actual expenses incurred are consistent with those the Company undertook to fund the projects.

4. Acquisition or disposal of assets by the Company

The disposal of assets occurred during the reporting period was the split of Huajin Company. For details, please refer to section headed 'Material Acquisition and Disposal' of "Management Discussion and Analysis of Financial Conditions and Operating Results" in this report.

Save for mentioned above, during the reporting period, the Company was not involved in any other material acquisitions or disposal of assets, nor was the Supervisory Committee aware of any internal transactions. No known circumstances that were detrimental to shareholders' equity interest or would incur loss on the Company's assets were discovered.

5. Connected transactions

During the reporting period, all continuing connected transactions of the Company were carried out in accordance with the relevant terms in the executed continuing connected transactions framework agreements. The considerations of these transactions conform to the pricing principle stated in the relevant agreements. The actual annual amount incurred under each continuing connected transaction did not exceed the relevant annual caps.

During the reporting period, the non-continuing connected transaction that the Company involved in was the split of Huajin Company, which was considered and approved by the third meeting for 2011 of the second session of the Board.

All connected transactions of the Company in 2011 were conducted at fair and reasonable prices. No acts were found to be detrimental to the interests of the Company and shareholders.

6. Implementation of resolutions of shareholders' general meetings

The Supervisory Committee has conducted supervision over the Board's implementation of the resolutions passed at the shareholders' general meeting during the reporting period, and is of the opinion that the Board has been able to duly perform its duties, strengthen scientific decision-making as well as actively and consistently implement the relevant resolutions of the shareholders' general meeting and hence promoted the scientific and healthy development of the Company.

7. Review of assessment report on internal control

The Supervisory Committee has duly reviewed the Board's assessment Report on Internal Control of the Company for 2011. The Supervisory Committee is of the opinion that the assessment report on internal control of the Company has given a true picture of the conditions of the internal control of the Company. The Supervisory Committee has no dissenting opinions on the Company's assessment report on internal control.

In 2012, by further perfecting its working model, making innovations in its working methods and expanding thinking patterns, the Supervisory Committee will improve its supervision in accordance with the duties stipulated by the laws and regulations of the state and the Articles of Association, uphold the principle of integrity and strive to fulfill its functions with an aim to protect the lawful rights and interests of the Company and its shareholders.

By Order of the Supervisory Committee
China Coal Energy Company Limited
Wang Xi
Chairman of the Supervisory Committee

Beijing, China
27 March 2012

Corporate Governance Report

The Company appreciates that good corporate governance is vital to the sustainable development of the Group, the increase in value of the Company and the protection of the interest of shareholders. During the reporting period, the Company continued to govern in a sound manner and further consolidated its corporate governance standards, so as to pursue effective management and standardised operations.

1. Overview of Corporate Governance

The Company has established a corporate governance system comprising the general meeting, the Board, the supervisory committee and the management in accordance with the provisions of the relevant laws and regulations as Company Law, Securities Law so as to establish a check-and-balance mechanism with clear delineation of responsibilities among the executive, decision-making and supervisory bodies and standardised operations.

In order to optimise the system of corporate governance, the Company has formulated management policies such as "Articles of Associations", "Rules of Procedures of Shareholder's General Meetings", "Rules of Procedures of the Board of Directors", "Rules of Procedures of the Supervisory Committee", "Rules of Procedures of the Management", "Work Manual of the Strategic Planning Committee under the Board", "Work Manual of the Audit Committee under the Board", "Work Manual of the Remuneration Committee under the Board", "Work Manual of the Safety, Health and Environmental Protection Committee under the Board", "Work Manual of the Nomination Committee under the Board", "Work System of Independent Directors", "Annual Report Work System of Independent Directors", "Work Regulations for Reviewing Annual Financial Report by the Audit Committee under the Board", "Investment Management Measures", "Provisional Measures for Performance Evaluation of the Company's Senior Management", "Provisional Measures for the Remunerations of the Company's Senior Management", "Implementation Rules on Provisional Measures for the Remunerations of the Company's Senior Management", "Financial Management Measures", "Accounting and Auditing Measures", "External Guarantee Management System", "Information Disclosure Management System", "Internal Reporting System of Material Information", "Management System on Investor Relations", "Management Measures on Connected Transactions", "Implementation Rules for the Management Measures on Connected Transactions", "Management Measures on Proceeds Raised through A Shares", "Management Measures on the Shares of the Company Held by Its Directors, Supervisors, Senior Management and Company Insiders (and Changes Thereof) ", "Internal Control and Auditing System", "The Registration System on Company Insiders", "The Accountability System for Material Errors in Annual Report Information Disclosure" and "The Work System of the Board Secretary".

The Board has reviewed the documents regarding corporate governance adopted by the Company, and believes that such documents have met the relevant code provisions as set out under the "Code on Corporate Governance Practices" of HKSE Listing Rules. As of 31 December 2011, the Company strictly complied with the code provisions under the "Code on Corporate Governance Practices" set out in Appendix 14 of HKSE Listing Rules.

In the following aspects, the corporate governance practices adopted by the Company were more stringent than the code provisions set out in the "Code on Corporate Governance Practices".

1. In addition to the audit committee, the remuneration committee and the nomination committee, the Company has also set up a strategic planning committee and a safety, health and environmental protection committee.

2. Among the members of the Board, five are independent non-executive directors, representing a majority of the Board, which is more than the minimum requirement under Rule 3.10A of HKSE Listing Rules which stipulates that independent non-executive directors shall constitute at least one-third of the Board. Among the five independent non-executive directors, Mr. Zhang Ke is currently the chairman and the principal partner of ShineWing Certified Public Accountant Company Limited. He is also the vice president of the Chinese Institute of Certified Public Accountants. As such, the Company has complied with the qualification requirements of the "Code on Corporate Governance Practices" in this regard.

2. Substantial Interests and Short Positions of the Company held by Substantial Shareholders

As of 31 December 2011, according to the register of interests required to be maintained pursuant to section 336 of the Securities and Futures Ordinance, the interests or short positions of the parties (excluding directors or supervisors) who are entitled to exercise or control the exercise of 5% or more of the voting rights at the Company's general meetings in the Company's shares or underlying shares of the Company's equity derivatives were as follows:

Name of shareholders	Number of shares	Class of shares	Nature of interest	Capacity	Percentage of the respective type of shares in issue (%)	Percentage in the total shares in issue (%)
China National Coal Group Corporation	7,505,225,354	A Shares	N/A	Beneficial owner	82.01	56.61
BlackRock, Inc.	320,908,876	H Shares	Long position	Interest of controlled corporation by substantial shareholders	7.81	2.42
	28,274,317		Short position		0.68	0.21
Government of Singapore Investment Corporation Pte Ltd	291,196,390	H Shares	Long position	Investment manager	7.09	2.20
JPMorgan Chase & Co.	254,036,433	H Shares	Long position	Beneficial owner	6.19	1.92
	19,228,834		Short position	Investment manager	0.47	0.15
	177,648,369		Lending pool	Custodian – corporation/approved lending agents	4.33	1.34
Davis Selected Advisers, L.P. (d/b/a: Davis Advisors)	248,098,000	H Shares	Long position	Investment manager	6.04	1.87

Note: The information disclosed is based on the information provided on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk).

Save as disclosed above, as at 31 December 2011, according to the register of interests required to be maintained pursuant to section 336 of the Securities and Futures Ordinance, there were no other persons who were interested or held short positions in the Company's shares or underlying shares of equity derivatives of the Company.

3. Model Code for Securities Transactions by Directors

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 to the Listing Rules as at 31 December 2011. Upon making specific enquiries, the Company confirmed that all Directors had complied with the Model Code throughout 2011.

4. Board of Directors

(I) Composition and term of office

The Second Session of the Board of the Company comprises nine directors, namely Wang An, Peng Yi, Yang Lieke, Li Yanmeng, Zhang Ke, Wu Rongkang, Zhang Jiaren, Zhao Pei and Ngai Wai Fung. For the term of service of each of the directors and other particulars, please refer to the section of this report headed "Directors, Supervisors and Senior Management".

Under the Articles of Association, the Board has the following principal responsibilities: to decide the Company's operational plans and investment plans; to set up the Company's annual financial budgets and final accounts plans; to work out the Company's profit distribution plans and plans to offset losses; to decide the structure of the Company's internal management; to appoint or remove the Company's president, chief financial officer or the board secretary and to appoint or remove the Company's vice president in accordance with the nomination of the president; and to discharge other functions assigned by a shareholders' meeting and the Articles of Association.

The Board is responsible for supervising the preparation of financial statements for every financial period so as to enable the financial statements to give a true and fair view of the financial position, operating results and cash flow of the Company during the reporting period. When preparing the financial statements for the year ended 31 December 2011, the Board has selected applicable accounting policies, and made prudent, fair and reasonable judgment and estimations and prepared the financial statements on an ongoing basis. The statement of responsibilities of the international auditors is set out in the independent auditor's report of this annual report.

Apart from the working relationships in the Company, there were no financial, business or family relationships or other material relationships among the directors, supervisors and senior management.

(II) Convening of Board Meetings in 2011

In 2011, the Board of the Company convened six meetings altogether, with an average attendance rate of 100% (including attendance by written proxy). The table below sets out the attendance of the Company's directors at the Board meetings:

Names	Position in the Company	Attendance in person	Attendance by proxy	Attendance rate%
Wang An	Chairman, Executive Director	4/6	2/6	100
Peng Yi	Vice Chairman, Non-Executive Director	6/6		100
Yang Lieke	Executive Director, President	6/6		100
Li Yanmeng	Non-Executive Director	6/6		100
	Independent Non-Executive Director			100
Zhang Ke	Independent Non-Executive Director	4/6	2/6	100
Wu Rongkang	Independent Non-Executive Director	6/6		100
Zhang Jiaren	Independent Non-Executive Director	6/6		100
Zhao Pei	Independent Non-Executive Director	5/6	1/6	100
Ngai Wai Fung	Independent Non-Executive Director	6/6		100

During the reporting period, the details of the Board meetings of the Company are set out as follows:

1. At the first meeting in 2011 of the second session of the Board held on 22 March 2011, a total of 17 resolutions were considered and approved, which mainly included the consideration of the annual report for 2010 and its summary, the results announcement for 2010, the 2010 directors' report, the 2010 financial report and the proposed profit distribution plan for 2010 and capital expenditure plans for 2011, the remuneration of directors and supervisors for 2011, the engagement of accounting firms for reviewing the interim financial report and auditing the annual financial report for 2011, the report of the Board on the self-assessment of internal control of the Company for 2010, the social responsibility report for 2010, performance evaluation of the Company's senior management for 2011, registration and issue of medium-term notes and short-term bonds, "Twelfth Five-Year" development plan for the Company, investment in the construction phase 1 of Ordos Tuke Fertiliser Project, the formulation of "The Accountability System for Material Errors in Annual Report Information Disclosure", the proposal for the implementation of internal control regulation of the Company, the general mandate for issuing shares and the holding of the 2010 annual general meeting. The implementation of the resolutions of the Board of the Company for 2010 was also reported at the meeting.

2. The second meeting in 2011 of the second session of the Board convened on 27 April 2011 considered and approved the resolutions of the Company in the first quarter of 2011. Six issues, namely the formulation of the provisional measures for the management of resolutions of the Board meetings of the Company (receiving opinions), general status of coal sales, the safety and health work since 2010, the split and separate holding management of Huajin Company, the construction progress of the key projects of Ordos branch of the Company and the construction progress of the 3 million tonnes/year dimethyl ether project of Zhongtian Synergetic Company, were reported at the meeting.

3. The third meeting in 2011 of the second session of the Board convened on 27 May 2011 considered and approved three resolutions, principally in relation to the split and reorganisation of Huajin Company, the system of Board Secretary of the Company and the management system of the Company in regulating the flow of funds with connected parties. The preparation of the "Manual of Internal Control of the Company" and the "Manual on the Evaluation of Internal Control of the Company" were also reported at the meeting.

4. The forth meeting in 2011 of the second session of the Board convened on 16 August 2011 considered and approved five resolutions, principally in relation to the 2011 interim report of the Company, the "Provisional Measures for the Management of Resolutions of the Board Meetings of the Company", the "Manual of Internal Control of the Company" and the "Manual on the Evaluation of Internal Control of the Company" and the establishment of the International Cooperation Development Department. Four issues, namely the implementation of the internal audit of the Company in January-June 2011 and the plan for the second half of the year, the implementation of the capital expenditure plan of the Company in January-June 2011 and the arrangement for the second half of the year, the implementation of the environmental protection work of the Company in January-June 2011 and the plan for the second half of the year and informationisation, were also reported at the meeting.

5. The fifth meeting in 2011 of the second session of the Board convened on 21 October 2011 considered and approved three resolutions, principally in relation to the third quarter report of the Company in 2011, the confirmation of the annual exemption limit for the continuing

connected transactions of the Company from 2012 to 2014 and the holding of the first extraordinary shareholders' general meeting in 2011. Three issues, namely the implementation of the Company's plan on capital expenditure for the third quarter of 2011, the general status of the management of centralised resource procurement of the Company and the implementation of the issues considered at the fourth meeting for 2011 of the second session of the Board, were also reported at the meeting.

6. The sixth meeting in 2011 of the second session of the Board convened on 16 December 2011 considered and approved four resolutions, principally in relation to the 2011 connected transaction cap for the provision of production materials and ancillary services by the Company to China Coal Group, the implementation of the corporate annuity proposal, the revision of the provisional measures for the management of the remuneration of the senior management of the Company, the proposal for the payment of remuneration to senior management for 2010 and the proposal for the basic salary of 2011. The arrangements related to the 2012 Board and general meetings were reported at the meeting.

During the reporting period, the Company complied with all relevant code provisions in terms of the number of board meetings held, board meeting procedures, board meeting minutes and records, rules for convening the meetings and related matters. The attendance rate reflected that all directors of the Company were diligent and responsible and were dedicated to promoting the interests of the Company and shareholders as a whole.

(III) Implementation of Resolutions of Shareholder's General Meetings by the Board

During the reporting period, all members of the Board duly and diligently discharged their obligations as directors, implemented the resolutions of shareholders' general meetings and completed all duties and tasks authorised by shareholders' general meetings in compliance with the provisions under relevant applicable domestic and overseas laws and regulations where the Company is listed, and the Articles of Association.

In response to the resolutions at the shareholders' general meeting for the year 2010 convened on 27 May 2011, the Board:

1. continued to engage PricewaterhouseCoopers Zhong Tian and PricewaterhouseCoopers as its domestic and international auditors respectively for the year 2011 for the interim review and annual audit in accordance with PRC GAAP and IFRS respectively, and confirmed that their fees for the above work in 2011 amounted to RMB11.50 million;

2. distributed profit for 2010 of RMB2,072,693,400 to existing shareholders of the Company on 28 June 2011, representing a dividend of RMB0.15633 per share (inclusive of tax); and

3. the Company issued the first tranche of medium-term notes for 2011 on 17 August 2011. The actual total amount issued was RMB15 billion. The notes have a maturity of 5 years and a nominal value of RMB100 each. The coupon rate on issue was 5.65%. The funds raised were fully accounted for on 18 August 2011.

During the first extraordinary shareholders' general meeting in 2011 held on 16 December 2011, the Board confirmed the annual exemption cap for the continuing connected transactions of the Company for 2012 to 2014, ratified and confirmed the Coal Supply

Framework Agreement, the Integrated Materials and Services Mutual Provision Framework Agreement and the Project Design, Construction and General Contracting Services Framework Agreement and their respective proposed annual cap for each of the three years ended 31 December 2012, 2013 and 2014.

5. The Chairman and the President

The Company's chairman is Mr. Wang An and its president is Mr. Yang Lieke. The chairman and the president are two different positions with clearly delineated responsibilities. The chairman shall not serve as the president concurrently, and the terms of reference of the chairman and the president are also clearly set out in writing. Please refer to the Articles of Association for more details. Senior management personnel of the Company other than directors and supervisors of the Company are responsible for the Company's daily operations and their duties are set out in the section headed "Directors, Supervisors and Senior Management" in this report.

6. Insurance Arrangement

Pursuant to the Recommended Best Practice A1.9 under the "Code on Corporate Governance Practices", the Company should purchase appropriate insurance to cover potential legal actions against its directors. The Company has renewed its liability insurance purchased for its directors, supervisors and senior management.

7. Remuneration Committee

The remuneration committee under the Board of the Company currently comprises three independent non-executive directors and one non-executive director. "Work Manual of the Remuneration Committee of the Board" clearly defines the status, composition, terms of reference, decision-making procedures as well as rules of procedures of the remuneration committee. The major responsibilities of the remuneration committee are to submit remuneration policies of the Company's directors and senior management to the Board and assess the performance of senior management. The responsibilities of the remuneration committee comply with the relevant requirements of Listing Rules. The remuneration committee is accountable to the Board.

In 2011, the remuneration committee held one on-site meeting which mainly considered the annual report of the Company for 2010 and its summary, the 2010 results announcement, the 2010 directors' report, the remuneration of directors and supervisors for 2011 and the performance appraisal benchmark of senior management for 2011; and one meeting via correspondence which mainly considered the implementation of the corporate annuity proposal, the revision of the provisional measures for the management of the remuneration of the senior management of the Company, the proposal for the payment of remuneration to senior management for 2010 and the proposal for the basic salary of 2011.

The term of service of members of the remuneration committee is the same as that of directors, and committee members are eligible for re-election upon expiry of their term of service. The remuneration committee under the second session of the Board consists of four members, among which the chairman of the remuneration committee is independent non-executive director Ngai Wai Fung, and the committee members are Vice Chairman and non-executive director Peng Yi and independent non-executive directors Zhang Ke and Zhao Pei.

Attendance details of the remuneration committee in 2011 (including attendance by written proxy) are as follows:

Member of the Committee	Attendance in person	Attendance by proxy	Attendance rate%
Ngai Wai Fung (Chairman of the remuneration committee)	2	0	100
Peng Yi	2	0	100
Zhang Ke	1	1	100
Zhao Pei	2	0	100

8. Nomination Committee

The nomination committee under the Board of the Company currently comprises two independent non-executive directors and one executive director. The "Work Manual of the Nomination Committee" clearly defines the status, composition, terms of reference, decision-making procedures as well as rules of procedures of the nomination committee. It particularly requires that the chairman of the nomination committee is to be elected from the independent directors. The major responsibilities of the nomination committee are to study the election criteria and procedures of the Company's directors and senior management, examine candidates for directors and senior management and give recommendations to the Board, and to assess the independence of the independent non-executive directors. The responsibilities of nomination committee comply with the relevant requirements of the Listing Rules of Stock Exchange. The nomination committee is accountable to the Board.

The nomination committee under the second session of the Board of the Company consists of independent non-executive director Zhang Jiaren as chairman and Wang An and Wu Rongkang as committee members.

The nomination committee under the second session of the Board of the Company did not held any meeting during the reporting period.

9. Audit Committee

The audit committee under the Board of the Company currently comprises three independent non-executive directors and one non-executive director. The "Work Manual of the Audit Committee" clearly defines the status, composition, terms of reference, decision-making procedures as well as rules of procedures of the audit committee. The audit committee is mainly responsible for supervising the truthfulness and completeness of the Company's financial statements, as well as the effectiveness of the Company's internal control and risk management system; engaging accounting firm and supervising its work; reviewing the Company's annual and interim report and results announcement; preparing significant accounting policies and practices adopted by financial reports; and establishing a procedure for handling complaints regarding accounting and audit matters, potential illegal acts and doubtful accounting or audit matters. The responsibilities of the audit committee comply with the relevant requirements of the Listing Rules. The audit committee is accountable to the Board.

In 2011, the audit committee held four meetings altogether, at which the annual report for 2010 and its summary, the 2010 results announcement, the 2010 financial report, the self-assessment report of the Board regarding the Company's internal control for 2010, the profit distribution plan for 2010, the registration and issue of medium-term note and short-term bond, the engagement of accounting firms for reviewing the interim financial report and auditing the annual financial report for 2011, the formulation of the accountability system for material errors in annual report information disclosure, the proposal for the implementation of internal control regulation, the interim and quarterly reports for 2011, Manual of Internal Control of the Company and the Manual on the Evaluation of Internal Control of the Company and the confirmation of the annual exemption limit for the continuing connected transactions of the Company from 2012 to 2014 were considered. According to the "Regulations for Reviewing the Annual Financial Report by the Audit Committee under the Board", the audit status of the 2011 interim report, the completion status of internal audit in the first half of 2011 and the plan for the second half of the year, were heard at the meetings.

The term of service of the members of the audit committee is the same as that of directors, and committee members are eligible for re-election upon expiry of their term of service. The audit committee under the second session of the Board consists of four members, among which the chairman of the committee is independent non-executive director Zhang Ke, and the committee members are Vice Chairman and non-executive director Peng Yi and independent non-executive directors Zhao Pei and Ngai Wai Fung.

Attendance details of the audit committee in 2011 (including attendance by written proxy) are as follows:

Member of the Committee	Attendance in person	Attendance by proxy	Attendance rate%
Zhang Ke (Chairman of the audit committee)	2	2	100
Peng Yi	4	0	100
Zhao Pei	4	0	100
Ngai Wai Fung	4	0	100

10. Strategic Planning Committee

The strategic planning committee under the Board of the Company comprises six directors, of which three are independent non-executive directors. The "Work Manual of the Strategic Planning Committee" clearly defines the status, composition, terms of reference, decision-making procedures as well as rules of procedures of the strategic planning committee. The strategic planning committee is mainly responsible for conducting studies regarding the Company's long term development strategy, material investments, financing, capital operation plans, capital expenditure plans and providing recommendations to the Board, and is entitled to examine the implementation of the aforesaid matters. The responsibilities of the strategic planning committee comply with the relevant requirements of the Listing Rules. The strategic planning committee is accountable to the Board.

In 2011, the strategic planning committee held one meeting, at which the "Twelfth Five-Year" plan of the Company, 2010 annual report, 2010 results announcement, 2011 capital expenditure plan and the investment in the construction phase 1 of Ordos Tuke Fertiliser Project were considered.

The term of service of the members of the strategic planning committee is the same as that of directors, and committee members are eligible for re-election upon expiry of their term of service. The strategic planning committee under the second session of the Board comprises six members, including Wang An, Chairman of the Company, as chairman of the committee, and Vice-President and non-executive director Peng Yi, executive director and President Yang Lieke, and independent non-executive directors Wu Rongkang, Zhang Jiaren and Zhao Pei as committee members.

Attendance details of the strategic planning committee in 2011 (including attendance by written proxy) are as follows:

Member of the Committee	Attendance in person	Attendance by proxy	Attendance rate%
Wang An (Chairman of the strategic planning committee)	0	1	100
Peng Yi	1	0	100
Yang Lieke	1	0	100
Wu Rongkang	1	0	100
Zhang Jiaren	1	0	100
Zhao Pei	1	0	100

11. Safety, Health and Environmental Protection Committee

The safety, health and environmental protection committee under the Board of the Company comprises three directors, of which one is an independent non-executive director. The "Work Manual of the Safety, Health and Environmental Protection Committee" clearly defines the status, composition, terms of reference, decision-making procedures as well as rules of procedures of the safety, health and environmental protection committee. The safety, health and environmental protection committee is mainly responsible for the implementation of the Company's safety, health and environmental protection plans, supervision of the potential responsibilities, changes of laws and regulations and technological transformation related to safety, health and environmental protection issues. The safety, health and environmental protection committee is accountable to the Board.

In 2011, the safety, health and environmental protection committee held one meeting, at which the annual report of the Company for 2010, the 2010 results announcement, the 2010 directors' report and the social responsibility report for 2010 were considered.

The term of service of the members of the safety, health and environmental protection committee is the same as that of directors, and committee members are eligible for re-election upon expiry of their term of service. The safety, health and environmental protection committee under the second session of the Board consists of three members, among which the chairman of the committee is independent non-executive director Wu Rongkang, and the committee members are executive director and President Yang Lieke and non-executive director Li Yanmeng.

Attendance details of the safety, health and environmental protection committee in 2011 (including attendance by written proxy) are as follows:

Member of the Committee	Attendance in person	Attendance by proxy	Attendance rate%
Wu Rongkang (Chairman of the safety, health and environmental protection committee)	1	0	100
Yang Lieke	1	0	100
Li Yanmeng	1	0	100

12. Performance of Duties by Independent Directors

There are five independent non-executive directors in the Board. The "Work System of Independent Directors" of the Company clearly defines the employment requirements, independence, nomination, election and replacement criteria, and the duties and obligations of independent directors. In addition to the duties empowered by the Company Law, Listing Rules of the Stock Exchange, SSE Listing Rules and other relevant laws and regulations such as reviewing material connected transactions, the Company also empowers the independent directors with the duty to propose to appoint or remove accounting firms and other duties.

During the reporting period, the independent directors strictly complied with all relevant laws and regulations such as the Company Laws, Guidelines in relation to the Establishment of the System of Independent Directors, and Certain Rules regarding Strengthening Protection of the Interests of the Public Shareholders as well as the rules and requirements under the Articles of Association, the Work System of Independent Directors and the Annual Report Work System of Independent Directors. Independent directors performed their duties independently and attended relevant meetings in 2011, investigated thoroughly in its subsidiaries, seriously took part in the decision-making of the Company's significant matters, expressed independent opinions on relevant matters of the Company, gave constructive advice and recommendations regarding the governance of the Company, reform development and production and operation. During the course of performance of duties, independent directors upheld the legal rights of shareholders, especially the minority shareholders independently and objectively, fully exploiting the functions of independent directors.

In 2011, the Company convened a total of five meetings of independent directors at which the following resolutions were considered: 2010 annual report, 2010 annual results announcement, 2010 financial report, the report of the Board on the self-assessment of internal control of the Company for 2010, the proposed profit distribution plan for 2010, the production and operation plan for 2011, the 2011 financial plan, the registration and issue of medium-term note and short-term bond by the Company, the engagement of accounting firms for reviewing the interim financial report and auditing the annual financial report for 2011, the formulation of the accountability system for material errors in annual report information disclosure, the proposal for the implementation of internal control regulation, the 2011 interim report, the Manual of Internal Control of the Company and the Manual on the Evaluation of Internal Control of the Company, the third quarter report for 2011 and the confirmation of the annual exemption limit for the continuing connected transactions of the Company from 2012 to 2014 were considered. The independent directors also considered the preliminary audit results regarding the 2010 financial report prepared by PricewaterhouseCoopers, issues related to the engagement of accounting firms for reviewing the interim financial report and auditing the annual financial report for 2011, the preparation status for the "Twelfth Five-Year" Plan of the Company, the investment in the construction phase 1 of Ordos Tuke Fertiliser Project, the related issues on the disclosure of horizontal competition and solution in the 2010 annual report, the review status of the 2011 interim report, the completion status of internal audit in the first half of 2011 and the plan for the second half of the year, were heard at the meetings.

Attendance details of the meetings of independent directors in 2011 (including attendance by written proxy) are as follows:

Member of the Committee	Attendance in person	Attendance by proxy	Attendance rate%
Zhang Ke	3	2	100
Wu Rongkang	5	0	100
Zhang Jiaren	5	0	100
Zhao Pei	5	0	100
Ngai Wai Fung	5	0	100

The report of the independent directors in carrying out their duties is released on the website of the Company.

13. Remuneration of Auditors

In 2011, the Company's international auditor was PricewaterhouseCoopers, and the domestic auditor was PricewaterhouseCoopers Zhong Tian. The Company's annual audit fees for the year ended 31 December 2011 were RMB11,500,000 in aggregate. The Company did not incur any non-audit fees in 2011.

14. Shareholders and Shareholders' General Meeting

In order to ensure that all shareholders of the Company enjoy equal status and effectively exercise their own rights, the Company convenes shareholders' general meetings every year in accordance with the Articles of Association. During the reporting period, two shareholders' general meetings were held, including the 2010 annual shareholders' general meeting and one extraordinary shareholders' general meeting.

1. At the 2010 annual shareholders' general meeting held on 27 May 2011, the following 9 resolutions were approved: "Resolution on Directors' Report of the Company for 2010", "Resolution on Report of Supervisory Committee of the Company for 2010", "Resolution on Financial Report for 2010", "Resolution on Proposed Profit Distribution Plan of the Company for 2010", "Resolution on Capital Expenditure Plans of the Company for 2011", "Resolution on Remuneration of Directors and the Supervisors of the Company for 2011", "Resolution on Auditors to Review Interim Financial Report and Audit Annual Report for 2011", "Resolution on the Registration and Issue of Medium-term Note and Short-term Bond by the Company" and "Resolution on General Mandates to Issue Shares".

2. At the first extraordinary shareholders' general meeting held on 16 December 2011, "Resolution on the Confirmation of the Annual Exemption Limit for the Continuing Connected Transactions of the Company from 2012 to 2014" was considered and approved by a poll.

15. Supervisors and Supervisory Committee

The Supervisory Committee of the Company comprises three supervisors, including two shareholder representatives and one employee representative. The Supervisory Committee is accountable to the shareholders' general meeting and reports its work to the general meeting.

The principal duties of the Supervisory Committee are to supervise, inspect and assess the Company's operation in accordance with the laws, the financial affairs of the Company and whether the Directors and senior management of the Company have performed their duties lawfully.

Attendance details of the meetings of Supervisory Committee in 2011 (including attendance by written proxy) are as follows:

Member of the Committee	Attendance in person	Attendance by proxy	Attendance rate%
Wang Xi	5/5	0	100
Zhou Litao	4/5	1	100
Zhang Shaoping	5/5	0	100

16. Establishment and Implementation of Ancillary Mechanisms

1. Management of Connected Transactions

Over the years, the Company managed and regulated connected transactions with reference to actual needs and by strictly adhering to the provisions of the SSE Listing Rules, "Connected Transaction Guidelines for Listed Companies", "Management Measures on Connected Transactions" and the "Detailed Rules for the Implementation of the Management Measures for Connected Transactions" of the Company. Necessary connected transactions are carried out reasonably in accordance with the Continuing Connected Transactions and their Caps considered and passed at the board meeting and general meeting of the Company. The pricing of connected transactions is determined according to the principle set out in the framework agreement. The price so determined will be fair, reasonable and in the best interest of the shareholders as a whole.

During the reporting period, the Company re-entered or renewed the connected transaction framework agreements for the years 2012 to 2014, and applied for the annual exemption limit of the relevant connected transactions in the coming three years.

With an aim to fully implement the Company's management system for connected transactions and to ensure the routine connected transactions of the Company's subsidiaries comply with laws and regulations, the connected transaction management team visited the key companies including Pingshuo Coal Industry Company and China Coal Jinhaiyang Company to conduct examination, the list of connected persons was updated timely, the amount for connected transactions was calculated accurately, problems that exist in the process of connected transaction management of relevant subsidiaries were analysed and studied to formulate remedial measures, the subsidiaries were also instructed and urged to locate hidden problems to raise the management standard on connected transactions. Training courses on basic knowledge for connected transaction management and new regulatory requirements were organised for the management and connected transaction management personnel of the Company and the subsidiaries, so as to raise connected transaction management awareness and management standard.

In order to keep track of the actual monthly amount for continuing connected transactions timely and accurately so as to ensure the continuing connected transactions do not exceed the annual exemption limit, and to ensure that non-continuing connected transactions are reported to the connected transaction management team of the Company before taking place in various units, the Company had gradually built up an electronic dynamic management system for connected transactions in 2011, covering connected transaction budget management, monthly monitoring, limit alert and regular discussions. The system became fully operational since January 2012.

The standard on management and control of connected transactions of the Company is further enhanced with the continued improvement and consolidation of the connected transaction management system, as well as the implementation of various measures. The standard ensured that the connected transactions during the reporting period were in compliance with the laws and regulations and regulatory requirements.

In addition, the Company entered into a "Non-Competition Agreement" with China Coal Group on 5 September 2006 to set up a decision-making mechanism to avoid conflicts of interest.

2. Development of Internal Control System

In 2011, the Company consistently implemented the requirements under the "Basic Standard for Enterprise Internal Control" and the "Guidelines for Enterprise Internal Control" jointly promulgated by the five ministries including the Ministry of Finance and China Securities Regulatory Commission. The Company has consistently strengthened and improved the internal control system. On the basis of carrying out a thorough review on the system and processes of the Company, the Board of the Company approved the implementation of the internal control manual and the internal control assessment manual which have been duly prepared. The Company established a standardised corporate governance structure of legal entities, clearly stating the terms of reference and rules of procedures of decision-making level, management level and executive level as well as the responsibilities of each level, department and position. The internal control system comprises the principles of mutual control and appropriate degree of authorisation, constituting an internal control mechanism of connecting each position discharging its respective duties to be under mutual control. The system ensured the separation of decision making, execution and supervision as well as maintained its effective check and balance, ensuring the effectiveness of the implementation and plan of the internal control mechanism in order to execute appropriate control on substantial risks.

The Company actively carried out internal control assessment, by identifying key business areas, processes and risk control as emphasis of the assessment, combining with the best achievements in the industry comprising 18 areas including organisational structure, development strategies, human resources, social responsibilities, corporate culture, capital activities, purchase, asset management, sales, research and development, construction projects, guarantee business, business outsourcing, financial reports, comprehensive budget, contract management, internal information transmission and information system. By means of survey, interviews and sampling, an assessment on the plan and implementation of the internal control system of the Company was effectively carried out. Through conducting the assessment, the Company made effective remediations on control deficiencies identified in order to enhance the management and strengthen the prevention of investment risk.

The Board of the Company has assessed the internal control system in relation to the financial reports in accordance with the requirement of "Basis Standard for Enterprise Internal Control" and considered it is effective on 31 December 2011.

The Company's auditor, PricewaterhouseCoopers, has audited the effectiveness of the Company's internal control system in relation to the financial reports and issued an standard unqualified opinion.

In 2012, in accordance with factors including the internal and external environment, requirements of supervision and development of the Company, the Company is committed to consistently enhancing the internal control system and the effectiveness of execution, perfecting the company's adaptability to structural adjustment of the industry and newly established management requirements in order to ensure a scientific, sound and safe development of the Company.

3. Risk Management System

The Company strengthened the compressive risk management system through establishing a risk assessment mechanism. Based on the corporate strategies, the Company carried out a comprehensive analysis of possible risks in each operational stage, identifying uncertain factors and potential risks including industrial policies, environment of the industry and the market in order to establish a risk inventory. With reference to the Materiality Principle, the Company prioritised the risks and identified substantial risks as emphasis of management.

In 2011, basing on the risks encountered in 2010, the Company identified 7 substantial risks through updating the risk assessment in 2011. The 7 substantial risks comprises structural risk on products and industry, investment decision risk and risks on technical experts and technology innovation under the strategic category, safe production risk, management risk on infrastructure projects, subsidiaries and branches management risk under the operational category and financing risk under the financial category.

Emphasising on risk control measures and the progress of business processes, the Company carried out a position risk control management based on ERP on the purchasing business and sales business. Responding to positional responsibilities, business processes and risk identification while establishing related risk control measures and operational requirements, the Company strengthened the connection between risk management and actual operation, incorporating the control measures into business progress and realising risk control responsibilities into actual practices.

Human Resources Management Report

In 2011, based on the Company's strategy and the laws of corporate growth and talent development, the Company implemented the strategy of strengthening the enterprise with talent, innovated its talent cultivation mechanism and improved the environment for nurturing talents, protecting the Company's safe, healthy growth in terms of human resources.

Using the human resources plan as a guide and improving staff composition to establish high-calibre management teams. Through human resources planning, the Company further improved the structures of its subsidiaries' management teams, standardised the managerial positions and strengthened the construction of the management teams and the cultivation of backup talents. By upholding the requirements for "both ability and integrity, with a priority on integrity" and applying strict standards in the selection and recruitment processes, the Company established a management team which was characterised by sensible age and knowledge structures, good professional ethics, strong operating and management capabilities, and international vision, substantially raising the overall capabilities of the management team. Having begun the process of recommending and selecting backup talents and the establishing of a corporate backup talent pool, the Company enhanced the vitality and competitiveness of its management team and provided human resources reserves and intellectual support for building the Company into a world-class energy company.

Optimising organisational structures and human resources allocation to strengthen introduction and exchanges of talents. The Company scientifically optimised the organisational structures and staff formation of its subsidiaries. The Company also managed different production factors in a coordinated manner and strengthened control on the total headcount, pushing forward the strategic adjustment in its talent structure. The Company optimised the allocation of human resources, made more efforts on public recruitment and competition for positions, actively attracted high-calibre talents and promoted rational mobility of personnel. Under the guidelines of "focusing on personal development, valuing simplicity and effectiveness", the Company expedited the formation of a core team and building up a high-quality team.

Establishing a unique training system through systematic management and categorised training. With an aim to turn itself into an organisation with a focus on learning, the Company improved the overall quality of staff members by promoting continuous learning among employees. The Company further diversified its training methods, enhanced staff training, created a learning environment and strived to build a talented team that can adapt to the rapid development of the Company. The Company increased investment in in-house classes, actively developed high-quality educational resources platform and partnered with universities, famous training institutions and enterprises. Adhering to the principle of "providing training relevant to an employee's work and on what he lacks knowledge of", the Company studied the needs of each training subject, arranged classes scientifically and provided training that catered to the specific needs of each training subject. The Company also strengthened the systematic guidance and inspection on training at subsidiary level and improved basic management such as system and workflow building so as to meet the needs arising from its rapid growth and the restructuring of the industry.

Perfecting mechanisms and providing effective incentives to push ahead with salary allocation system reform. In order to improve its evaluation system and strengthen the incentive and restriction mechanisms, the Company built up a more scientific, reasonable and effective salary allocation system where salaries were determined according to positions and adjusted based on performance, with an aim to improve labour effectiveness. The Company established an internal salary allocation system that was in line with its development, streamlined and adjusted allocation relations and standardised the allocation process, in an attempt to formulate an allocation pattern characterised by moderate income growth, reasonable discrepancies and harmonious relations. Meanwhile, the Company continued to improve the salary growth mechanism for frontline employees and carried out allocation plans that favoured employees in demanding and dangerous positions, thus using salary allocation as a leverage to encourage staff members to work on the frontline. The Company also launched its enterprise annuity scheme to provide its employees with a multi-layered welfare system.

Function categories	Staff number	Percentage (%)
Management staff	4,596	8.4
Engineering staff	8,429	15.3
Sales staff	965	1.8
Production staff	34,936	63.6
Others	6,022	10.9
Total	54,948	100.0

Education categories	Staff number	Percentage (%)
Graduate and above	683	1.2
Undergraduate	7,376	13.4
Associate degree	9,629	17.6
Others	37,260	67.8
Total	54,948	100.0

Independent Auditor's Report

pwc 羅兵咸永道

TO THE SHAREHOLDERS OF CHINA COAL ENERGY COMPANY LIMITED
(incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China Coal Energy Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 102 to 213, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other matters

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2012

Balance Sheets

As at 31 December 2011
(All Amounts in RMB unless otherwise stated)

	Note	Group As at 31 December 2011 RMB'000	Group As at 31 December 2010 RMB'000	Company As at 31 December 2011 RMB'000	Company As at 31 December 2010 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	7	**60,224,021**	46,417,897	**53,537**	137,860
Investment properties		**29,912**	31,158	**—**	—
Land use rights	8	**2,815,270**	2,563,782	**—**	—
Mining and exploration rights	9	**28,419,571**	18,611,170	**—**	—
Intangible assets		**110,299**	42,579	**63,222**	11,402
Investments in subsidiaries	10	**—**	—	**52,131,885**	39,105,430
Investments in associates	11	**7,058,652**	3,994,877	**5,576,259**	3,464,886
Investments in jointly controlled entities	12	**578,015**	426,516	**33,433**	8,433
Available-for-sale financial assets	14	**1,220,791**	1,220,765	**1,130,000**	785,000
Deferred income tax assets	26	**202,046**	180,737	**17,362**	5,059
Loans to subsidiaries	15	**—**	—	**11,661,094**	5,110,320
Long-term receivables	16	**114,713**	684,894	**—**	191,865
Other non-current assets	17	**3,048,458**	61,844	**426,300**	—
		103,821,748	74,236,219	**71,093,092**	48,820,255
Current assets					
Inventories	18	**7,318,715**	6,215,074	**167,584**	392,355
Trade and notes receivables	19	**7,802,765**	7,005,589	**2,019,327**	1,687,720
Prepayments and other receivables	20	**5,643,201**	5,438,569	**9,995,263**	7,207,583
Restricted bank deposits	21	**3,173,248**	2,494,816	**—**	—
Term deposits with initial terms of over three months	21	**11,295,045**	4,623,526	**10,870,045**	3,784,620
Cash and cash equivalents	21	**20,878,522**	22,922,396	**15,588,888**	18,922,529
		56,111,496	48,699,970	**38,641,107**	31,994,807
TOTAL ASSETS		**159,933,244**	122,936,189	**109,734,199**	80,815,062

Balance Sheets

As at 31 December 2011
(All Amounts in RMB unless otherwise stated)

		Group		Company	
	Note	**As at 31 December 2011 RMB'000**	As at 31 December 2010 RMB'000	**As at 31 December 2011 RMB'000**	As at 31 December 2010 RMB'000
EQUITY					
Equity attributable to the equity holders of the Company					
Share capital	22	**13,258,663**	13,258,663	**13,258,663**	13,258,663
Reserves	23	**43,944,415**	42,817,681	**41,256,500**	40,504,526
Retained earnings					
– Dividends proposed after the balance sheet date	35	**2,851,145**	2,072,693	**2,851,145**	2,072,693
– Others		**21,690,819**	15,899,529	**11,343,817**	7,556,396
		81,745,042	74,048,566	**68,710,125**	63,392,278
Non-controlling interests		**14,219,747**	12,289,979	**—**	—
Total equity		**95,964,789**	86,338,545	**68,710,125**	63,392,278
LIABILITIES					
Non-current liabilities					
Long-term borrowings	24	**11,456,013**	10,715,916	**4,746,000**	4,026,000
Long-term bonds	25	**14,955,000**	—	**14,955,000**	—
Deferred income tax liabilities	26	**6,969,057**	5,091,269	**—**	—
Deferred revenue		**349,309**	295,992	**—**	—
Provision for employee benefits		**158,768**	265,726	**—**	—
Provision for close down, restoration and environmental costs	29	**1,086,384**	822,149	**—**	—
Other long-term liabilities		**214,739**	15,807	**—**	—
		35,189,270	17,206,859	**19,701,000**	4,026,000

Balance Sheets

As at 31 December 2011
(All Amounts in RMB unless otherwise stated)

		Group		Company	
	Note	**As at 31 December 2011 RMB'000**	As at 31 December 2010 RMB'000	**As at 31 December 2011 RMB'000**	As at 31 December 2010 RMB'000
Current liabilities					
Trade and notes payables	27	**10,917,010**	9,253,983	**1,428,884**	1,766,969
Accruals, advance and other payables	28	**11,676,488**	6,997,116	**18,557,274**	11,629,348
Taxes payable		**3,534,279**	1,651,332	**156,916**	(79,533)
Short-term borrowings	24	**1,824,696**	396,196	**1,100,000**	—
Current portion of long-term borrowings	24	**798,449**	1,025,989	**80,000**	80,000
Current portion of provision for close down, restoration and environmental costs	29	**28,263**	66,169	**—**	—
		28,779,185	19,390,785	**21,323,074**	13,396,784
Total liabilities		**63,968,455**	36,597,644	**41,024,074**	17,422,784
TOTAL EQUITY AND LIABILITIES		**159,933,244**	122,936,189	**109,734,199**	80,815,062
NET CURRENT ASSETS		**27,332,311**	29,309,185	**17,318,033**	18,598,023
TOTAL ASSETS LESS CURRENT LIABILITIES		**131,154,059**	103,545,404	**88,411,125**	67,418,278

The accompanying notes are an integral part of these consolidated financial statements.

These financial statements have been approved for issue by the Board of Directors on 27 March 2012.

Wang An	**Weng Qing'an**	**Chai Qiaolin**
Chairman of the Board	*Chief Financial Officer*	*Manager of Finance Department*
Executive Director		

Consolidated Income Statement

For the year ended 31 December 2011
(All Amounts in RMB unless otherwise stated)

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000
Revenue	6	**87,773,054**	70,302,637
Cost of sales			
Materials		**(39,985,287)**	(31,189,858)
Staff costs		**(4,080,139)**	(3,767,958)
Depreciation and amortisation		**(4,081,296)**	(3,437,439)
Repair and maintenance		**(1,113,575)**	(682,127)
Transportation costs		**(9,693,832)**	(8,478,956)
Sales taxes and surcharges		**(1,363,979)**	(1,174,810)
Others		**(9,147,768)**	(7,093,436)
Cost of sales		**(69,465,876)**	(55,824,584)
Gross profit		**18,307,178**	14,478,053
Selling, general and administrative expenses		**(4,574,347)**	(3,749,111)
Other income/(loss)		**75,001**	(53,896)
Other gains, net		**115,929**	386,537
Profit from operations		**13,923,761**	11,061,583
Finance income	31	**622,042**	484,087
Finance costs	31	**(798,698)**	(593,065)
Share of profits of associates and jointly controlled entities		**294,755**	46,290
Profit before income tax		**14,041,860**	10,998,895
Income tax expense	33	**(3,382,822)**	(2,847,876)
Profit for the year		**10,659,038**	8,151,019
Profit attributable to:			
Equity holders of the Company		**9,801,542**	7,466,357
Non-controlling interests		**857,496**	684,662
		10,659,038	8,151,019
Basic and diluted earnings per share for the profit attributable to the equity holders of the Company (RMB)	34	**0.74**	0.56
Dividends distributed	35	**2,072,693**	1,986,651
Dividends proposed after the balance sheet date attributable to all shareholders of the Company	35	**2,851,145**	2,072,693

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011
(All Amounts in RMB unless otherwise stated)

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Profit for the year	**10,659,038**	8,151,019
Other comprehensive income:		
Fair value changes on available-for-sale financial assets, net of tax	**(1,215)**	(8,518)
Share of other comprehensive income of an associate	**—**	(4,040)
Currency translation differences	**(6,647)**	(3,816)
Other comprehensive loss for the year, net of tax	**(7,862)**	(16,374)
Total comprehensive income for the year	**10,651,176**	8,134,645
Total comprehensive income attributable to:		
Equity holders of the Company	**9,793,680**	7,449,983
Non-controlling interests	**857,496**	684,662
	10,651,176	8,134,645

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011
(All Amounts in RMB unless otherwise stated)

	Attributable to equity holders of the Company					
	Share capital	Reserves	Retained earnings	Subtotal	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2010	13,258,663	42,193,425	13,143,304	68,595,392	9,600,310	78,195,702
Profit for the year	—	—	7,466,357	7,466,357	684,662	8,151,019
Other comprehensive income	—	(16,374)	—	(16,374)	—	(16,374)
Appropriations	—	638,368	(638,368)	—	—	—
Purchase of equity from a non-controlling shareholder (Note 41(a))	—	(50,123)	—	(50,123)	(23,377)	(73,500)
Acquisition of subsidiaries not under common control	—	—	—	—	1,176,644	1,176,644
Contributions	—	53,440	—	53,440	950,565	1,004,005
Dividends (Note 35)	—	—	(1,986,651)	(1,986,651)	(86,830)	(2,073,481)
Disposal of subsidiaries	—	—	—	—	(12,657)	(12,657)
Others	—	(1,055)	(12,420)	(13,475)	662	(12,813)
Balance at 31 December 2010	**13,258,663**	**42,817,681**	**17,972,222**	**74,048,566**	**12,289,979**	**86,338,545**
Profit for the year	**—**	**—**	**9,801,542**	**9,801,542**	**857,496**	**10,659,038**
Other comprehensive income	**—**	**(7,862)**	**—**	**(7,862)**	**—**	**(7,862)**
Appropriations (Note 23)	**—**	**1,109,543**	**(1,109,543)**	**—**	**—**	**—**
Share of change in reserves of associates and jointly controlled entities	**—**	**(3,271)**	**—**	**(3,271)**	**6,751**	**3,480**
Acquisition of a subsidiary (Note 2(a))	**—**	**—**	**—**	**—**	**1,777,058**	**1,777,058**
Contributions	**—**	**—**	**—**	**—**	**361,980**	**361,980**
Dividends (Note 35)	**—**	**—**	**(2,072,693)**	**(2,072,693)**	**(105,407)**	**(2,178,100)**
Attributable to change of a subsidiary to an associate (Note 2(c))	**—**	**49,564**	**(49,564)**	**—**	**(964,348)**	**(964,348)**
Others	**—**	**(21,240)**	**—**	**(21,240)**	**(3,762)**	**(25,002)**
Balance at 31 December 2011	**13,258,663**	**43,944,415**	**24,541,964**	**81,745,042**	**14,219,747**	**95,964,789**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2011
(All Amounts in RMB unless otherwise stated)

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000
Cash flows from operating activities			
Cash generated from operations	37(a)	**18,252,198**	12,623,520
Interest paid		**(694,231)**	(655,513)
Interest income received		**352,267**	781,206
Income tax paid		**(3,212,597)**	(2,066,179)
Net cash generated from operating activities		**14,697,637**	10,683,034
Cash flows from investing activities			
Purchases of property, plant and equipment		**(19,047,068)**	(12,059,551)
Proceeds from disposal of property, plant and equipment		**42,492**	51,137
Purchases of land use rights, mining rights and intangible assets		**(863,635)**	(235,511)
Proceeds from disposal of land use rights, mining rights and intangible assets		**—**	390
Purchases of available-for-sale financial assets		**(345,000)**	(276,996)
Proceeds from disposal of available-for-sale financial assets		**1,622**	38,539
Increase in prepayment for investments		**(501,670)**	(1,016,515)
Purchase of non-controlling interest of subsidiaries		**—**	(191,870)
Acquisition of subsidiaries		**(3,893,178)**	(580,151)
Payment of previous year acquisition consideration		**—**	(339,087)
Disposal of subsidiaries		**—**	(16,182)
Increase in investments in associates		**(1,838,965)**	(2,020,376)
Dividends received		**66,092**	53,527
Increase in investments in jointly controlled entities		**(50,499)**	(25,000)
Increase in loan receivables		**(1,500,000)**	(160,000)
(Increase)/decrease in placement of term deposits with initial terms of over three months		**(6,671,519)**	18,189,958
Attributable to change of a subsidiary to an associate (Note 2(c))		**(576,535)**	—
Contributions		**—**	53,440
Net cash (used in)/generated from investing activities		**(35,177,863)**	1,465,752

Consolidated Cash Flow Statement

For the year ended 31 December 2011
(All Amounts in RMB unless otherwise stated)

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000
Cash flows from financing activities			
Proceeds from short-term borrowings		**2,209,000**	380,100
Repayments of short-term borrowings		**(580,500)**	(370,885)
Proceeds from long-term borrowings		**4,506,800**	560,800
Repayments of long-term borrowings		**(814,233)**	(836,541)
Repayments of borrowings from non-controlling shareholders		**—**	(456,846)
Contributions from non-controlling shareholders		**361,980**	950,565
Dividends paid to the Company's shareholders		**(2,072,693)**	(1,986,651)
Dividends paid to non-controlling shareholders		**(122,345)**	(93,469)
Net proceeds from issuance of long-term bonds		**14,955,000**	—
Net cash generated from/(used in) financing activities		**18,443,009**	(1,852,927)
Net (decrease)/increase in cash and cash equivalents		**(2,037,217)**	10,295,859
Cash and cash equivalents, at beginning of the year		**22,922,396**	12,628,413
Net foreign exchange losses		**(6,657)**	(1,876)
Cash and cash equivalents at end of the year		**20,878,522**	22,922,396

The accompanying notes are an integral part of these consolidated financial statements.

1 ORGANISATION AND PRINCIPAL ACTIVITIES

China Coal Energy Company Limited (the "Company") was established in the People's Republic of China (the "PRC") on 22 August 2006 as a joint stock company with limited liability under the Company Law of the PRC as a result of a group restructuring of China National Coal Group Corporation ("China Coal Group" or the " Parent Company") in preparing for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Restructuring"). The Company and its subsidiaries (collectively the "Group") is principally engaged in mining and processing of coal, sales of coal and coke products and manufacturing and sales of coal mining machinery. The address of the Company's registered office is 1 Huang Si Da Jie, Chaoyang District, Beijing, the PRC.

The H shares of the Company have been listed on The Main Board of the Stock Exchange of Hong Kong Limited since December 2006, while its A shares have been listed on the Shanghai Stock Exchange since February 2008.

2 BASIS OF PRESENTATION

(a) Acquisition of Ordos Yinhe Hongtai Coal Power Company Limited in 2011

In order to increase the Group's coal resources, from 23 June 2011 to 30 December 2011, the Company entered into a series of share purchase agreements with Baotou Hongtai Economics Technology Consulting Company Limited, Ordos Rongcheng Energy Chemical Company Limited, China Datang Group Coal Industry Company Limited and Datang Group Company Limited, which are all third-party companies, pursuant to which 78.84% equity interests in Ordos Yinhe Hongtai Coal Power Company Limited ("Yinhe Hongtai") were transferred to the Company for a total consideration of RMB6,621,137,000. The acquisition was completed on 31 December 2011, when the Company paid over 50% of the total consideration and obtained the control of Yinhe Hongtai.

As a result of the acquisition, the Group is expected to increase its share of the coal resources in the Inner Mongolia region, which is an area rich of coal resources in China. Up to 31 December 2011, Yinhe Hongtai has primarily completed its exploration activities and is in the planning phase for coal mine design and construction.

2 BASIS OF PRESENTATION (Continued)

(a) Acquisition of Ordos Yinhe Hongtai Coal Power Company Limited in 2011 (Continued)

Consideration:	RMB'000
Cash paid for the acquisition	3,654,931
Cash unpaid for the acquisition	2,966,206
Total consideration	6,621,137
Less: Share of fair value of identifiable net assets acquired	(6,621,137)
	—

Recognised amounts of identifiable assets acquired and liabilities assumed at the acquisition date, 31 December 2011:	RMB'000
Cash and cash equivalents	71,739
Trade and other receivables	2,535
Property, plant and equipment	69,741
Exploration rights	11,006,166
Trade and other payables	(444)
Deferred income tax liabilities	(2,751,542)
Total identifiable net assets	8,398,195
Attributable to the equity holders of the Company	6,621,137
Attributable to non-controlling interests	1,777,058
	8,398,195
Cash paid for the acquisition	3,654,931
Cash and cash equivalents acquired from the acquisition	(71,739)
Net cash outflow from the acquisition	3,583,192

Non-controlling interests are determined by the share of fair value of identifiable net assets in the subsidiary.

2 BASIS OF PRESENTATION (Continued)

(b) Acquisition of Shanxi Pinglu Xindu Coal Mining Group Company Limited in 2011

In order to increase the Group's coal resources, in January 2011, the Company's subsidiary, China Coal Pingshuo Coal Industry Company Limited ("Pingshuo Coal"), entered into a share purchase agreement with two unrelated individuals, pursuant to which 100% equity interest in Shanxi Pinglu Xindu Coal Mining Group Company Limited ("Xindu Mining"), was transferred to Pingshuo Coal for a total consideration of RMB332,293,000.

Xindu Mining is principally engaged in coal mining activities. As at 31 December 2011, Xindu Mining is still in the construction phase.

Consideration:	RMB'000
Cash paid for the acquisition	309,986
Cash unpaid for the acquisition	22,307
Total consideration	332,293
Less: Share of fair value of identifiable net assets acquired	(332,293)
	—

2 BASIS OF PRESENTATION (Continued)

(b) Acquisition of Shanxi Pinglu Xindu Coal Mining Group Company Limited in 2011 (Continued)

Recognised amounts of identifiable assets acquired and liabilities assumed at the acquisition date, 20 January 2011:	RMB'000
Property, plant and equipment	229,511
Inventories	9,350
Mining rights	85,613
Land use rights	7,819
Total identifiable net assets	332,293
Attributable to the equity holders of the Company	332,293
Attributable to non-controlling interests	—
	332,293
Cash paid for the acquisition	309,986
Cash and cash equivalents acquired from the acquisition	—
Net cash outflow from the acquisition	309,986

For the year ended 31 December 2011	RMB'000
Revenue	—
Loss for the period	—
Net cash outflow from operating activities	—
Net increase of cash and cash equivalent	10,348

2 BASIS OF PRESENTATION (Continued)

(c) Loss of control in Huajin Coking Coal Company Limited in 2011

Prior to August 2011, Huajin Coking Coal Company Limited ("Huajin Coking Coal") was a subsidiary of the Company, in which the Company owned 50% interest and the other shareholder Shanxi Coking Coal Group Co. Ltd. ("Shanxi Coking Coal") owned the other 50% interest.

In August 2011, the Company entered into an agreement with Shanxi Coking Coal (the "Split"), pursuant to which China Coal Huajin Company Limited ("China Coal Huajin") was established and certain assets and liabilities of Huajin Coking Coal was transferred to China Coal Huajin based on the book values on 31 August 2011. Upon the Split, the Company and Shanxi Coking Coal each still own 50% interest in each of Huajin Coking Coal and China Coal Huajin; however, China Coal lost control over Huajin Coking Coal and gains control over China Coal Huajin.

Effective from the date of the Split, 31 August 2011, Huajin Coking Coal was derecognised as a subsidiary of the Company and excluded from the scope of the consolidation, and was accounted for as an associate using equity accounting in the Group's consolidated financial statements.

No gain or loss was generated from the Split as the share of interest remains unchanged for both of the Company and Shanxi Coking Coal, the fair value of Huajin Coking Coal approximates its book value at the date of the Split, and there was no consideration relating to the Split.

The carrying value of the assets and liabilities and operating results of Huajin Coking Coal, at the date of the Split and for the period then ended, are as follows:

	As at 31 August 2011
	RMB'000
Restricted bank deposits	97,218
Cash and cash equivalents	576,535
Trade and other receivables	2,485,163
Inventories	164,111
Long-term receivables	160,000
Property, plant and equipment	2,518,754
Mining rights	934,153
Land use rights	148,261
Intangible assets	549
Available-for-sale financial assets	338,070
Long-term borrowings	(2,739,010)
Deferred income tax liabilities	(366,495)
Short-term borrowings	(200,000)
Current portion of long-term borrowings	(441,000)
Trade and other payables	(1,604,629)
Tax payables	(103,444)
Net assets	1,968,236

2 BASIS OF PRESENTATION (Continued)

(c) Loss of control in Huajin Coking Coal Company Limited in 2011 (Continued)

	For the period ended 31 August 2011 RMB'000
Revenue	2,917,726
Operating profit	408,822
Net profit	177,612

Cash paid/received from the split	—
Cash and cash equivalents excluded from consolidation	576,535
Net cash outflow from the Split	576,535

(d) Acquisition of Shanxi Xiaohuigou Coal Industry Company Limited in 2010

In order to increase the Group's coal resources, Prior to January 2010, the Company's subsidiary, Pingshuo Coal, entered into a share purchase agreement with Shanxi Donghui Coal Coking & Chemicals Group Co., Ltd. ("Donghui Group"), a third-party company and an unrelated natural person, pursuant to which 55% equity interest in Shanxi Xiaohuigou Coal Industry Company Limited ("Xiaohuigou Coal") was transferred to Pingshuo Coal for a total consideration of RMB1,160,302,000. Xiaohuigou Coal is principally engaged in coal mining. The portion that the consideration is less than the share of fair value of identifiable assets is recognised as negative goodwill and recorded as other gains in 2010.

Consideration and negative goodwill are recognised as follows:

Consideration:	RMB'000
Cash paid for the acquisition	580,151
Cash unpaid for the acquisition	580,151
Total consideration	1,160,302
Less: Share of fair value of identifiable assets acquired	(1,438,121)
Negative goodwill	(277,819)

2 BASIS OF PRESENTATION (Continued)

(d) Acquisition of Shanxi Xiaohuigou Coal Industry Company Limited in 2010 (Continued)

Recognised amounts of identifiable assets acquired and liabilities assumed	RMB'000
Property, plant and equipment	89,571
Mining rights	3,585,353
Trade and other payables	(189,571)
Deferred income tax liabilities	(870,588)
Total identifiable net assets	2,614,765
Attributable to the equity holders of the Company	1,438,121
Attributable to non-controlling interests	1,176,644
	2,614,765
Cash paid for the acquisition	580,151
Cash and cash equivalents acquired from the acquisition	—
Net cash outflow from the acquisition	580,151

For the year ended 31 December 2010	RMB'000
Revenue	—
Profit for the year	—
Cash flows from operating activities	—
Total cash flows, net	70,764

Non-controlling interests are determined by the share of fair value of identifiable net assets in the subsidiary.

As at 31 December 2011, Xiaohuigou Coal is still in the construction phase.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value as disclosed in the accounting policies below.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

3.1.1 *Changes in accounting policy and disclosures*

(a) New and amended standards adopted by the Group

(i) The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011.

- IAS 24 (Revised), "Related Party Disclosures" is effective for annual period beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of IAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

  - The name of the government and the nature of their relationship;
  - The nature and amount of any individually significant transactions; and
  - The extent of any collectively-significant transactions qualitatively or quantitatively.

  It also clarifies and simplifies the definition of a related party. Upon the adoption of IAS 24 (Revised), sales of goods to associates of China Coal Group, the ultimate parent of the Group, are identified as related party transactions with the Group. Further information in respect of the details of the transactions is disclosed in Note 42.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation (Continued)

3.1.1 Changes in accounting policy and disclosures (Continued)

(a) New and amended standards adopted by the Group (Continued)

(ii) The following amendment to standard has been issued and is effective for the financial year beginning 1 January 2011, which has been early adopted by the Group in 2010:

- IFRS 1 (amendment), 'First time Adoption of International Financial Reporting Standards', clarifies that entities may employ the 'deemed cost' exemption not only when the 'deemed cost' is measured before the date of transition to IFRS, but also if the 'deemed cost' is measured during the first IFRS reporting period. This amendment should be applied for annual periods beginning on or after 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Group has applied this amendment from 1 January 2010.

(iii) The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2011, but are not currently relevant for the Group.

- IFRS 1 (Amendment) 'Limited exemption from comparative IFRS 7 disclosures for first-time adopters'
- IFRS 1 'Accounting policy changes in the year of adoption'
- IAS 32 (Amendment), 'Classification of rights issues'
- IFRIC-Int 14 (amendments), 'Prepayments of a minimum funding requirement'
- IFRIC-Int 19, 'Extinguishing financial liabilities with equity instruments'

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation (Continued)

3.1.1 *Changes in accounting policy and disclosures (Continued)*

(b) New and amended relevant standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted

The Group's and parent entity's assessment of the impact of these new and amended standards is set out below.

- IFRS 7 (Amendment) 'Disclosures – Transfers of financial assets' introduces new disclosure requirement on transfers of financial assets. Disclosure is required by class of asset of the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. The gain or loss on the transferred assets and any retained interest in those assets must be given. In addition, other disclosures must enable users to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. The disclosures must be presented by type of ongoing involvement. For example, the retained exposure could be presented by type of financial instrument (such as guarantees, call or put options), or by type of transfer (such as factoring of receivables, securitisations or securities lending). The amendment is applicable to annual periods beginning on or after 1 July 2011 with early adoption permitted.

- IFRS 9, 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 upon its effective date, which is for the accounting period beginning on or after 1 January 2015.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation (Continued)

3.1.1 *Changes in accounting policy and disclosures (Continued)*

(b) New and amended relevant standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted (Continued)

- IFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

- IFRS 11 'Joint arrangements', changes the definitions to reduce the types of joint arrangements to two, joint operations and joint ventures. The jointly controlled assets classification in IAS 31, 'Interests in Joint Ventures', has been merged into joint operations, as both types of arrangements generally result in the same accounting outcome.

  A joint operation is a joint arrangement that gives parties to the arrangement direct rights to the assets and obligations for the liabilities. A joint operator will recognise its interest based on its involvement in the joint operation (that is, based on its direct rights and obligations) rather than on the participation interest it has in the joint arrangement.

  A joint venture, in contrast, gives the parties rights to the net assets or outcome of the arrangement. A joint venturer does not have rights to individual assets or obligations for individual liabilities of the joint venture. Instead, joint venturers share the net assets and, in turn, the outcome (profit or loss) of the activity undertaken by the joint venture. Joint ventures are accounted for using the equity method in accordance with IAS 28, 'Investments in associates'. Entities can no longer account for an interest in a joint venture using the proportionate consolidation method. IFRS 11 is applicable retrospectively to annual periods beginning on or after 1 January 2013 with early adoption permitted.

- IFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation (Continued)

3.1.1 *Changes in accounting policy and disclosures (Continued)*

(b) New and amended relevant standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted (Continued)

- IFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The Group is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2013.

- IAS 1 (Amendment) 'Presentation of financial statements', issued in June 2011. The amendment changes the disclosure of items presented in other comprehensive income in the statement of comprehensive income. The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present other comprehensive income items before tax will be required to show the amount of tax related to the two groups separately. The title used by IAS 1 for the statement of comprehensive income has changed to 'statement of profit or loss and other comprehensive income'. However IAS 1 still permits entities to use other titles. The amendment is applicable retrospectively to annual periods beginning on or after 1 July 2012 with early adoption permitted.

- IAS 12 (Amendment) 'Deferred tax: Recovery of underlying assets' introduces an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation (Continued)

3.1.1 *Changes in accounting policy and disclosures (Continued)*

(b) New and amended relevant standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted (Continued)

- IAS 19 (Amendment) 'Employee benefits', these amendments eliminate the corridor approach and calculate finance costs on a net funding basis. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2013 with early adoption permitted.

- IAS 27 (revised 2011) 'Separate financial statements' includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

- IAS 28 (revised 2011) 'Associates and joint ventures' includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

- IFRIC 20, 'Stripping costs in the production phase of a surface mine', sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. The interpretation may require mining entities reporting under IFRS to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body. IFRIC 20 is applicable for annual periods beginning on or after 1 January 2013. The Group is yet to assess IFRIC 20's full impact and intends to adopt IFRIC 20 no later than the accounting period beginning on or after 1 January 2013.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Subsidiaries

3.2.1 *Consolidation*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Subsidiaries (Continued)

3.2.1 *Consolidation (Continued)*

(a) Business combinations (Continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Subsidiaries (Continued)

3.2.2 *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Associates (Continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

3.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, defined as the person who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the President Office that makes strategic decisions.

3.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the Functional Currency using the exchange rates quoted by the People's Bank of China prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

c) all resulting exchange differences are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Exploration and evaluation expenditure

Exploration and evaluation expenditure comprises costs which are directly attributable to: researching and analysing existing exploration data; conducting geological studies, exploratory drilling and sampling; examining and testing extraction and treatment methods; and compiling pre-feasibility and feasibility studies. Exploration and evaluation expenditure also includes the costs incurred in acquiring mining rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

During the initial stage of a project, exploration and evaluation costs, other than costs incurred in acquiring land use and mining rights, are expensed as incurred. Expenditure on a project after it has reached a stage at which there is a high degree of confidence in its viability is capitalised and transferred to property, plant and equipment if the project proceeds. If a project does not prove viable, all irrecoverable costs associated with the project are expensed in the income statement.

3.7 Property, plant and equipment

Property, plant and equipment, consisting of buildings, mining structures, plant, machinery and equipment, railway structures and motor vehicles, fixtures and others, are stated at historical cost, less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Other than mining structures, depreciation of each asset is calculated using the straight-line method to allocate its cost less its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	10 – 50 years
Plant, machinery and equipment	8 – 18 years
Railway structures	25 – 30 years
Motor vehicles, fixtures and others	5 – 15 years

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Property, plant and equipment (Continued)

Mining structures (including the main and auxiliary mine shafts and underground tunnels) are depreciated on the units of production method utilising only recoverable coal reserves in the depletion base.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.14).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the income statement.

3.8 Deferred overburden removal costs

Stripping ratio of open-pit mine is the ratio of the volume of overburden or waste to be removed to get access to the coal body, to the volume of corresponding coal to be mined. Current period stripping cost of the open-pit mine is calculated and recognised based on the long-term stripping ratio of certain mine area. When the actual stripping ratio of current period varies from the long-term stripping ratio, the actual stripping expenditures with respect to the variance are deferred and recorded as a fixed asset, or the stripping expenditures which have been previously deferred and recorded as an fixed asset are reversed and recognised as current period stripping costs. Long-term stripping ratio is the estimate of overall stripping ratio of certain mine area made by the management based on actual stripping ratios in previous periods and planned stripping ratios for future periods to the extent that can be reasonably forecasted. At each balance sheet date, the long-term stripping ratio is re-assessed by the management with the information updated in current period and amendment will be made if necessary. Changes in estimates of long-term stripping ratio are accounted for prospectively from the date of the change.

3.9 Construction in progress

Construction in progress represents property, plant and equipment under construction or pending installation, and is stated at cost less impairment losses. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Investment Properties

Investment properties include those portions of office buildings that are held for long-term rental yields or for capital appreciation.

Investment properties are initially recognised at cost and subsequently accounted for under the cost model in accordance with the requirements of IAS 16 Property, Plant and Equipment.

Depreciation of the investment properties is calculated using the straight-line method to allocate its cost less its residual value over its estimated useful life. The estimated useful life of these investment properties is estimated to be 30 years to 48 years.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are written off to the income statement. The cost of maintenance, repairs and minor improvements is charged to the income statement when incurred.

3.11 Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for periods varying from 20 to 50 years. Amortisation of land use rights is calculated on a straight-line basis over the period of the land use rights.

3.12 Mining and exploration rights

Mining rights are stated at cost less accumulated amortisation and impairment losses and are amortised based on the units of production method utilising only recoverable coal reserves as the depletion base.

Exploration rights are stated at cost less impairment losses. Cost of the exploration rights are transferred to mining rights upon the government's approval of the mining license and the commencement of the mining activities.

3.13 Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over estimated useful lives of 5 years. Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.15 Financial assets

3.15.1 *Classification*

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. As at 31 December 2011, the Group does not have any held to maturity financial assets or financial assets at fair value through profit or loss.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are included in "trade receivables", "prepayments and other receivables" and "long-term receivables" in the balance sheet.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial assets (Continued)

3.15.2 *Recognition and measurement*

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. The investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost. Loans and receivables are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement in the year in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payment is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "gains or losses from investment securities".

Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payment is established.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial assets (Continued)

3.15.3 *Impairment of financial assets*

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held– to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial assets (Continued)

3.15.3 *Impairment of financial assets (Continued)*

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference be tween the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

3.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

3.17 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

3.19 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

3.20 Payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liability.

3.21 Borrowings and bonds payable

Borrowings and bonds are recognised initially at fair value, net of transaction costs incurred. Borrowings and bonds are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings and bonds are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.22 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries, jointly-controlled entities and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income faxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.24 Employee benefits

(a) Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans administered by the PRC government. The relevant government agencies undertake to assume the retirement benefit obligation payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made.

In addition, as approved the government, the Group makes contribution to a supplemental defined contribution pension plan for its employees. The fund is managed by a qualified fund manager and the Group has no further obligation for post-retirement benefits beyond the contributions made.

Contributions to these plans are expensed as incurred.

(b) Early retirement benefits

Employee early retirement benefits are recognised in the year in which the Group enters into an agreement with the employee specifying the terms of early retirement or after the individual employee has been advised of the specific terms. The specific terms vary among the early retired employees depending on various factors including position, length of service and district of the employee concerned. Early retirement benefits falling due more than 12 months after the balance sheet date are discounted to present value.

(c) Housing benefits

All full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each year.

3.25 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.26 Provisions for close down, restoration and environmental costs

One consequence of coal mining is land subsidence caused by the resettlement of the land at the mining sites. Depending on the circumstances, the Group may relocate inhabitants from the mining sites prior to conducting mining activities or the Group may compensate the inhabitants for losses or damage from close down and land subsidence after the sites have been mined. The Group may also be required to make payments for restoration, rehabilitation or environmental protection of the land after the sites have been mined.

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Close down and restoration costs are provided in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during mine development or during the production phase, based on the net present value of estimated future costs. The cost is capitalised where it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life of the operation or at the time of close down. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision is included in borrowing costs.

Where there is a change in the expected decommissioning and restoration costs, an adjustment is recorded against the carrying value of the provision and related assets, and the effect is then recognised in the income statement on a prospective basis over the remaining life of the operation. Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The cost estimates are reviewed and revised at each balance sheet date to reflect changes in conditions.

3.27 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.27 Revenue recognition (Continued)

(a) Sales of goods

Revenue associated with the sale of coal, coke, mining machinery and ancillary materials and other goods is recognised when the goods have been delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods.

(b) Sales of services

The Group provides transportation services. The transportation services are provided based on market-price contract, with contract terms generally less than one year.

Revenue from transportation services is generally recognised in the period the services are provided.

3.28 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

3.29 Dividend income

Dividend income is recognised when the right to receive payment is established.

3.30 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

3.31 Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants related to costs are deferred and recognised in the income statement over the periods necessary to match them with the related costs that they are intended to compensate.

Government grant relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.32 Dividend distributions

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including price risk, currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group historically has no fixed policy to use derivatives for hedging purposes. The majority of the financial instruments held by the Group are for purposes other than trading.

(a) Market risk

(i) Price risk

– *Commodity price risk*

The Group is principally engaged in the production and sale of coal and coke. The coal and coke markets are influenced by the global as well as regional supply and demand conditions. A change in prices of coal or coke could significantly affect the Group's financial performance.

The Group historically has not used any commodity derivative instruments to hedge the potential price fluctuations of coal or coke and does not have a fixed policy to do so in the foreseeable future.

(ii) Foreign exchange risk

The Group's operations (such as export sales, imports of machinery and equipment, foreign currency deposits (Note 21(c)), and trade and notes receivables (Note 19(c)) and borrowings (Note 24(f)) denominated in foreign currency) expose it to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar ("USD") and Japanese Yen ("JPY"). In addition, the RMB is not freely convertible into other foreign currencies and conversion of the RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Foreign exchange risk (Continued)

The Group historically has not used any derivative instruments to hedge exchange rate of USD and JPY and currently does not have a fixed policy to do so in the foreseeable future. If JPY had appreciated/depreciated by 10% against RMB, the Group's net profit attributable to the equity holders of the Company would have decreased/increased by approximately RMB69,623,000 in 2011 (2010: RMB93,199,000), with all other variables held constant. If USD had appreciated/depreciated by 10% against RMB, the Group's net profit attributable to the equity holders of the Company would have increased/decreased approximately by approximately RMB37,986,000 in 2011 (2010: RMB33,174,000), with all other variables held constant.

(iii) Cash flow and fair value interest rate risk

The Group's exposure to cash flow and interest rate risks arises from the Group's interest bearing bank deposits and bank borrowings whose interest rates are subject to adjustments by the PRC government. Borrowings at variable rates expose the Group to cash flow interest-rate risk while borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group historically has not used any financial instruments to hedge potential fluctuations in interest rates.

Other than those mentioned above, the Group's income and operating cash flows are substantially independent of changes in the market interest rates.

If interest rates on RMB-denominated borrowings had been 0.5% higher/lower with all other variables held constant, post-tax profit for 2011 would have been approximately RMB41,695,000 (2010: RMB32,887,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents, term deposits with initial terms of over three months, restricted bank deposits, trade and notes receivables, other receivables except for prepayment and bank guarantees extended to external parties included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk *(Continued)*

As at 31 December 2011, the Group holds approximately 69% (2010: 72%) of bank deposits in state-owned banks and the rest of deposits are placed with other financial institutions located mainly in the PRC and overseas banks with good credit ratings. Management believes these financial institutions are of high credit quality and there is no significant credit risk on such bank deposits.

The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history, and its major clients are large-scale companies with good credit. The Group's historical experience in collection of trade and other receivables falls within the recorded allowance and the directors are of the opinion that adequate provision for uncollectible receivables has been made in the financial statements.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of borrowing facilities (Note 24(h)). Due to the dynamic nature of the underlying businesses, the Group maintains a reasonable level of cash and cash equivalents, and further supplements this by keeping committed credit lines available.

The Group's primary cash requirements have been for purchases of materials, machinery and equipment and payment of related debts. The Group finances its working capital requirements through a combination of funds generated from operations, bank loans and the net proceeds from the initial public offering.

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility (Note 24(h)) and cash and cash equivalents (Note 21)) on the basis of expected cash flow.

The table below analyses the undiscounted cash outflow relating to the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
Group				
At 31 December 2011				
Bank borrowings	3,485,822	1,635,484	6,178,570	7,179,732
Long-term bonds	892,500	892,500	17,632,500	—
Trade and other payables	20,003,255	—	—	—
Long-term payables	—	201,326	1,636	14,184
At 31 December 2010				
Bank borrowings	2,053,982	2,509,060	4,289,467	7,015,260
Trade and other payables	16,251,098	—	—	—
Long-term payables	—	1,090	1,636	14,729
Company				
At 31 December 2011				
Bank borrowings	1,555,830	382,885	2,734,165	3,345,840
Long-term bonds	892,500	892,500	17,632,500	—
Trade and other payables	19,498,306	—	—	—
At 31 December 2010				
Bank borrowings	306,275	301,890	1,462,783	3,839,767
Trade and other payables	13,396,317	—	—	—

For information relating to the Group's financial guarantee contracts, please refer to Note 39(a).

4 FINANCIAL RISK MANAGEMENT (Continued)

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings include current and non-current borrowings as shown in the consolidated balance sheet. Total capital is calculated as "equity", as shown in the consolidated balance sheet, plus borrowings.

The gearing ratios at 31 December 2011 and 2010 were as follows:

	2011	2010
	RMB'000	RMB'000
Total borrowings and long-term bonds	**29,034,158**	12,138,101
Total equity	**96,070,786**	86,338,545
Total capital	**125,104,944**	98,476,646
Gearing ratio	**23.21%**	12.33%

The issuing of long-term bonds (Note 25) in 2011 primarily leads to the change of gearing ratio this year, which is still considered within a reasonable range by the management. The Group has no further plan to use special measures to adjust its gearing ratio in the foreseeable future.

4.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

As at 31 December 2011, the Group has the following assets which we defined as level 1 that are measured at fair value:

	As at 31 December 2011 RMB'000	As at 31 December 2010 RMB'000
Available-for-sale financial assets		
– Equity securities	**14,463**	16,083

The fair value of financial instruments traded in active market is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Carrying value of non-current assets

Non-current assets, including property, plant and equipment, land use rights, mining rights and intangible assets, are carried at cost less accumulated amortisation. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position.

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

(b) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Reserve estimates

Reserves are estimates of the amount of product that can be economically and legally extracted from the Group's properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand and commodity prices.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

Because the economic assumptions used to estimate reserves changes from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- Asset carrying values may be affected due to changes in estimated future cash flows.
- Depreciation, depletion and amortisation charged in the income statement may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.
- Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.
- The carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of the tax benefits.

(d) Trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the provision at each balance sheet date.

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

(e) Income taxes

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will be reflected in the income tax and deferred tax provisions in the period in which such determination is made. In addition, the realisation of future income tax assets is dependent on the Group's ability to generate sufficient taxable income in future years to utilise income tax benefits and income tax loss carry-forwards. Deviations of future profitability from estimates or in the income tax rate would result in adjustments to the value of future income tax assets and liabilities that could have a significant effect on earnings.

(f) Provision for close down, restoration and environmental costs

The provision for close down, restoration and environmental costs is determined by management based on the past experience and best estimation of future expenditures, taking into account existing relevant PRC regulations. However, in so far as the effect on the land and the environment from current mining activities becomes apparent in future years, the estimate of the associated costs may be subject to revision from time to time.

(g) Fair value determination in acquisitions

The Group follows the guidance of IFRS 3 to determine the fair value of investees in non-common control acquisitions. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the investees' recoverable reserves in the mines, historical performance and future outlook, future operational plans, changes in the overall cash flow positions, and estimated pre-tax discount rate. Higher fair value increment in the investees, e.g. in mining rights, properties, plant and equipment, land use rights, will increase the related amortisation and depreciation charges in the Group's consolidated financial statements, as well as the estimation of goodwill upon the acquisition. Management follows respective accounting policy to ensure the investees' assets and liabilities stated at the Group's consolidated financial statements represented their fair value upon acquisition.

(h) Deferred overburden removal costs

Factors affecting the determination of average stripping ratios include, among others, the overall geological conditions of the open mines during the course of operations, the future mining activities, overall operational plans in foreseeable future, which require complex and difficult geological judgements and calculations to interpret the data. Changes of the average stripping ratios will impact the financial positions (e.g. property, plant and equipment) and operating results (e.g. cost of sales) of the Group and management reassess the reasonableness of the average stripping ratios at each balance sheet date.

6 SEGMENT INFORMATION

6.1 General information

(a) Factors that management used to identify the entity's reportable segments

The CODM has been identified as the President Office (總裁辦公會).

The Group's reportable segments are entities or group of entities that offer different products and services. The following reportable segments are presented in a manner consistent with the way in which information is reported internally to the Group's CODM for the purpose of resource allocation and performance assessment. They are managed according to different nature of products and services, production process and the environment in which they are operating. Most of these entities engage in just one single business, except for a few entities dealing with a variety of operations. Financial information of these entities has been separately presented as discrete segment information for CODM's review.

(b) Reportable segments

The Group's reportable segments are coal, coke and coal-chemical product and mining machinery:

- Coal – Production and sales of coal;
- Coke and coal-chemical products – Production and sales of coke and coal-chemical products;
- Mining machinery – Manufacturing and sales of mining machinery.

6.2 Information about reportable segment profit, assets and liabilities

(a) Measurement of operating segment profit or loss, assets and liabilities

The measurement of profit or loss, assets and liabilities of the operating segments are the same as those described in the summary of significant accounting policies. The CODM evaluates performance on the basis of profit or loss before income tax expense. The Group accounts for inter-segment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices. The amounts of segment information are denominated in RMB, which is consistent with the amounts in the reports used by the CODM.

6 SEGMENT INFORMATION (Continued)

6.2 Information about reportable segment profit, assets and liabilities (Continued)

(b) Reportable segments' profit, assets and liabilities

	For the year ended and as at 31 December 2011						
	Coal	Coke and coal-chemical product	Machinery	Others (note (a))	Non operating segment	Inter-segment Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue							
Total Revenue	72,035,049	5,273,586	8,128,517	4,399,523	—	(2,063,621)	87,773,054
Inter-segment revenue	(293,550)	—	(1,055,130)	(714,941)	—	2,063,621	—
Revenue from external customers	71,741,499	5,273,586	7,073,387	3,684,582	—	—	87,773,054
Profit/(Loss) from operations	13,713,749	(74,634)	584,964	6,944	(194,847)	(112,415)	13,923,761
Profit/(Loss) before income tax	13,607,183	(79,096)	533,401	(80,602)	173,389	(112,415)	14,041,860
Interest income	86,074	65,651	8,961	4,873	886,631	(430,148)	622,042
Interest expense	(266,911)	(122,949)	(69,615)	(54,410)	(662,275)	430,148	(746,012)
Depreciation and amortisation	(4,058,713)	(188,876)	(141,578)	(341,843)	(8,716)	—	(4,739,726)
Share of profits of associates and jointly controlled entities	95,268	40,389	12,046	—	147,052	—	294,755
Income tax expense/credit	(3,280,757)	7,681	(87,711)	(21,293)	(742)	—	(3,382,822)
Other material non-cash items							
Provision for impairment of property, plant and equipment	(37,343)	(972)	—	—	—	—	(38,315)
Provision for impairment of other assets	(12,446)	(43)	(1,452)	(18,112)	(14,924)	—	(46,977)
Segment assets and liabilities							
Total assets	77,717,355	11,340,490	11,284,526	6,235,177	56,856,157	(3,500,461)	159,933,244
Include: investment in associates and jointly controlled entities	543,204	599,299	63,954	—	6,430,210	—	7,636,667
Expenditures for non-current assets	29,611,625	3,826,741	1,685,949	908,312	84,186	—	36,116,813
Total liabilities	16,221,615	1,023,838	4,646,256	4,397,768	40,933,133	(3,254,155)	63,968,455

6 SEGMENT INFORMATION (Continued)

6.2 Information about reportable segment profit, assets and liabilities (Continued)

(b) Reportable segments' profit, assets and liabilities (Continued)

	For the year ended and as at 31 December 2010						
	Coal	Coke and coal-chemical product	Machinery	Others (note (a))	Non operating segment	Inter-segment Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue							
Total Revenue	56,265,697	4,888,100	7,071,131	4,169,628	—	(2,091,919)	70,302,637
Inter-segment revenue	(427,005)	—	(975,672)	(689,242)	—	2,091,919	—
Revenue from external customers	55,838,692	4,888,100	6,095,459	3,480,386	—	—	70,302,637
Profit/(Loss) from operations	11,443,202	(568,436)	497,473	72,154	(279,912)	(102,898)	11,061,583
Profit/(Loss) before income tax	11,134,575	(602,371)	450,633	835	118,121	(102,898)	10,998,895
Interest income	73,823	58,700	4,589	2,363	675,919	(331,307)	484,087
Interest expense	(302,746)	(104,469)	(57,499)	(48,983)	(279,283)	331,307	(461,673)
Depreciation and amortisation	(2,956,567)	(162,385)	(126,582)	(354,484)	(8,127)	—	(3,608,145)
Share of profits/(losses) of associates and jointly controlled entities	29,158	8,417	9,908	—	(1,193)	—	46,290
Income tax expense	(2,732,805)	(19,066)	(75,897)	(20,108)	—	—	(2,847,876)
Other material non-cash items							
Provision for impairment of property, plant and equipment	—	(137,351)	—	(25,602)	—	—	(162,953)
Provision for impairment of assets	(6,234)	(22,215)	(30,087)	—	(17,158)	—	(75,694)
Segment assets and liabilities							
Total assets	65,722,967	6,467,012	9,215,319	5,042,808	39,050,835	(2,562,752)	122,936,189
Include: investment in associates and jointly controlled entities	351,919	551,642	77,431	—	3,440,401	—	4,421,393
Expenditures for non-current assets	10,845,221	825,279	558,849	183,058	120,375	—	12,532,782
Total liabilities	16,470,858	486,421	4,055,761	3,132,233	14,793,023	(2,340,652)	36,597,644

note:

(a) Others segment comprises of the four operating segments of the Group with the revenue below the quantitative thresholds. Those segments include two aluminium factories, three power generating plants, an equipment purchase agency and a tendering service provider. None of those segments has ever met any of the quantitative thresholds for determining reportable segments.

6 SEGMENT INFORMATION (Continued)

6.3 Geographical information

Analysis of revenue

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Domestic markets	**86,766,592**	69,037,360
Asia Pacific markets	**1,000,903**	1,212,102
Other overseas markets	**5,559**	53,175
	87,773,054	70,302,637

note:

(a) Revenue is attributed to countries on the basis of the customers' location.

Analysis of non-current assets

	31 December 2011	31 December 2010
	RMB'000	RMB'000
Domestic markets	**102,355,891**	72,788,440
Asia Pacific markets	**4,964**	6,312
Other overseas markets	**38,056**	39,965
	102,398,911	72,834,717

6.4 Information about major customers

Revenue from the top five customers of the Group for the year ended 31 December 2011 represents approximately 18% of the Group's total revenue (for the year ended 31 December 2010: 15%).

7 PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Mining structures RMB'000	Plant, machinery and equipment RMB'000	Railway structures RMB'000	Motor vehicles, fixtures and others RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2010							
Cost	9,459,137	8,213,052	22,834,317	744,652	1,047,012	9,796,940	52,095,110
Accumulated depreciation	(1,837,633)	(2,213,289)	(9,198,966)	(275,116)	(449,269)	—	(13,974,273)
Net book amount	7,621,504	5,999,763	13,635,351	469,536	597,743	9,796,940	38,120,837
Year ended 31 December 2010							
Opening net book amount	7,621,504	5,999,763	13,635,351	469,536	597,743	9,796,940	38,120,837
Acquisition of a subsidiary (Note 2(d))	—	—	—	—	—	89,571	89,571
Additions	76,971	342,489	1,621,933	2,700	348,777	9,904,400	12,297,270
Transfer upon completion	1,326,130	412,554	2,426,512	—	61,505	(4,226,701)	—
Disposals	(21,210)	(651,072)	(107,457)	(15)	(26,500)	(90)	(806,344)
Depreciation charge (Note 30)	(415,875)	(648,992)	(1,832,785)	(19,658)	(203,446)	—	(3,120,756)
Provision for impairment	(11,018)	—	(151,004)	—	(659)	—	(162,681)
Closing net book amount	8,576,502	5,454,742	15,592,550	452,563	777,420	15,564,120	46,417,897
At 31 December 2010							
Cost	10,841,028	8,317,023	26,775,305	747,337	1,430,794	15,564,120	63,675,607
Accumulated depreciation	(2,253,508)	(2,862,281)	(11,031,751)	(294,774)	(652,715)	—	(17,095,029)
Impairment provision	(11,018)	—	(151,004)	—	(659)	—	(162,681)
Net book amount	8,576,502	5,454,742	15,592,550	452,563	777,420	15,564,120	46,417,897
Year ended 31 December 2011							
Opening net book amount	8,576,502	5,454,742	15,592,550	452,563	777,420	15,564,120	46,417,897
Acquisition of subsidiaries (Note 2(a)&(b))	59,060	76,784	92,321	—	3,071	68,016	299,252
Attributable to change of a subsidiary to associate (Note 2(c))	(765,462)	(600,564)	(481,410)	—	(75,978)	(595,340)	(2,518,754)
Additions	54,941	798,195	1,326,138	6,154	342,450	17,781,441	20,309,319
Transfer upon completion	1,649,042	203,032	2,224,137	2,951	72,428	(4,151,590)	—
Disposals	(5,439)	—	(14,402)	—	(18,696)	—	(38,537)
Depreciation charge (Note 30)	(427,536)	(1,487,638)	(2,152,317)	(20,666)	(118,684)	—	(4,206,841)
Provision for impairment	(26,644)	—	(11,671)	—	—	—	(38,315)
Closing net book amount	9,114,464	4,444,551	16,575,346	441,002	982,011	28,666,647	60,224,021
At 31 December 2011							
Cost	11,386,692	7,487,980	28,585,721	756,442	1,572,364	28,666,647	78,455,846
Accumulated depreciation	(2,265,360)	(3,043,429)	(11,888,401)	(315,440)	(590,072)	—	(18,102,702)
Impairment provision	(6,868)	—	(121,974)	—	(281)	—	(129,123)
Net book amount	9,114,464	4,444,551	16,575,346	441,002	982,011	28,666,647	60,224,021

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Plant, machinery and equipment RMB'000	Motor vehicles and others RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2010				
Cost	2,024	29,942	—	31,966
Accumulated depreciation	(979)	(7,196)	—	(8,175)
Net book amount	1,045	22,746	—	23,791
Year ended 31 December 2010				
Opening net book amount	1,045	22,746	—	23,791
Additions	—	15,558	104,671	120,229
Depreciation charge	(325)	(5,835)	—	(6,160)
Closing net book amount	720	32,469	104,671	137,860
At 31 December 2010				
Cost	2,024	45,500	104,671	152,195
Accumulated depreciation	(1,304)	(13,031)	—	(14,335)
Net book amount	720	32,469	104,671	137,860
Year ended 31 December 2011				
Opening net book amount	720	32,469	104,671	137,860
Additions	174	25,393	2,521	28,088
Transfer to a subsidiary	—	(3,747)	(101,887)	(105,634)
Depreciation charge	(417)	(6,360)	—	(6,777)
Closing net book amount	477	47,755	5,305	53,537
At 31 December 2011				
Cost	2,198	67,146	5,305	74,649
Accumulated depreciation	(1,721)	(19,391)	—	(21,112)
Net book amount	477	47,755	5,305	53,537

During the year ended 31 December 2011, the depreciation charges of the Group were recorded in cost of sales with an amount of RMB3,919,805,000 (2010: RMB2,874,898,000), selling, general and administrative expenses with an amount of RMB215,941,000 (2010: RMB163,822,000), and cost of inventories which remained unsold as at year end with an amount of RMB71,095,000 (2010: RMB79,766,000) respectively.

8 LAND USE RIGHTS

	Group
	RMB'000
Balance at 1 January 2010	
Cost	2,815,759
Accumulated amortisation	(230,917)
Net book amount	2,584,842
Year ended 31 December 2010	
Opening net book amount	2,584,842
Additions	45,922
Amortisation charge	(63,163)
Provision charge	(272)
Disposal	(3,547)
Closing net book amount	2,563,782
At 31 December 2010	
Cost	2,858,134
Accumulated amortisation	(294,080)
Provision charge	(272)
Net book amount	2,563,782
Year ended 31 December 2011	
Opening net book amount	2,563,782
Acquisition of subsidiaries (Note 2(b))	7,819
Attributable to change of a subsidiary to an associate (Note 2(c))	(148,261)
Additions	457,004
Amortisation charge	(65,074)
Closing net book amount	2,815,270
At 31 December 2011	
Cost	3,174,696
Accumulated amortisation	(359,154)
Provision charge	(272)
Net book amount	2,815,270

The Group's land use rights represent prepaid operating lease payments for leasehold land located in the PRC with lease periods of between 20 to 50 years.

The amortisation charges were recorded in cost of sales with an amount of RMB39,435,000 (2010: RMB39,490,000) and selling, general and administrative expenses with an amount of RMB25,639,000 (2010: RMB23,673,000).

9 MINING AND EXPLORATION RIGHTS

	Group
	RMB'000
Balance at 1 January 2010	
Cost	16,379,085
Accumulated amortisation	(1,119,951)
Net book amount	15,259,134
Year ended 31 December 2010	
Opening net book amount	15,259,134
Acquisition of a subsidiary (Note 2(d))	3,585,353
Additions	177,437
Amortisation charge	(410,754)
Closing net book amount	18,611,170
At 31 December 2010	
Cost	20,141,875
Accumulated amortisation	(1,530,705)
Net book amount	18,611,170
Year ended 31 December 2011	
Opening net book amount	18,611,170
Acquisition of subsidiaries (Note 2(a)&(b))	11,091,779
Attributable to change of a subsidiary to an associate (Note 2(c))	(934,153)
Additions	105,786
Amortisation charge	(455,011)
Closing net book amount	28,419,571
At 31 December 2011	
Cost	30,405,287
Accumulated amortisation	(1,985,716)
Net book amount	28,419,571

The amortisation charge was recorded in cost of sales for the years ended 31 December 2011 and 2010.

10 INVESTMENTS IN SUBSIDIARIES

	Company	
	31 December 2011 RMB'000	31 December 2010 RMB'000
Investments, at cost:		
Shares listed in the PRC	**2,197,058**	2,197,058
Unlisted shares	**49,934,827**	36,908,372
	52,131,885	39,105,430
Market value of listed shares	**6,854,455**	10,353,045

Particulars of principal subsidiaries as at 31 December 2011 are set out in Note 43(a).

11 INVESTMENTS IN ASSOCIATES

	Group		Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Beginning of the year	**3,994,877**	2,029,934	**3,464,886**	1,446,110
Additions	**1,943,965**	2,020,376	**1,890,555**	2,018,776
Change from an investment in associate to available-for-sale financial asset	**—**	(56,000)	**—**	—
Change from a subsidiary to an associate (Note 2(c))	**1,003,888**	—	**220,818**	—
Provision for investment in associates	**—**	(617)	**—**	—
Share of profits	**175,229**	52,712	**—**	—
Share of other comprehensive income	**—**	(4,040)	**—**	—
Share of change in reserves	**(4,935)**	—	**—**	—
Dividends	**(54,372)**	(47,488)	**—**	—
End of the year	**7,058,652**	3,994,877	**5,576,259**	3,464,886

11 INVESTMENTS IN ASSOCIATES (Continued)

Summary of the Group's interest in its associates, all of which are unlisted, is as follows:

	Group	
	31 December 2011 RMB'000	31 December 2010 RMB'000
Total assets	**12,572,456**	6,781,419
Total liabilities	**(5,513,804)**	(2,786,542)
	7,058,652	3,994,877
Revenue	**3,819,896**	1,087,824
Net profit	**175,229**	52,712

Particulars of the Group's associates are set out in Note 43(c).

12 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Beginning of the year	**426,516**	411,666	**8,433**	8,433
Additions	**50,499**	25,000	**25,000**	—
Change from a jointly controlled entity to a subsidiary	**(25,000)**	—	**—**	—
Share of change in reserves	**8,415**	—	**—**	—
Share of profits/(loss)	**119,526**	(6,422)	**—**	—
Share of other comprehensive income	**(1,941)**	(1,721)	**—**	—
Dividends	**—**	(2,007)	**—**	—
End of the year	**578,015**	426,516	**33,433**	8,433

12 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Summary of the Group's interest in its jointly controlled entities, all of which are unlisted, is as follows:

	Group	
	31 December 2011 RMB'000	31 December 2010 RMB'000
Current assets	**1,060,583**	647,205
Non-current assets	**1,018,883**	918,631
	2,079,466	1,565,836
Current liabilities	**(1,149,869)**	(577,409)
Non-current liabilities	**(351,582)**	(561,911)
	(1,501,451)	(1,139,320)
Net assets	**578,015**	426,516
Revenue	**3,676,235**	2,583,237
Expenses	**(3,556,709)**	(2,589,659)
Net profit/(loss)	**119,526**	(6,422)

There are no contingent liabilities relating to the Group's interest in the jointly controlled entities.

Particulars of principal jointly controlled entities as at 31 December 2011 are set out in Note 43(b).

13 FINANCIAL INSTRUMENTS

(a) Financial instruments by category

Group – 31 December 2011

	Loans and receivables	Available-for-sale	Total
	RMB'000	RMB'000	RMB'000
Assets as per balance sheet			
Available-for-sale financial assets	—	1,220,791	1,220,791
Trade and other receivables excluding prepayments	11,342,420	—	11,342,420
Long-term receivables	114,713	—	114,713
Restricted bank deposits and term deposits	14,468,293	—	14,468,293
Cash and cash equivalents	20,878,522	—	20,878,522
Total	46,803,948	1,220,791	48,024,739

	Other financial liabilities at amortised cost
	RMB'000
Liabilities as per balance sheet	
Borrowings	14,079,158
Trade and other payables excluding statutory liabilities	19,995,818
Other long-term liabilities	214,739
Long-term bonds	14,955,000
Provision for employee benefits	158,768
Total	49,403,483

13 FINANCIAL INSTRUMENTS (Continued)

(a) Financial instruments by category (Continued)

Company – 31 December 2011

	Loans and receivables
	RMB'000
Assets as per balance sheet	
Trade and other receivables excluding prepayments	11,345,015
Cash and cash equivalents	15,588,888
Term deposits	10,870,045
Loan to subsidiaries	11,661,094
Total	49,465,042

	Other financial liabilities at amortised cost
	RMB'000
Liabilities as per balance sheet	
Borrowings	5,926,000
Long-term bonds	14,955,000
Trade and other payables excluding statutory liabilities	19,498,306
Total	40,379,306

13 FINANCIAL INSTRUMENTS (Continued)

(a) Financial instruments by category (Continued)

Group – 31 December 2010

	Loans and receivables RMB'000	Available-for-sale RMB'000	Total RMB'000
Assets as per balance sheet			
Available-for-sale financial assets	—	1,220,765	1,220,765
Trade and other receivables excluding prepayments	8,312,567	—	8,312,567
Long-term receivables	684,894	—	684,894
Restricted bank deposits and term deposits	7,118,342	—	7,118,342
Cash and cash equivalents	22,922,396	—	22,922,396
Total	39,038,199	1,220,765	40,258,964

	Other financial liabilities at amortised cost RMB'000
Liabilities as per balance sheet	
Borrowings	12,138,101
Trade and other payables excluding statutory liabilities	13,689,326
Long-term payables	15,807
Provision for employee benefits	265,726
Total	26,108,960

13 FINANCIAL INSTRUMENTS (Continued)

(a) Financial instruments by category (Continued)

Company – 31 December 2010

	Loans and receivables
	RMB'000
Assets as per balance sheet	
Trade and other receivables excluding prepayments	8,659,928
Cash and cash equivalents	18,922,529
Term deposit	3,784,620
Loan to subsidiaries	5,110,320
Total	36,477,397

	Other financial liabilities at amortised cost
	RMB'000
Liabilities as per balance sheet	
Borrowings	4,106,000
Trade and other payables excluding statutory liabilities	12,939,828
Total	17,045,828

13 FINANCIAL INSTRUMENTS (Continued)

(b) Credit quality of loans and receivables

	Group	
	2011	2010
	RMB'000	RMB'000
Trade receivables		
Counterparties without external credit rating		
Group 1	**384,466**	295,131
Group 2	**2,969,688**	2,273,140
Group 3	**—**	7,530
Total unimpaired trade receivables	**3,354,154**	2,575,801
Other receivables		
Counterparties without external credit rating		
Group 1	**200,716**	89,788
Group 2	**2,819,833**	1,398,386
Total unimpaired other receivables	**3,020,549**	1,488,174
Loans to related parties		
Group 2	**114,713**	524,894
Total unimpaired loans to related parties	**114,713**	524,894

- Group 1 – new customers/related parties (less than 6 months).
- Group 2 – existing customers/related parties (more than 6 months) with no defaults in the past.
- Group 3 – existing customers/related parties (more than 6 months) with some defaults in the past. All defaults were fully recovered.

None of the loans to related parties is past due or impaired.

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Beginning of the year	**1,220,765**	936,787	**785,000**	545,000
Additions	**345,000**	276,996	**345,000**	275,000
Change from an investment in associate to available-for-sale financial asset	**—**	56,000	**—**	—
Provision for impairment	**(2,383)**	—	**—**	—
Disposal	**(2,901)**	(37,660)	**—**	(35,000)
Attributable to change of a subsidiary to an associate (Note 2(c))	**(338,070)**	—	**—**	—
Decrease in fair value charged to equity	**(1,620)**	(11,358)	**—**	—
End of the year	**1,220,791**	1,220,765	**1,130,000**	785,000

Available-for-sale financial assets include the following:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Listed securities, at fair value				
– equity securities – listed in the PRC	**14,463**	16,083	**—**	—
Unlisted securities, at cost	**1,206,328**	1,204,682	**1,130,000**	785,000
	1,220,791	1,220,765	**1,130,000**	785,000

Available-for-sale financial assets comprising principally unlisted equity securities are classified as non-current assets unless they are expected to be realised within 12 months of the balance sheet date.

Dividend income from available-for-sale investments amounted to RMB4,940,000 in 2011 (2010: RMB15,118,000).

Available-for-sale financial assets are all denominated in RMB.

15 LOANS TO SUBSIDIARIES

The Company borrowed bank loans from PRC banks and on-lent such loans to its subsidiaries at interest rates ranging from 5.53% to 7.22% per annum with maturities from 3 years to 6 years. The loans are neither past due nor impaired as at 31 December 2011 and 2010. Such loan balances and the related interest income and expenses have been eliminated in the consolidated balance sheet and income statement.

16 LONG-TERM RECEIVABLES

Long-term receivables of the Group mainly include entrusted loans of RMB114,713,000 (2010: RMB684,894,000) to a jointly controlled entity via Bank of Communications.

These amounts bear interest rates 7.47% per annum during the year and are repayable in 3 years.

The receivables are neither past due nor impaired as at 31 December 2011 and 2010.

17 OTHER NON-CURRENT ASSETS

Other non-current asset as at 31 December 2011 mainly include prepayments for long-term investments of RMB2,020,817,000 and prepayments for mining right of RMB969,541,000.

In line with Shanxi Provincial Government's policy of restructuring local coal mines and the Group's strategy of expanding its coal resources, the Group has entered into a series of agreements for the acquisition and restructuring of several local coal mines. As at 31 December 2011, the Group has paid RMB2,020,817,000 according to the signed agreements. As the relevant legal procedures are still in process, such balances are recorded as other non-current assets.

18 INVENTORIES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Coal	**1,256,477**	1,348,515	**167,584**	392,355
Coke	**173,505**	92,050	**—**	—
Machinery for sale	**2,538,144**	1,804,850	**—**	—
Auxiliary materials, spare parts and tools	**3,350,589**	2,969,659	**—**	—
	7,318,715	6,215,074	**167,584**	392,355

The provisions for impairment of inventories of the Group amounted to RMB14,432,563 as at 31 December 2011 (2010: RMB6,606,341).

19 TRADE AND NOTES RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables, net (note (a))	**5,379,452**	4,574,155	**1,789,267**	1,409,051
Notes receivables (note (b))	**2,423,313**	2,431,434	**230,060**	278,669
	7,802,765	7,005,589	**2,019,327**	1,687,720

19 TRADE AND NOTES RECEIVABLES (Continued)

notes:

(a) Trade receivables are analysed as follows:

	Group		Company	
	2011 **RMB'000**	2010 RMB'000	**2011** **RMB'000**	2010 RMB'000
Trade receivables				
– Subsidiaries	**—**	—	**79,105**	183,450
– Associates	**34,071**	42,837	**22,405**	31,062
– Fellow subsidiaries	**207,560**	187,127	**—**	—
– Third parties	**5,137,821**	4,344,191	**1,687,757**	1,194,539
Trade receivables, net	**5,379,452**	4,574,155	**1,789,267**	1,409,051

Aging analysis of trade receivables on each balance sheet date is as follows:

	Group		Company	
	2011 **RMB'000**	2010 RMB'000	**2011** **RMB'000**	2010 RMB'000
Within 6 months	**4,502,666**	3,646,348	**1,787,962**	1,407,746
6 months – 1 year	**525,072**	603,957	**—**	1,305
1 – 2 years	**271,322**	334,310	**1,305**	—
2 – 3 years	**158,306**	70,174	**—**	—
Over 3 years	**196,211**	222,617	**—**	—
Trade receivables, gross	**5,653,577**	4,877,406	**1,789,267**	1,409,051
Less: Impairment of receivables	**(274,125)**	(303,251)	**—**	—
Trade receivables, net	**5,379,452**	4,574,155	**1,789,267**	1,409,051

Movements of the provision for impairment of trade receivables are as follows:

	Group		Company	
	2011 **RMB'000**	2010 RMB'000	**2011** **RMB'000**	2010 RMB'000
At the beginning of the year	**303,251**	299,633	**—**	—
Provision for impairment of receivables	**26,977**	39,431	**—**	—
Reversal of provision for impairment of receivables	**(31,246)**	(11,286)	**—**	—
Receivables written off during the year as uncollectable	**(22,265)**	(15,557)	**—**	—
Disposal of a subsidiary	**—**	(8,970)		
Attributable to change of a subsidiary to an associate (Note 2(c))	**(2,592)**	—	**—**	—
At the end of the year	**274,125**	303,251	**—**	—

19 TRADE AND NOTES RECEIVABLES (Continued)

notes: (Continued):

(a) Trade receivables are analysed as follows (Continued):

Trade receivables for sale of coal, coking and other products are with credit terms of six months, while those for sale of machineries generally are with longer credit terms. There are no significant trade receivables that are past due but are not impaired.

The individually impaired receivables relate to customers which are in unexpected difficult economic situations.

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, domestically and internationally dispersed.

The Group does not hold any collateral as security.

Trade receivables from related parties are unsecured, interest free and repayable on demand in accordance with the relevant contract entered into between the Group and the related parties.

(b) Notes receivables are principally bank accepted bills of exchange with maturity of less than one year.

(c) The carrying amounts of trade and notes receivables are denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**7,732,478**	6,662,749	**2,019,327**	1,687,720
USD	**70,287**	342,840	**—**	—
	7,802,765	7,005,589	**2,019,327**	1,687,720

(d) The carrying amounts of trade and notes receivables approximate their fair values.

20 PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advances to suppliers (note (a))	**2,123,938**	2,115,323	**669,575**	235,375
Loan receivables (note (b))	**2,024,894**	114,713	**—**	—
Interest receivable (note (c))	**316,371**	46,596	**829,351**	448,043
Dividends receivable	**28,611**	32,904	**7,489,199**	5,838,351
Deposit for future investment	**—**	360,000	**—**	—
Prepayment for investments	**—**	1,393,474	**—**	—
Prepayment for mining rights	**—**	340,520	**—**	—
Other amounts due from related parties, gross (note (d))	**57,856**	94,515	**816,588**	622,092
Other amounts due from third parties, gross (note (e))	**1,365,826**	1,324,101	**252,642**	110,890
	5,917,496	5,822,146	**10,057,355**	7,254,751
Less: Impairment of other receivables (note (f))	**(274,295)**	(383,577)	**(62,092)**	(47,168)
Prepayments and other receivables, net (note (g))	**5,643,201**	5,438,569	**9,995,263**	7,207,583

20 PREPAYMENTS AND OTHER RECEIVABLES (Continued)

notes:

(a) Advances to suppliers are analysed as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advances to suppliers				
– Subsidiaries	**—**	—	**125,167**	122,656
– Associates	**732**	1,498	**—**	—
– Fellow subsidiaries	**208,779**	140,751	**—**	—
– Third parties	**1,914,427**	1,973,074	**544,408**	112,719
	2,123,938	2,115,323	**669,575**	235,375

(b) Loan receivables are analysed as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Loan receivables				
– Jointly controlled entity (note (i))	**524,894**	114,713	**—**	—
– Third party (note (ii))	**1,500,000**	—	**—**	—
	2,024,894	114,713	**—**	—

note:

(i) The balance represents an entrusted loan to a jointly controlled entity of the Group via Bank of Communication. The loan receivable is unsecured and repayable within 12 months from the balance sheet date, with an interest rate of 8.18% per annum.

(ii) The balance represents an entrusted loan to a third party via China Construction Bank. The loan receivable is unsecured and repayable within 12 months from the balance sheet date, with interest rate of 6.10% and 6.71% per annum.

None of the loan receivables is past due or impaired.

(c) The amount as at 31 December 2011 represents interest receivable from several term deposits with interest rate range from 2.25% to 3.50% per annum.

(d) Other amounts due from related parties are analysed as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts due from related parties, gross				
– Subsidiaries	**—**	—	**815,953**	621,707
– Associates	**17,315**	24,435	**383**	222
– Fellow subsidiaries	**40,541**	70,080	**252**	163
	57,856	94,515	**816,588**	622,092

Other amounts due from related parties are unsecured, interest free and are repayable on demand.

20 PREPAYMENTS AND OTHER RECEIVABLES (Continued)

notes (Continued):

(e) Aging analysis of other amounts due from third parties on each balance date is as follows:

	Group		Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Within 1 year	**1,029,829**	821,468	**181,454**	36,517
1 – 2 years	**62,983**	79,490	**9,000**	82
2 – 3 years	**10,659**	78,906	**—**	12,199
Over 3 years	**262,355**	344,237	**62,188**	62,092
Other amounts due from third parties, gross	**1,365,826**	1,324,101	**252,642**	110,890
Less: Impairment of receivables	**(266,468)**	(381,686)	**(62,092)**	(47,168)
Other amounts due from third parties, net	**1,099,358**	942,415	**190,550**	63,722

(f) The provision for impairment mainly relates to amounts due from third parties and related parties. Movement of the provision for impairment of other receivables are as follows:

	Group		Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
At the beginning of the year	**383,577**	343,400	**47,168**	30,010
Provision for impairment of receivables	**41,466**	53,730	**14,924**	17,158
Reversal of provision for impairment of receivables	**(2,756)**	(10,674)	**—**	—
Receivables written off during the year as uncollectible	**(16,670)**	(2,879)	**—**	—
Attributable to change of a subsidiary to an associate (Note 2(c))	**(131,322)**	—	**—**	—
At the end of the year	**274,295**	383,577	**62,092**	47,168

There are no significant amounts due from third parties and related parties that are past due but not impaired.

(g) The carrying amounts of other receivables approximate their fair values.

(h) There are no collaterals for other receivables.

21 CASH AND BANK DEPOSITS

	Group		Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Restricted bank deposits (note (a))	**3,173,248**	2,494,816	**—**	—
Term deposits with initial terms of over three months	**11,295,045**	4,623,526	**10,870,045**	3,784,620
Cash and cash equivalents				
– Cash on hand	**1,398**	1,054	**18**	18
– Deposits with banks and other financial institutions	**20,877,124**	22,921,342	**15,588,870**	18,922,511
	35,346,815	30,040,738	**26,458,933**	22,707,149

21 CASH AND BANK DEPOSITS (Continued)

notes:

(a) Restricted bank deposits mainly include the deposits set aside for the transformation fund and the environmental restoration fund as required by related regulation (Note 23(d)) and deposits pledged for issuance of notes payable.

(b) For the year ended 31 December 2011, the weighted average effective interest rates on deposits are ranged from 0.5% to 3.5% per annum (2010: 0.36% to 2.5% per annum).

(c) Deposits and cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
RMB	**34,812,783**	29,487,358	**26,455,132**	22,705,960
USD	**515,864**	533,126	**3,801**	1,189
JPY	**511**	1,831	**—**	—
Other currencies	**17,657**	18,423	**—**	—
	35,346,815	30,040,738	**26,458,933**	22,707,149

Cash and cash equivalents are principally RMB-denominated deposits placed with banks in the PRC. The conversion of RMB-denominated deposits into foreign currencies and remittance out of the PRC are subject to certain PRC rules and regulations of foreign exchange control promulgated by the PRC government. Also, the exchange rates are determined by the PRC government.

(d) The carrying amount of bank deposits approximates their fair value.

22 SHARE CAPITAL

	2011		2010	
	Number of shares (thousands)	**Nominal Value RMB'000**	Number of shares (thousands)	Nominal Value RMB'000
Registered, issued and fully paid:				
Domestic shares of RMB1.00 each				
– held by China Coal Group	**7,505,225**	**7,505,225**	7,481,644	7,481,644
– held by other A share shareholders	**1,646,775**	**1,646,775**	1,670,356	1,670,356
H shares of RMB1.00 each				
– held by a wholly owned subsidiary of China Coal Group	**120,000**	**120,000**	120,000	120,000
– held by other H share shareholders	**3,986,663**	**3,986,663**	3,986,663	3,986,663
	13,258,663	**13,258,663**	13,258,663	13,258,663

22 SHARE CAPITAL (Continued)

A summary of the movement in the Company's issued share capital is as follows:

	Domestic shares held by China Coal Group	Domestic shares held by other A share shareholders	H shares held by a wholly owned subsidiary of China Coal Group	H shares held by other H share shareholders	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2010 and 1 January 2011	7,481,644	1,670,356	120,000	3,986,663	13,258,663
Share transaction (note (b))	23,581	(23,581)	—	—	—
As at 31 December 2011	7,505,225	1,646,775	120,000	3,986,663	13,258,663

notes:

(a) The Domestic shares (A shares) rank pari passu, in all material respects, with the H shares. The China Coal Group has promised a lock-up period of 36 months for transfer of approximately 7,626,667,000 A shares, commencing on the date on which the A shares were listed on the Shanghai stock Exchange. These restricted shares held by China Coal Group became tradeable commencing from 1 February 2011.

(b) In 2011, China Coal Group purchased 23,581,580 A shares via the Shanghai Stock Exchange, resulting in increase its shareholding to 56.61%.

(c) As at 31 December 2011, China Coal Hong Kong, a wholly owned subsidiary of China Coal Group, held approximately 120,000,000 H Shares of the Company, representing 0.9% of the Company's total share capital.

23 RESERVES

Group

	Capital reserve RMB'000	Statutory reserve funds RMB'000	Future development fund RMB'000	Safety fund RMB'000	Transformation and environmental restoration fund RMB'000	Translation reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2010	30,520,372	1,268,347	124,583	1,532,320	1,448,570	(24,891)	7,324,125	13,143,303	55,336,729
Profit for the year	—	—	—	—	—	—	—	7,466,357	7,466,357
Other comprehensive income	—	—	—	—	—	—	(12,558)	—	(12,558)
Cumulative translation adjustment	—	—	—	—	—	(3,816)	—	—	(3,816)
Appropriations	—	585,010	(2,788)	(159,340)	215,486	—	—	(638,368)	—
Purchase of equity from non-controlling shareholders	—	—	—	—	—	—	(50,123)	—	(50,123)
Contributions	53,440	—	—	—	—	—	—	—	53,440
Dividends (Note 35)	—	—	—	—	—	—	—	(1,986,651)	(1,986,651)
Others	—	—	—	(2,076)	—	1,020	—	(12,419)	(13,475)
Balance at 31 December 2010	30,573,812	1,853,357	121,795	1,370,904	1,664,056	(27,687)	7,261,444	17,972,222	60,789,903
Profit for the year	—	—	—	—	—	—	—	9,801,542	9,801,542
Other comprehensive income	—	—	—	—	—	(6,647)	(1,215)	—	(7,862)
Appropriations	—	751,974	60,388	(368,881)	666,062	—	—	(1,109,543)	—
Share of change in reserves of associates and jointly controlled entities	—	—	—	—	—	—	(3,271)	—	(3,271)
Dividends (Note 35)	—	—	—	—	—	—	—	(2,072,693)	(2,072,693)
Attributable to change of a subsidiary to an associate (Note 2(c))	—	49,564	(10,182)	(100,039)	(48,609)	—	158,830	(49,564)	—
Others	—	—	—	—	—	—	(21,240)	—	(21,240)
Balance at 31 December 2011	30,573,812	2,654,895	172,001	901,984	2,281,509	(34,334)	7,394,548	24,541,964	68,486,379

23 RESERVES (Continued)

Company

	Capital reserve RMB'000	Statutory reserve funds RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2010	38,593,600	1,268,347	4,129	6,338,504	46,204,580
Profit for the year	—	—	—	5,862,246	5,862,246
Appropriations	—	585,010	—	(585,010)	—
Contributions	53,440	—	—	—	53,440
Dividends (Note 35)	—	—	—	(1,986,651)	(1,986,651)
Balance at 31 December 2010	38,647,040	1,853,357	4,129	9,629,089	50,133,615
Profit for the year	—	—	—	7,390,540	7,390,540
Appropriations	—	751,974	—	(751,974)	—
Dividends (Note 35)	—	—	—	(2,072,693)	(2,072,693)
Balance at 31 December 2011	38,647,040	2,605,331	4,129	14,194,962	55,451,462

23 RESERVES (Continued)

notes:

(a) Statutory reserve funds

In accordance with the PRC Company Law and the Company's articles of association, the Company is required to allocate 10% of its profit after tax as determined in accordance with the relevant accounting principles and financial regulations applicable to PRC companies ("PRC GAAP") and regulations applicable to the Company, to the statutory reserve funds until such reserve reaches 50% of the registered capital of the Company. The appropriation to the reserve must be made before any distribution of dividends to equity holders. The statutory surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

For the year ended 31 December 2011, the Company appropriated RMB751,974,000 (2010: RMB585,010,000) to the statutory surplus reserve fund, representing 10% of the Company's profit after tax for the year ended 31 December 2011, as determined in accordance with the PRC GAAP.

(b) Future development fund

Pursuant to the relevant PRC regulations, the Group is required to set aside an amount to a future development fund at RMB6 to RMB8 per tonne of raw coal mined. The fund can be used for future development of the coal mining operations, and is not available for distribution to shareholders. Upon incurring qualifying development expenditure, an equivalent amount is transferred from future development fund to retained earnings.

(c) Safety fund

Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC, the Group is required to set aside an amount to a safety fund at RMB6 to RMB60 per tonne of raw coal mined. The fund can be used for improvements of safety at the mines, and is not available for distribution to shareholders. Upon incurring qualifying safety expenditure, an equivalent amount is transferred from safety fund to retained earnings.

(d) Transformation and environmental restoration fund

Pursuant to two regulations issued by the Shanxi municipal government on 15 November 2007, both of which are effective from 1 October 2007, mining companies of the Group located in Shanxi Province are required to set aside an amount to a coal mine industry transformation fund and environmental restoration fund at RMB5 and RMB10 per tonne of raw coal mined respectively. According to the relevant rules, such funds will be specifically utilised for the transformation costs of the coal mine industry and for the land restoration and environmental cost, and is not available for distribution to shareholders. Upon incurring qualifying transformation and environmental restoration expenditures, an equivalent amount is transferred from transformation and environmental restoration fund to retained earnings.

(e) Sustainable development fund

Pursuant to a regulation issued by Jiangsu Province Xuzhou municipal government on 20 October 2010, the Company's subsidiary in Xuzhou is required to set aside an amount to a sustainable development fund at RMB10 per tonne of raw coal mined. The fund will be used for the transformation costs of the mine, land restoration and environmental cost, and is not available for distribution to shareholders. Upon incurring qualifying expenditures, an equivalent amount is transferred from sustainable development fund to retained earnings.

24 BORROWINGS AND BANKING FACILITIES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Long-term borrowings				
Bank loans and loans from other financial institutions				
– Secured (note (g))	**—**	772,755	**—**	—
– Unsecured	**12,238,462**	10,953,150	**4,826,000**	4,106,000
	12,238,462	11,725,905	**4,826,000**	4,106,000
Other unsecured loans from				
– Non-controlling shareholders of certain subsidiaries	**16,000**	16,000	**—**	—
	12,254,462	11,741,905	**4,826,000**	4,106,000
Less: Amount due within one year under current liabilities	**(798,449)**	(1,025,989)	**(80,000)**	(80,000)
	11,456,013	10,715,916	**4,746,000**	4,026,000
Short-term borrowings				
Bank loans and loans from other financial institutions				
– Secured (note (g))	**4,000**	—	**—**	—
– Unsecured	**1,820,096**	395,596	**1,100,000**	—
	1,824,096	395,596	**1,100,000**	—
Other unsecured loans from				
– Non-controlling shareholders of certain subsidiaries	**600**	600	**—**	—
	1,824,696	396,196	**1,100,000**	—

24 BORROWINGS AND BANKING FACILITIES (Continued)

notes:

(a) Repayment terms of long-term borrowings are analysed below:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Wholly repayable within five years				
– Bank loans and loans from other financial institutions	**2,312,775**	3,972,728	**800,000**	—
– Loans from non-controlling shareholders of certain subsidiaries	**16,000**	16,000	**—**	—
	2,328,775	3,988,728	**800,000**	—
Not wholly repayable within five years				
– Bank loans and loans from other financial institutions	**9,925,687**	7,753,177	**4,026,000**	4,106,000
	12,254,462	11,741,905	**4,826,000**	4,106,000

(b) At 31 December 2011, the Group's long-term borrowings were repayable as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank loans and loans from other financial institutions				
– Within one year	**798,449**	1,025,989	**80,000**	80,000
– In the second year	**908,949**	1,940,356	**80,000**	80,000
– In the third to fifth year	**4,490,843**	2,906,950	**1,966,000**	840,000
– After the fifth year	**6,040,221**	5,852,610	**2,700,000**	3,106,000
	12,238,462	11,725,905	**4,826,000**	4,106,000
Loans from non-controlling shareholders of certain subsidiaries				
– In the second year	**16,000**	—	**—**	—
– In the third to fifth year	**—**	16,000	**—**	—
	12,254,462	11,741,905	**4,826,000**	4,106,000

24 BORROWINGS AND BANKING FACILITIES (Continued)

notes: (Continued)

(c) The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
– Within one year	**12,943,233**	9,166,173	**5,926,000**	4,106,000
– In the second to fifth year	**944,825**	2,276,828	**—**	—
– After the fifth year	**191,100**	695,100	**—**	—
	14,079,158	12,138,101	**5,926,000**	4,106,000

(d) The carrying amounts and fair value of the non-current borrowings are as follows:

	Group				Company			
	Carrying amount		Fair value		Carrying amount		Fair value	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Borrowings	**11,456,013**	10,715,916	**11,385,538**	10,607,004	**4,746,000**	4,026,000	**4,746,000**	4,026,000

The fair values of non-current borrowings are based on discounted cash flows using applicable discount rates based on the prevailing market interest rates available to the Group for borrowings with substantially the same terms at the balance sheet date, which ranged from 6.65% to 7.05% per annum as at 31 December 2011 (2010: 5.85% to 6.4% per annum).

The carrying amounts of short-term borrowings and current portion of long-term borrowings approximate their fair value.

(e) The effective interest rates at the balance sheet dates were as follows:

	Group		Company	
	2011	2010	**2011**	2010
Bank loans and loans from other financial institutions				
– RMB loan	**5.23%-7.05%**	4.50%-11.40%	**6.06%-6.65%**	5.35%-5.53%
– JPY loan	**2.28%**	2.28%	**—**	—
Loans from non-controlling shareholders of certain subsidiaries				
– RMB loan	**5.60%**	5.60%	**—**	—

24 BORROWINGS AND BANKING FACILITIES (Continued)

notes: (Continued)

(f) The total borrowings are denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Long-term borrowings:				
RMB	**11,325,637**	10,501,077	**4,826,000**	4,106,000
JPY	**928,825**	1,240,828	**—**	—
	12,254,462	11,741,905	**4,826,000**	4,106,000
Short-term borrowings:				
RMB	**1,824,696**	396,196	**1,100,000**	—
	14,079,158	12,138,101	**5,926,000**	4,106,000

(g) The secured borrowings are as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Secured by:		
– Equity interest in a subsidiary/jointly controlled entity	**—**	772,755
– Notes receivable	**4,000**	—
	4,000	772,755

All the other borrowings of the Company are unsecured bank loans.

(h) As at 31 December 2011, the Group has the following undrawn borrowing facilities:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Floating rates				
– Expiring within one year	**5,000,000**	24,153,330	**5,000,000**	24,153,330
– Expiring over one year	**209,992,000**	190,592,030	**219,424,000**	190,592,030
	214,992,000	214,745,360	**224,424,000**	214,745,360

25 LONG-TERM BONDS

	Group		Company	
	31 December 2011 RMB'000	31 December 2010 RMB'000	**31 December 2011 RMB'000**	31 December 2010 RMB'000
Bonds payable	**14,820,000**	—	**14,820,000**	—
Commission payable – non current	**135,000**	—	**135,000**	—
	14,955,000	—	**14,955,000**	—

On 17 August 2011, the Company issued 150,000,000 corporate bonds with a par value of RMB 100 each and received a total proceeds of RMB 15,000,000,000. The bonds are fully repayable on 17 August 2016 when they become due. These bonds carry a coupon rate of 5.65% per annum and the interest charge will be paid on 17 August annually in each of the following five years.

In addition, the Company is obliged to pay RMB225,000,000 to the underwriter as the underwriting commission, which is payable in five instalments of RMB45,000,000 annually. First instalment of RMB 45,000,000 was paid on 18 August 2011 when the transaction was completed and the same amount is payable on 18 August in each of the following four years.

The bonds are initially recognised at the amount of the total proceeds net of the commission paid on the date of issuance. The accrued interest and the current portion of commission payable are recorded in interest payable as follows.

	Group		Company	
	31 December 2011 RMB'000	31 December 2010 RMB'000	**31 December 2011 RMB'000**	31 December 2010 RMB'000
Bonds interest payable	**286,188**	—	**286,188**	—
Commission payable – current	**45,000**	—	**45,000**	—
	331,188	—	**331,188**	—

26 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group		Company	
	31 December 2011 RMB'000	31 December 2010 RMB'000	**31 December 2011 RMB'000**	31 December 2010 RMB'000
Deferred income tax assets:				
Deferred income tax assets to be recovered after more than 12 months	**129,071**	120,433	**17,362**	4,289
Deferred income tax assets to be recovered within 12 months	**72,975**	60,304	**—**	770
	202,046	180,737	**17,362**	5,059
Deferred income tax liabilities:				
Deferred income tax liabilities to be settled after more than 12 months	**(6,949,497)**	(4,948,464)	**—**	—
Deferred income tax liabilities to be settled within 12 months	**(19,560)**	(142,805)	**—**	—
	(6,969,057)	(5,091,269)	**—**	—
Deferred income tax (liabilities)/ assets, net	**(6,767,011)**	(4,910,532)	**17,362**	5,059

26 DEFERRED INCOME TAX (Continued)

The gross movements on the deferred tax account are as follows:

	Group		Company	
	31 December 2011 RMB'000	31 December 2010 RMB'000	**31 December 2011 RMB'000**	31 December 2010 RMB'000
Beginning of the year	**(4,910,532)**	(4,088,836)	**5,059**	—
Acquisition of subsidiaries (Note 2(a) & (d))	**(2,751,542)**	(870,588)	**—**	—
Attributable to change of a subsidiary to associate (Note 2(c))	**366,495**	—	**—**	—
Credited to income statement (Note 33)	**520,382**	46,052	**12,303**	5,059
Credited to other comprehensive income	**405**	2,840	**—**	—
Credited directly to equity	**7,781**	—	**—**	—
End of the year	**(6,767,011)**	(4,910,532)	**17,362**	5,059

Deferred income tax assets are recognised for tax losses carried-forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group has not recognised deferred income tax assets of RMB355,128,000 (2010: RMB292,015,000), in respect of certain subsidiaries' accumulated tax losses of RMB1,420,511,000 (2010: RMB1,168,060,000) as at 31 December 2011, that can be carried forward against future taxable income and will expire between 2012 and 2016. The Group does not recognise these deferred income tax assets as management believes that it is more likely than not that such tax losses would not be utilised before they expire.

Tax losses that has not been recognised as deferred income tax assets will be expired in the following years:

	2011 RMB'000	2010 RMB'000
2011	**—**	90,037
2012	**114,794**	114,794
2013	**158,509**	158,509
2014	**207,286**	207,286
2015	**597,434**	597,434
2016	**342,488**	—
	1,420,511	1,168,060

26 DEFERRED INCOME TAX (Continued)

The movement in deferred tax assets and liabilities during the year, without taking into account the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets:

Group

	Fair value adjustment	Trial production	Revaluation surplus	Tax losses	Pre-operating expenses	Provision for employee benefits	Impairment of assets	Accrued expenses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	573	48,552	47,924	27,695	1,199	63,836	60,594	17,606	217,218	485,197
Credited/(charged) to income statement	(573)	4,793	(4,175)	(18,726)	(1,199)	(3,143)	12,502	(4,385)	62,381	47,475
At 31 December 2010	—	53,345	43,749	8,969	—	60,693	73,096	13,221	279,599	532,672
Credited/(charged) to income statement	—	54,988	(5,566)	12,791	—	(2,465)	2,665	12,945	109,485	184,843
At 31 December 2011	—	108,333	38,183	21,760	—	58,228	75,761	26,166	389,084	717,515

26 DEFERRED INCOME TAX (Continued)

Deferred tax liabilities:

Group

	Depreciation	Mining funds (note (a))	Revaluation surplus	Fair value adjustments	Deferred stripping costs	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	(113,757)	(1,214,618)	(2,983,837)	(5,962)	(255,616)	(243)	(4,574,033)
(Charged)/credited to income statement	10,480	(198,409)	23,704	—	162,763	39	(1,423)
Acquisition of a subsidiary (Note 2(d))	—	—	(870,588)	—	—	—	(870,588)
Credited to other comprehensive income	—	—	—	2,840	—	—	2,840
At 31 December 2010	(103,277)	(1,413,027)	(3,830,721)	(3,122)	(92,853)	(204)	(5,443,204)
Acquisition of a subsidiary (Note 2(a))	—	—	(2,751,542)	—	—	—	(2,751,542)
Attributable to change of a subsidiary to associate (Note 2(c))	—	78,534	287,961	—	—	—	366,495
Credited to income statement	22,016	198,858	21,739	—	92,853	73	335,539
Credited to other comprehensive income	—	—	—	405	—	—	405
Credited directly to equity	—	—	7,781	—	—	—	7,781
At 31 December 2011	(81,261)	(1,135,635)	(6,264,782)	(2,717)	—	(131)	(7,484,526)

notes:

(a) Pursuant to certain regulations of the PRC government, the Group is required to set aside amounts for the future development funds (Note 23 (b)), safety fund (Note 23 (c)), coal mine industry transformation environmental restoration fund (Note 23(d)) and sustainable development fund (Note 23(e)), collectively the "mining funds". Before 30 April 2011, for those amounts that are deductible for tax purposes when they are set aside but are expensed when they are utilised for accounting purpose, a deferred tax liability is recorded for the temporary differences in respect of excess funds set aside for tax purposes.

According to a new PRC tax regulation effective from 1 May 2011, such mining funds are no longer tax deductible when they are set side but only tax deductible when they are utilised. As such, no additional deferred tax liability will be generated for these mining funds from 1 May 2011 onwards.

26 DEFERRED INCOME TAX (Continued)

Deferred tax assets:

Company

	Impairment of asset	Provision for employee benefits	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2010	—	—	—
Credited to income statement	4,289	770	5,059
At 31 December 2010	4,289	770	5,059
Credited to income statement	11,233	1,070	12,303
At 31 December 2011	15,522	1,840	17,362

27 TRADE AND NOTES PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables (note (a))	**10,156,292**	8,526,123	**1,428,884**	1,626,974
Notes payable	**760,718**	727,860	**—**	139,995
	10,917,010	9,253,983	**1,428,884**	1,766,969

27 TRADE AND NOTES PAYABLES (Continued)

notes:

(a) Trade payables are analysed as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables				
– Subsidiaries	**—**	—	**1,009,530**	1,237,417
– Fellow subsidiaries	**1,708,943**	1,221,174	**22,627**	—
– Jointly controlled entities	**3,497**	—	**—**	—
– Associates	**9,649**	8,760	**—**	—
– Third parties	**8,434,203**	7,296,189	**396,727**	389,557
	10,156,292	8,526,123	**1,428,884**	1,626,974

Aging analysis of trade payables on each balance sheet date is as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Less than 1 year	**9,218,220**	7,471,070	**1,428,884**	1,626,877
1 – 2 years	**665,405**	805,979	**—**	29
2 – 3 years	**150,938**	120,096	**—**	—
Over 3 years	**121,729**	128,978	**—**	68
	10,156,292	8,526,123	**1,428,884**	1,626,974

(b) The carrying amounts of trade and notes payable are denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**10,837,338**	9,235,455	**1,349,212**	1,757,829
USD	**79,672**	18,528	**79,672**	9,140
	10,917,010	9,253,983	**1,428,884**	1,766,969

(c) The carrying amounts of trade and notes payable approximate their fair values.

28 ACCRUALS, ADVANCE AND OTHER PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Customer deposits and receipts in advance (note (a))	**2,491,315**	2,488,729	**487,852**	456,486
Payables for acquisition of subsidiaries	**4,405,988**	1,319,965	**3,803,531**	739,814
Payable for compensation for local mining companies	**759,915**	—	**—**	—
Dividends payable	**8,794**	25,732	**96**	96
Payables for site restoration	**165,751**	131,109	**—**	—
Mineral resource compensation payable	**106,387**	73,043	**—**	—
Salaries and staff welfare payable	**737,046**	585,545	**13,612**	6,052
Interest payable	**337,225**	116,964	**331,188**	—
Payables for mining rights	**597,459**	583,586	**—**	—
Other amounts due to related parties (note (b))	**661,289**	82,663	**13,770,406**	10,338,008
Other amounts due to third parties	**1,405,319**	1,589,780	**150,589**	88,892
	11,676,488	6,997,116	**18,557,274**	11,629,348

notes:

(a) Customer deposits and receipts in advance are analysed as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Customer deposits and receipts in advances				
– Subsidiaries	**—**	—	**—**	1,925
– Fellow subsidiaries	**136,028**	134,042	**222**	—
– Jointly controlled entities	**2,532**	—	**—**	—
– Associates	**25**	1,104	**—**	—
– Third parties	**2,352,730**	2,353,583	**487,630**	454,561
	2,491,315	2,488,729	**487,852**	456,486

Customer deposits and receipts in advances from related parties are unsecured and interest free.

28 ACCRUALS, ADVANCE AND OTHER PAYABLES (Continued)

notes: (Continued)

(b) Amounts due to related parties are analysed below:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts due to related parties, gross				
– Subsidiaries	**—**	—	**13,768,684**	10,336,483
– Parent Company	**6,845**	4,128	**1,238**	1,041
– Fellow subsidiaries	**96,697**	75,934	**484**	484
– Associate	**532,107**	262	**—**	—
– Jointly controlled entities	**25,640**	2,339	**—**	—
	661,289	82,663	**13,770,406**	10,338,008

The amount due to the associate as at 31 December 2011 represents the payable by China Coal Huajin to Huajin Coking Coal as a result of the Split (Note 2(c)).

Amounts due to related parties are unsecured, interest free and payable on demand.

(c) The carrying amounts of accruals, advance and other payables approximate their fair values.

29 PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	Group	
	2011	2010
	RMB'000	RMB'000
Beginning of the year	**888,318**	1,187,957
Interest charge on unwinding of discounts (Note 31)	**39,099**	36,482
Provision	**268,156**	39,778
Payments	**(80,926)**	(375,899)
End of the year	**1,114,647**	888,318
Less: current portion	**(28,263)**	(66,169)
	1,086,384	822,149

29 PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS (Continued)

Mining activities may result in land subsidence, which could lead to losses to the residents of the mining areas. Pursuant to the relevant PRC regulations, the Group is required to make compensation payments to the residents for their losses resulting from land subsidence, or to restore the mining areas back to certain acceptable conditions.

Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or results of operations of the Group. The PRC government, however, has moved and may move further towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination at various sites including, but not limited to, coal mines and land development areas, whether operating, closed or sold, (ii) the extent of required cleanup efforts, (iii) varying costs of alternative remediation strategies, (iv) changes in environmental remediation requirements, and (v) the identification of new remediation sites.

The provision for close down, restoration and environmental clean up costs has been determined by management based on their past experience and best estimate of future expenditure by discounting the expected expenditures to their net present value. However, in so far as the effect on the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to revision in the future. The amounts provided in relation to close down, restoration and environmental clean up costs are reviewed at least annually based upon the facts and circumstances available at the time and the provisions are updated accordingly.

30 EXPENSE BY NATURE

Expenses included in cost of sales and selling, general and administrative expenses are analysed as follows:

	2011 RMB'000	2010 RMB'000
Depreciation (note (a))	**4,135,746**	3,038,720
Amortisation (note (b))	**532,885**	486,145
Cost of inventories sold	**39,985,287**	31,189,858
Transportation costs	**9,693,832**	8,478,956
Sales tax and surcharges	**1,363,979**	1,174,810
Auditors' remuneration	**12,000**	12,800
Gain on disposal of property, plant and equipment and intangible assets	**(3,955)**	(13,518)
Repairs and maintenance	**1,182,320**	763,451
Operating lease rentals	**151,887**	146,061
Provision for impairment of receivables	**34,443**	71,201
Provision for impairment of inventories	**10,151**	4,094
Provision for impairment of associates	**—**	617
Provision for impairment of available-for-sale financial assets	**2,383**	—
Provision for impairment of property, plant and equipment and intangible assets	**38,315**	162,953
Employee benefit expense (including directors' emoluments) (note (c), Note 32)	**5,690,064**	4,947,622
Mineral resource compensation fees (note (d))	**582,311**	487,779
Sustainable development charges (note (e))	**1,914,317**	1,481,380
Other expenses	**8,714,258**	7,140,766
Total cost of sales, selling, general and administrative expenses	**74,040,223**	59,573,695

notes:

(a) Depreciation charged to the income statement is analysed as follows:

	2011 RMB'000	2010 RMB'000
Depreciation for the year (Note 7)	**4,206,841**	3,120,756
Less: Allocated to inventories which remained unsold as at year end	**(71,095)**	(79,766)
Amount charged to income statement	**4,135,746**	3,040,990

30 EXPENSE BY NATURE (Continued)

notes: (Continued)

(a) Depreciation charged to the income statement is analysed as follows:: (Continued)

Charged to:

	2011 RMB'000	2010 RMB'000
Expenses		
– Cost of sales	**3,919,805**	2,874,898
– Selling, general and administrative expenses	**215,941**	163,822
Other gains, net	—	2,270
	4,135,746	3,040,990

(b) Amortisation charged to income statement is analysed as follows:

	2011 RMB'000	2010 RMB'000
Land use rights (Note 8)	**65,074**	63,163
Mining rights (Note 9)	**455,011**	410,754
Intangible assets	**12,800**	12,228
	532,885	486,145

(c) Staff costs (including directors' emoluments) charged to the income statement are analysed as follows:

	2011 RMB'000	2010 RMB'000
Charged to:		
Cost of sales	**4,080,139**	3,767,958
Selling, general and administrative expenses	**1,609,925**	1,179,664
	5,690,064	4,947,622

(d) The mineral resource compensation fees represent amounts will be paid to the PRC government to compensate for the mineral resources mined.

(e) Effective from March 2007, mining companies in Shanxi Province are required by the local government of Shanxi Province to pay a "Sustainable development charge" to local government based on the volume of the raw coal mined. The rate applicable to the Company's mining subsidiaries located in Shanxi Province ranges from RMB13 to RMB20 per tonne.

31 FINANCE INCOME AND COSTS

	2011 RMB'000	2010 RMB'000
Interest expense:		
– bank borrowings	**723,038**	670,756
– bonds payable	**331,188**	—
– unwinding of discounts of provision	**50,969**	64,315
Other incidental borrowing costs and charges	**7,118**	4,348
Net foreign exchange losses	**45,568**	127,044
Finance costs	**1,157,881**	866,463
Less: amounts capitalised on qualifying assets	**(359,183)**	(273,398)
Total finance costs	**798,698**	593,065
Finance income:		
– interest income on bank deposits	**571,402**	432,768
– interest income on loans receivable	**50,640**	51,319
Total finance income	**622,042**	484,087
Finance costs, net	**176,656**	108,978

note:

(a) Finance costs capitalised on qualifying assets are related to funds borrowed for the purpose of obtaining a qualifying asset. Capitalisation rates on such borrowings were as follows:

	2011	2010
Capitalisation rate used to determine the amount of finance costs eligible for capitalisation	**4.16% – 6.98%**	4.04% – 6.20%

32 EMPLOYEE BENEFIT EXPENSE

	2011 RMB'000	2010 RMB'000
Wages, salaries and allowances	**3,735,213**	3,406,505
Housing subsidies (note (a))	**355,521**	280,621
Contributions to pension plans (note (b))	**713,695**	534,983
Early retirement benefits (note (c))	**68,162**	49,946
Welfare and other expenses	**817,473**	675,567
	5,690,064	4,947,622

notes:

(a) These mainly include the Group's contributions to government-sponsored housing funds at rates ranging from 12% to 15% of the employees' basic salaries.

(b) The Group participates in various pension plans organised by the relevant municipal and provincial governments under which the Group is required to make monthly defined contributions to these plans at rates ranging from 5% to 20% of the employees basic salaries depending on the applicable local regulations. Effective from 1 January 2011, the Group also makes monthly defined contributions to a supplemental pension plan for the qualified employees.

(c) Certain employees of the Group were required to retire early during the years ended 31 December 2011 and 2010. Early retirement benefits are recognised in the income statement in the year in which the Group enters into agreements specifying the terms of early retirement or after the individual employees have been advised of the specific terms. These specific terms vary among the early retired employees depending on factors such as position, length of service and district of the employee concerned.

The Group has no other obligations for the payment of pensions and other post-retirement benefits of employees or retirees other than those disclosed above.

33 INCOME TAX EXPENSE

	2011 RMB'000	2010 RMB'000
Current income tax		
– PRC enterprise income tax (note (a))	**3,903,204**	2,893,928
Deferred income tax (Note 26)	**(520,382)**	(46,052)
	3,382,822	2,847,876

notes:

(a) The provision for PRC enterprise income tax ("EIT") is calculated based on the statutory income tax rate of 25%. The applicable income tax rate in 2011 and 2010 is 25% of the assessable income of each of the companies now comprising the Group, determined in accordance with the relevant PRC income tax rules and regulations, except for certain subsidiaries which are taxed at preferential tax rates ranging from 12.5% to 24% based on the relevant PRC tax laws and regulations.

33 INCOME TAX EXPENSE (Continued)

notes: (Continued)

(b) The taxation of the Group's profit before taxation differs from the theoretical amount that would arise using the rates prevailing in the jurisdictions in which the Group operates as follows:

	2011 RMB'000	2010 RMB'000
Profit before income tax	**14,041,860**	10,998,895
Tax calculated at applicable tax rates	**3,510,465**	2,749,724
Preferential tax rates on the income of certain subsidiaries	**(69,352)**	(102,312)
Income not subject to taxation	**(80,046)**	(32,297)
Expenses not deductible for taxation purposes	**34,589**	129,575
Utilisation of previously unrecognised tax losses	**(374)**	(3,628)
Tax losses for which no deferred income tax asset has been recognised	**85,622**	149,359
Additional expenses allowable for tax deduction	**(98,082)**	(42,545)
Income tax expense	**3,382,822**	2,847,876

(c) The tax (charge)/credit relating to components of other comprehensive income are as follows:

	2011			2010		
	Before tax RMB'000	Tax (charge)/ credit RMB'000	After tax RMB'000	Before tax RMB'000	Tax (charge)/ credit RMB'000	After tax RMB'000
Fair value gains:						
Available-for-sale financial assets	**1,620**	**(405)**	**1,215**	(11,358)	2,840	(8,518)
Currency translation differences	**6,647**	**—**	**6,647**	(3,816)	—	(3,816)
Other comprehensive income	**8,267**	**(405)**	**7,862**	(15,174)	2,840	(12,334)
Current tax		**—**			—	
Deferred tax		**(405)**			2,840	
		(405)			2,840	

The income tax (charged)/credited directly to equity during the year is as follows:

	2011 RMB'000	2010 RMB'000
Deferred tax	**(405)**	2,840

34 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the number of 13,258,663,000 ordinary shares in issue during the year.

	2011 RMB'000	2010 RMB'000
Profit attributable to equity holders of the Company	**9,801,542**	7,466,357
Number of ordinary shares in issue (thousands)	**13,258,663**	13,258,663
Basic earnings per share (RMB per share)	**0.74**	0.56

As the Company had no dilutive instruments for the years ended 31 December 2011 and 2010, diluted earnings per share equals basic earnings per share.

35 DIVIDENDS

	2011 RMB'000	2010 RMB'000
Dividends recorded:		
– final dividends for 2009, paid (note (a))	**—**	1,986,651
– final dividends for 2010, paid (note (b))	**2,072,693**	—

	2011 RMB'000	2010 RMB'000
Dividends proposed after the balance sheet date:		
– final dividend for 2010 (note (b))	**—**	2,072,693
– final dividend for 2011 (note (c))	**2,851,145**	—

notes:

(a) The Board of Directors, in a meeting held on 22 April 2010, proposed to distribute a final dividend for 2009 to equity holders of the Company of RMB1,986,651,000 (RMB0.1498 Yuan per share), based on total number of shares which are in issue as at 31 December 2009. Such dividend distribution was approved by the shareholders' meeting held on 25 June 2010 and had been fully paid to shareholders in July 2010.

(b) The Board of Directors, in a meeting held on 22 March 2011, proposed to distribute a final dividend for 2010 to equity holders of the Company of RMB2,072,693,000 (RMB0.1563 Yuan per share), based on total number of shares which are in issue as at 31 December 2010. Such dividend distribution was approved by the shareholders' meeting held on 27 May 2011 and had been fully paid to shareholders in June 2011.

(c) The Board of Directors, in a meeting held on 27 March 2012, proposed to distribute a final dividend for 2011 to equity holders of the Company of RMB2,851,145,000 (RMB0.2150 Yuan per share), based on total number of shares which are in issue as at 31 December 2011. Such dividend distribution is still subject to the approval of shareholders' meeting, and is not reflected in these financial statements.

36 EMOLUMENTS OF DIRECTORS AND SUPERVISORS

(a) The emoluments of directors and supervisors for the year ended 31 December 2011 is set out below:

	2011			2010		
Name	Salary, allowances and other benefits RMB'000	Contribution to pension scheme RMB'000	Total RMB'000	Salary, allowances and other benefits RMB'000	Contribution to pension scheme RMB'000	Total RMB'000
Chairman, executive director						
Mr. WANG An	—	—	—	—	—	—
Vice Chairman, non-executive director						
Mr. PENG Yi[1]	—	—	—	265	—	265
Executive director:						
Mr. YANG Lieke	611	30	641	1,102	28	1,130
Non-executive director						
Mr. LI Yanmeng[2]	24	—	24	—	—	—
	635	30	665	1,367	28	1,395
Independent non-executive directors						
Mr. ZHANG Ke	300	—	300	300	—	300
Mr. WU Rongkang	300	—	300	300	—	300
Mr. ZHANG Jiaren[3]	300	—	300	13	—	13
Mr. ZHAO Pei[3]	300	—	300	13	—	13
Mr. WEI Weifeng[3]	300	—	300	13	—	13
Mr. GAO Shangquan[4]	—	—	—	300	—	300
Mr. PENG Ruchuan[4]	—	—	—	300	—	300
Mr. LI Yanmeng[2]	—	—	—	300	—	300
	1,500	—	1,500	1,539	—	1,539
Supervisors:						
Mr. WANG Xi[5]	—	—	—	—	—	—
Mr. ZHOU Litao	—	—	—	—	—	—
Mr. ZHANG Shaoping[5]	548	30	578	12	2	14
Mr. DU Ji'an[6]	—	—	—	—	—	—
Mr. CHEN Xiangshan[6]	—	—	—	419	28	447
	548	30	578	431	30	461
	2,683	60	2,743	3,337	58	3,395

36 EMOLUMENTS OF DIRECTORS AND SUPERVISORS (Continued)

(a) The emoluments of directors and supervisors for the year ended 31 December 2011 is set out below: (Continued)

1. Mr. PENG Yi was appointed as non-executive director on 23 December 2010. Mr. PENG Yi was the executive director, the executive vice president and the chief financial officer of the Company from August 2006 to October 2008. The amount represented the deferred cash payment for the emolument of his duties in the past.

2. Mr. Li Yanmeng resigned as independent non-executive director and was appointed as non-executive director on 23 December 2010.

3. Mr. ZHANG Jiaren, Mr. ZHAO Pei, and Mr. WEI Weifeng were appointed as independent non-executive directors on 23 December 2010.

4. Mr. GAO Shangquan and Mr. PENG Ruchuan retired as independent non-executive directors of the Company due to the expiration of their terms of office on 23 December 2010.

5. Mr. WANG Xi and Mr. ZHANG Shaoping were appointed as supervisors on 23 December 2010.

6. Mr. DU Ji'an and Mr. CHEN Xiangshan retired as supervisors of the Company due to the expiration of their terms of office on 23 December 2010.

Mr. Wang An and Mr. Peng Yi, received emoluments from China Coal Group. Part of those emoluments is in relation to their services to the Company. No apportionment has been made as the directors consider that it is impractical to apportion this amount between their services to the Company and their service to the Parent Company.

During the year, the emoluments paid to each of the directors did not exceed HK$1,000,000 (equivalent to RMB 810,700).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year are as follows:

	2011	2010
Director	**—**	1
Non-director individuals	**5**	4
	5	5

36 EMOLUMENTS OF DIRECTORS AND SUPERVISORS (Continued)

(b) Five highest paid individuals (Continued)

Details of emoluments paid to the non-director individuals are as follows:

	2011	2010
	RMB'000	RMB'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**969**	888
Contributions to pension schemes	**312**	113
Discretionary bonuses	**3,062**	2,806
	4,343	3,807

During the year ended 31 December 2011, the emoluments paid to each of the highest paid non-director individuals are in the range of HK$1,000,000 (equivalent to RMB 810,700) and HK$1,500,000 (equivalent to RMB 1,216,050).

(c) During the year ended 31 December 2011, no directors, supervisors of the Company or the five highest paid individuals of the Group waived any emoluments and no emoluments were paid by the Group to any of the directors and supervisors of the Company or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

37 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

(a) Reconciliation of profit before income tax to net cash inflows generated from operations

	2011 RMB'000	2010 RMB'000
Profit before income tax	**14,041,860**	10,998,895
Adjustments for:		
Property, plant and equipment		
– depreciation charge	**4,135,746**	3,040,990
– net gains on disposals	**(3,955)**	(13,518)
Land use rights, mining rights and intangible assets		
– amortisation charge	**532,885**	486,145
Provision for impairment of property, plant and equipment	**38,315**	162,681
Provision for impairment of land use right	**—**	272
Provision for impairment of receivables	**34,443**	71,201
Provision for impairment of inventories	**10,151**	4,094
Provision for impairment of available-for-sale financial assets	**2,383**	—
Provision for impairment of investment in associates	**—**	617
Share of profits of associates and jointly controlled entities	**(294,755)**	(46,290)
Net foreign exchange losses	**45,568**	127,044
Gains on futures	**—**	(5,542)
(Gains)/losses on disposal of investments	**(4,050)**	158,281
Interest income	**(622,042)**	(484,087)
Interest expense	**746,012**	461,673
Dividend income	**(4,940)**	(15,119)
Losses of debt restructuring	**—**	450
Negative goodwill	**—**	(277,819)
Adjustment of stripping ratio	**—**	568,574
Changes in working capital:		
Inventories	**(1,197,458)**	(1,254,221)
Trade receivables	**(1,741,993)**	(2,123,442)
Prepayments and other receivables	**(960,470)**	(554,840)
Trade payables	**1,547,783**	879,922
Accruals, advance and other payables	**2,642,093**	1,352,164
Restricted bank deposits	**(775,650)**	(650,718)
Decrease in provision for employee benefits	**(106,958)**	(10,264)
Increase/(decrease) in provision for close down, restoration, and environmental costs	**187,230**	(253,623)
Cash generated from operations	**18,252,198**	12,623,520

38 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB7,390,540,000 (2010: RMB5,862,246, 000).

39 CONTINGENT LIABILITIES

(a) Bank and other guarantees

As at 31 December 2010 and 2011, the undiscounted amount of potential future payments under guarantees given to banks in respect of banking borrowings extended to the parties below were as follows:

	2011	2010
	RMB'000	RMB'000
Associates	**1,370,066**	550,000

(b) As at 31 December 2011, the Group does not be involved in any lawsuits.

40 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for by the Group at the balance sheet date but not yet incurred is as follows:

	2011	2010
	RMB'000	RMB'000
Property, plant and equipment	**10,797,613**	5,800,014
Others	**253,350**	242,864
	11,050,963	6,042,878

40 COMMITMENTS (Continued)

(b) Operating lease commitments – where the Group is the lessee

The Group has commitments to make the following future minimum lease payments under non-cancelable operating leases:

	2011	2010
	RMB'000	RMB'000
Land and buildings:		
– Within 1 year	**76,727**	82,467
– From 1 year to 5 years	**199,683**	113,998
– Over 5 years	**87,032**	142,659
	363,442	339,124

41 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisition of additional interest in a subsidiary in 2010

Prior to 30 September 2010, the Group has 51% equity interest in Shuozhou China Coal Pingshuo Energy Company Limited ("Shuozhong Energy"). On 30 September 2010, the Company acquired an additional 49% of the equity interest of Shuozhong Energy for a purchase consideration of RMB73,500,000. Thereafter, Shuozhong Energy became a 100% owned subsidiary of the Group. The carrying amount of the non-controlling interests in Shuozhong Energy on the date of acquisition was RMB23,377,000. The Group recognised a decrease in non-controlling interests of RMB23,377,000 and a decrease in equity attributable to owners of the parent of RMB50,123,000.

The effect of changes in the ownership interest of Shuozhong Energy on the equity attributable to owners of the Company during 2010 is summarised as follows:

	As at 31 December 2010
	RMB'000
Carrying amount of non-controlling interests acquired	23,377
Consideration paid to non-controlling interests	(73,500)
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	(50,123)

42 SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group has extensive transactions with its parent company, China Coal Group. For the purpose of disclosures of related party transactions, to the extent possible, the Group has procedures in place to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are related parties. Management believes that all material related party transactions and balances, of which they are aware of, have been adequately disclosed.

Sales of goods and provision of services to related parties are at state-prescribed prices or prices which are also available to other customers. The Group considers that these sales are activities in the ordinary course of business.

Set out below is a summary of significant related party transactions in the years ended 31 December 2011 and 2010.

(a) Related party transactions

	2011 RMB'000	2010 RMB'000
Transactions with the Parent Company and fellow subsidiaries		
Coal Export and Sales (i)		
Charges paid for agency services of coal export	**4,792**	7,612
Integrated Material and Services Mutual Provision (ii)		
Charges paid for production material and ancillary services	**2,315,543**	1,654,666
Charges paid for social and support services	**62,930**	59,802
Revenue received from supply of production material and ancillary services	**894,180**	448,382
Revenue received from provision of coal export-related services	**50,795**	44,818
Mine Construction and Design (iii)		
Charges paid for construction services	**3,711,733**	2,442,095
Property Leasing (iv)		
Rental charge paid	**70,677**	67,858
Land Use Right (v)		
Rental charge paid	**22,089**	22,089
Mine Design (vi)		
Charges paid for mine design services	**44,193**	258,260
Coal Supplies (vii)		
Charges paid for coal supplies	**1,224,345**	278,305

42 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) Related party transactions (Continued)

(i) Under PRC law and regulations, coal exports shall only be made through one of four authorised PRC enterprises including China Coal Group. The Company appointed China Coal Group as its coal export sales agent under a Coal Export and Sales Agency Framework Agreement entered into on 31 December 2008. Pursuant to the agreement, the agency fee for coal exports to countries and territories other than the China Taiwan market is 0.7% of the FOB price in respect of each tonne of coal products exported; and the agency fee for the coal exports and sales to the China Taiwan market is 0.7% of the FOB price, plus USD0.5 per tonne of coal products sold. The agency fees are payable on a monthly basis, effective from 31 December 2008.

(ii) The Company and China Coal Group entered into Integrated Materials and Services Mutual Provision Framework Agreement on 31 December 2008, under which the Company provides to China Coal Group and China Coal Group provides to the Company production material supplies and ancillary services, and the Company also provides to China Coal Group export-related services.

(iii) The Company and China Coal Group entered into a Mine Construction, Mine Design and General Contracting Service Framework Agreement on 31 December 2008. Pursuant to the agreement, China Coal Group and its subsidiaries and units shall provide coal mine construction services to the Company and its subsidiaries.

(iv) The Company and China Coal Group entered into a Property Leasing Framework Agreement on 5 September 2006, under which the Company leases from China Coal Group certain buildings and properties in the PRC for general business and ancillary purposes.

(v) The Company and China Coal Group entered into a Land Use Rights Leasing Framework Agreement on 5 September 2006, under which the Company leases certain land use rights in the PRC from China Coal Group for general business and ancillary purposes.

(vi) The Company and China Coal Group entered into a Mine Design and General Contracting Service Framework Agreement on 4 December 2009, under which China Coal Group and its subsidiaries and units shall provide coal mine design and general contracting services to the Company and its subsidiaries and units.

(vii) The Company and China Coal Group entered into a Coal Supplies Framework Agreement On 31 December 2008, under which China Coal Group will procure that all coal products produced from the retained mines be supplied exclusively to the Company, and has undertaken not to sell any such coal products to any third party.

42 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) Related party transactions (Continued)

	2011 RMB'000	2010 RMB'000
Transactions with jointly controlled entities		
Sales and services provided:		
Interest income	**50,640**	51,319
Sales of coal	**3,990**	27,472
Purchases of goods and services:		
Purchases of materials and spare parts	**30,237**	—
Transactions with associates:		
Sales and services provided:		
Sales of machinery and equipment	**22,741**	44,240
Income from renting property, plant and equipment	**128,283**	147,663
Purchases of goods and services:		
Purchases of materials and spare parts	**36,968**	23,064
Transportation services (viii)	**413,709**	397,525

(viii) The Company entered into a Railway Leasing and Management Entrustment Service Framework Agreement with Shuozhou Pingshuo Luda Railway Transportation Co., Limited ("Pingshuo Luda"; an associate) on 30 December 2008, under which Pingshuo Luda leases a railway from the Company and also provides railway management entrustment services to the Company.

42 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) Related party transactions (Continued)

	2011 RMB'000	2010 RMB'000
Key management compensation		
Key management includes directors (executive and non-executive), supervisors and other key management personnel. The compensation paid or payable to key management for employee services is shown below:		
Salary, allowances and other benefits		
–Directors and supervisors	**2,683**	3,337
–Other key management	**3,511**	5,635
Pension costs-defined contribution plans		
–Directors and supervisors	**60**	58
–Other key management	**178**	194

Transactions with other government related entities in PRC

Apart from transactions with China Coal Group, fellow subsidiaries, associates and jointly controlled entities, the Group has extensive transactions with other government related entities.

During the year ended 31 December 2011, majority of the following Group's activities are conducted with other state-controlled entities:

- Sales of coal;
- Sales of machinery and equipment;
- Purchases of coal;
- Purchases of materials and spare parts;
- Purchases of transportation services; and
- Cash and bank balances and borrowings.

42 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) Related party transactions (Continued)

In addition to the above mentioned, transactions with other state-controlled entities also include but not limited to the following:

- Lease of assets;
- Retirement benefit plans.

These transactions are conducted in accordance with the contracts the Group entered into based on market prices.

43 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

As at 31 December 2011, the Company has interests in the following principal subsidiaries, jointly controlled entities and associates, which in the opinion of the directors, were significant to the results of 2011 or formed a substantial portion of the Group at the balance sheet date:

(a) Principal subsidiaries

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Listed –						
Shanghai Datun Energy Resources Co., Limited (上海大屯能源股份有限公司)	Shanghai, the PRC 29 December 1999	RMB722,718,000	62.43%	62.43%	Coal mining	Joint stock with limited liability
Unlisted –						
China Coal Pingshuo Coal Industry Company Limited (中煤平朔煤業有限責任公司)	Shuozhou, the PRC 25 August 2008	RMB17,145,737,000	100%	100%	Coal mining, manufacture and processing of coal and other related services	Limited liability company
China National Coal Mining Equipment Company Limited (中國煤礦機械装備有限責任公司)	Beijing, the PRC 26 April 1988	RMB4,563,998,000	100%	100%	Design, manufacture and sale of machinery and equipment for coal industry	Limited liability company

43 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(a) Principal subsidiaries (Continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
China Coal and Coke Holdings Limited (中煤焦化控股有限責任公司)	Beijing, the PRC 15 August 2003	RMB928,814,000	100%	100%	Manufacture and sale of coke	Limited liability company
Shanxi China Coal Huajin Energy Company Limited (山西中煤華晉能源有限責任公司)	Taiyuan, the PRC 8 September 2011	RMB1,623,290,000	50%	50% (note (a) & Note 2(c))	Coal mining	Limited liability company
China National Coal Development Company Limited (中國煤炭開發有限責任公司)	Beijing, the PRC 17 February 1981	RMB100,000,000	100%	100%	Sale of mining equipment	Limited liability company
China Coal Tendering Company Limited (中煤招標有限責任公司)	Beijing, the PRC 28 December 2001	RMB30,000,000	100%	100%	Tendering services	Limited liability company
China National Coal Industry Qinhuangdao Import and Export Company Limited (中國煤炭工業秦皇島進出口有限公司)	Qinhuangdao, the PRC 17 May 1999	RMB15,000,000	100%	100%	Sale of coal and related products	Limited liability company
China Coal Xing'an Energy Chemical Engineering Company Limited (中煤興安能源化工有限公司)	Ulanhot, the PRC 16 August 2011	RMB500,000,000	100%	100%	Coal chemical engineering	Limited liability company
Qinhuangdao China Coal Warehousing and Transportation Company Limited (秦皇島中煤儲運有限公司)	Qinhuangdao, the PRC 14 November 1989	RMB40,903,000	78.43%	78.43%	Warehousing and freight forwarding of coal	Limited liability company
China Coal Ordos Energy Chemical Company Limited (中煤鄂爾多斯能源化工有限公司)	Ordos, the PRC 27 April 2011	RMB1,380,670,000	100%	100%	Coal chemical engineering	Limited liability company
China National Coal Import and Export Group (Tianjin) Company Limited (天津中煤進出口有限公司)	Tianjin, the PRC 30 April 1999	RMB16,500,000	100%	100%	Sale of coal products and other related products	Limited liability company

43 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(a) Principal subsidiaries (Continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
China Coal Shandong Company Limited (中煤能源山東有限公司)	Rizhao, the PRC 18 May 1999	RMB100,000,000	100%	100%	Sale of machinery, mineral and chemical products	Limited liability company
Sunfield Resources Pty. Limited (華光資源有限公司)	Sydney, Australia 18 June 1997	AUD500,000	100%	100%	Investment management, trading of coal and coke	Limited liability company
Shanghai Chinacoal East China Company Limited (上海中煤華東有限公司)	Shanghai, the PRC 26 May 2005	RMB100,000,000	100%	100%	Sale of machinery, minerals and chemical products	Limited liability company
Shuozhou Great Company Limited (朔州市格瑞特實業有限公司)	Shuozhou, the PRC 20 August 2004	RMB425,409,000	100%	100%	Coal gangue power generation	Limited liability company
Shuozhou China Coal Pingshuo Energy Company Limited (朔州中煤平朔能源有限公司)	Shuozhou, the PRC 17 February 2004	RMB232,190,000	100%	100%	Manufacture and processing of coal	Limited liability company
Shaanxi Nanliang Coal Company Limited (陝西南梁礦業有限公司)	Fugu, the PRC 5 February 1999	RMB245,930,000	23%	55%	Manufacture and processing of coal	Sino-foreign joint venture
Datong China Coal Export Base Development Company Limited (大同中煤出口煤基地建設有限公司)	Datong, the PRC 8 August 2000	RMB125,000,000	19%	60%	Manufacture and processing of coal	Sino-foreign joint venture
China Coal Coal Chemical Engineering Company Limited (中煤能源黑龍江煤化工有限公司)	Yilan, the PRC 22 June 2007	RMB2,027,133,535	100%	100%	Coal chemical engineering	Limited liability company
Shanxi China Coal Dongpo Coal Industry Company Limited (山西中煤東坡煤業有限公司)	Shuozhou, the PRC 1 November 2002	RMB1,111,489,000	100%	100%	Coal mining	Limited liability company
China Coal Jizhou Yinhai Coal Chemical Engineering Company Limited (中煤冀州銀海煤化工有限責任公司)	Jizhou, the PRC 28 September 2008	RMB150,000,000	60%	60%	Project investment services and manufacture of chemical products	Limited liability company

43 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(a) Principal subsidiaries (Continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
China Coal Xinjiang Coal Electricity Company Limited (中煤能源新疆煤電化有限公司)	Shihezi, the PRC 9 April 2009	RMB800,000,000	60%	60%	Coal chemical Engineering	Limited liability company
China Coal Hami Coal Industry Company Limited (中煤能源哈密煤業有限公司)	Hami, the PRC 13 July 2009	RMB215,770,000	100%	100%	Coal mining	Limited liability company
China Coal Yili Coal Electricity Company Limited (中煤能源伊犁煤電化有限公司)	Yining, the PRC 22 July 2009	RMB100,000,000	100%	100%	Coal chemical engineering	Limited liability company
Inner Mongolia Mengda New Energy Chemical Base Development Company Limited (內蒙古蒙大新能源化工基地開發有限公司)	Ordos, the PRC 9 November 2005	RMB1,231,000,000	65%	65%	Methanol production	Limited liability company
Wushenqi Mengda Mining Company Limited (烏審旗蒙大礦業有限責任公司)	Ordos, the PRC 27 April 2007	RMB854,000,000	51%	51%	Coal mining and manufacture and sale of chemical products	Limited liability company
Ordos Yihua Mining Resources Company Limited (鄂爾多斯市伊化礦業資源有限責任公司)	Ordos, the PRC 16 January 2007	RMB1,013,000,000	51%	51%	Coal mining and manufacture and sale of chemical products	Limited liability company
Guangzhou China Coal South China Trading Company Limited (廣州中煤華南銷售有限公司)	Guangzhou, the PRC 11 November 2009	RMB10,000,000	100%	100%	Import and export coal products	Limited liability company
China Coal Shanxi Yulin Energy Chemical Company Limited (中煤陝西榆林能源化工有限公司)	Yulin, the PRC 21 April 2010	RMB2,700,000,000	100%	100%	Manufacture and processing of coal	Limited liability company
Ordos Yinhe Hongtai Coal Power Company Limited (鄂爾多斯市銀河鴻泰煤電有限公司)	Ordos, the PRC 10 May 2006	RMB117,221,100	78.84%	78.84%	Coal mining	Limited liability company

notes:

(a) As the Group can control the strategic, operating, investing and financing activities of these entities, it is considered as the subsidiaries of the Group.

43 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(a) Principal subsidiaries (Continued)

Except for Sunfield Resources Pty. Limited which has adopted 30 June as its financial year end date, all subsidiaries have adopted 31 December as their financial year end date.

(b) Principal jointly controlled entities

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Datong Zhongxin Energy Company Limited (大同中新能源有限公司)	Datong, the PRC 27 August 2001	RMB161,000,000	5%	42% (note (b))	Manufacture and processing of coal	Sino-foreign joint venture
China Coal and Coke Xuyan China Coal Group (河北中煤旭陽焦化有限公司)	Xingtai, the PRC 21 November 2003	RMB100,000,000	—	45% (note (b))	Manufacture and sale of coal and other related products	Limited liability company
Gansu China Coal Tianda Energy Company Limited (甘肅中煤天大能源有限公司)	Qingyang, the PRC 14 October 2011	RMB25,000,000	50% (note (b))	50% (note (b))	Coal and coal chemical engineering	Limited liability company
Shanxi Huaning Coking Coal Company Limited (山西華寧焦煤有限責任公司)	Xiangning, PRC 19 November 2009	RMB50,000,000	—	51% (note (b))	Coal mining	Limited liability company

note:

(b) As neither the venturers of these entities are in a position to control the activities of these entities unilaterally, and the strategic financial and operating decisions relating to them require the unanimous consent of the venturers, they are accounted for as jointly controlled entities of the Group.

43 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(c) Principal associates

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Tianjin Port China Coal Huaneng Coal Terminal Co. Ltd. (天津港中煤華能煤碼頭有限公司)	Tianjin, the PRC 14 September 2007	RMB1,125,000,000	24.5%	24.5%	Port logistics	Limited liability company
Guotou China Coal Tongmei Jingtang Port Company Limited (國投中煤同煤京唐港口有限公司)	Tianjin, the PRC 16 June 2005	RMB200,000,000	21%	21%	Coal quay construction	Limited liability company
Taiyuan Coal Gasification Longquan Energy Development Company Limited (太原煤氣化龍泉能源發展有限公司)	Taiyuan, the PRC 8 September 2006	RMB900,000,000	40%	40%	Manufacture and sale of coke, coal and other related products	Limited liability company
Zhejiang Zheneng China Coal Zhoushan Coal & Electricity Company Limited (浙江浙能中煤舟山煤電有限責任公司)	Zhoushan, the PRC 5 June 2007	RMB900,000,000	27%	27%	Import and export of coal and related products	Limited liability company
Zhongtian Synergetic Energy Company Limited (中天合創能源有限責任公司)	Ordos, the PRC 24 October 2007	RMB3,678,400,000	38.75%	38.75%	Coal chemical engineering	Limited liability company
Shanxi Yanchang China Coal Yulin Energy Chemical Company Limited (陝西延長中煤榆林能源化工有限公司)	Yulin, the PRC 21 May 2008	RMB7,000,000,000	30%	30%	Coal and chemical	Limited liability company
Shanxi Pingshuo Gangue-fired Power Generation Co., Ltd. (山西平朔煤矸石發電有限責任公司)	Shuozhou, the PRC 10 December 2002	RMB129,250,000	—	33%	Power generation and related products	Limited liability company
Shuozhou Pingshuo Luda Railway Transportation Company Limited (朔州平朔路達鐵路運輸有限公司)	Shuozhou, the PRC 19 May 2004	RMB10,000,000	—	37.5%	Railway transportation	Limited liability company
Shuozhou City Pinglu District Ping'an Fertilizer Company Limited (朔州市平魯區平安化肥有限責任公司)	Shuozhou, the PRC 31 July 1996	RMB134,640,000	—	29.71%	Sale of fertilizer and other chemical products	Limited liability company
Guorun (Zhangjiakou) Mineral Equipment Company Limited (國潤 (張家口) 工業技術有限責任公司)	Zhangjiakou, the PRC 18 November 2004	USD3,530,000	—	40%	Manufacture of mining vehicles and provision of technical services	Sino-foreign joint venture
Beijing Tianhua Zhongrui Machinery Technology Development Company Limited (北京天華中瑞機械科技發展有限責任公司)	Beijing, the PRC 16 September 2004	RMB4,641,000	—	49%	Manufacture of spare parts for motor vehicles	Limited liability company

43 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(c) Principal associates (Continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Group	Principal activities	Type of legal entity
Beijing Zhongshuichang Solid and Liquid Separation Technology Company Limited (北京中水長固液分離技術有限公司)	Beijing, the PRC 20 September 2001	RMB7,250,000	—	25.86%	Manufacture and sale of environmental friendly equipments	Limited liability company
Neimenggu Tianlong Mining Machinery Maintenance Company Limited (內蒙古天隆煤機維修有限責任公司)	Ordos, the PRC 17 July 2008	RMB100,000,000	—	20%	Mechanical equipment maintenance	Limited liability company
Neimenggu Boyuan Joint Chemical Limited Company (內蒙古博源聯合化工有限公司)	Ordos, the PRC 12 July 2004	RMB650,000,000	—	20%	Manufacture and sale of methanol related products	Sino-foreign joint venture
Neimenggu Sulige Natural Gas Chemical Limited Company (內蒙古蘇里格天然氣化工有限公司)	Ordos, the PRC 9 June 2009	RMB300,000,000	—	20%	Manufacture and sale of methanol related products	Limited liability company
Tianjin Tanjin Energy Technology Company Limited (天津市炭金能源技術有限公司)	Tianjin, the PRC 28 August 2001	RMB2,000,000	—	40%	Coal processing and other related services	Limited liability company
Shuozhou Fumin Water Supply Investment Construction Company Limited (朔州市富民供水投資建设公司)	Shuozhou, the PRC 20 July 2010	RMB153,000	—	51% (note (c))	Water supply	Limited liability company
Huajin Coking Coal Company Limited (華晉焦煤有限責任公司)	Liulin, the PRC 23 February 2001	RMB859,870,000	50%	50% (note (c))	Coal mining	Limited liability company

note:

(c) As the strategic, financial and operating decisions relating to these two companies are controlled by the other shareholders, they are accounted for as associates of the Group.

The English names of certain subsidiaries, jointly controlled entities and associated companies referred to herein represent management's best effort at translating the Chinese names of these companies as no English names have been registered.

44 ULTIMATE HOLDING COMPANY

The Company's directors regard China Coal Group, a company established in the PRC, as the ultimate holding company of the Company.

Financial Summary for Recent Five Years

(The following financial summary is extracted from the Company's Annual Reports in 2011 and prior years)

UNIT: RMB'000

	2007 Annual Report	2008 Annual Report	2009 Annual Report	2010 Annual Report	**2011 Annual Report**
Revenue and Profit					
Revenue	36,428,184	50,992,807	53,187,027	70,302,637	**87,773,054**
Profit before income tax	8,355,384	10,511,824	10,315,570	10,998,895	**14,041,860**
Income tax	(1,949,153)	(2,491,651)	(2,395,399)	(2,847,876)	**(3,382,822)**
Profit for the year	6,406,231	8,020,173	7,920,171	8,151,019	**10,659,038**
Attributable to:					
Equity holders of the Company	6,019,805	7,140,836	7,409,336	7,466,357	**9,801,542**
Non-controlling interests	386,426	879,337	510,835	684,662	**857,496**
Dividends	1,048,959	825,484	2,043,559	1,986,651	**2,072,693**
Earnings per share attributable to the equity holders of the Company (RMB/share)	0.51	0.54	0.56	0.56	**0.74**
Assets and Liabilities					
Non-current assets	29,561,019	37,132,046	60,226,564	74,236,219	**103,821,748**
Current assets	23,238,388	51,052,121	50,873,086	48,699,970	**56,111,496**
Current liabilities	10,635,003	12,744,105	15,519,185	19,390,780	**28,779,185**
Net current assets/(liabilities)	12,603,385	38,308,016	35,353,901	29,309,190	**27,332,311**
Total assets less current liabilities	42,164,404	75,440,062	95,580,465	103,545,409	**131,154,059**
Non-current liabilities	11,878,434	12,669,773	17,384,763	17,206,859	**35,189,270**
Net assets	30,285,970	62,770,289	78,195,702	86,338,550	**95,964,789**
Equity attributable to the equity holders of the Company	27,331,595	58,541,594	68,595,392	74,048,571	**81,745,042**
Non-controlling interests	2,954,375	4,228,695	9,600,310	12,289,979	**14,219,747**

Company Profile

Statutory Chinese Name of the Company	中國中煤能源股份有限公司
Abbreviated Statutory Chinese Name of the Company	中煤能源股份
Statutory English Name of the Company	China Coal Energy Company Limited
Abbreviated Statutory English Name of the Company	China Coal Energy
Legal Representative of the Company	Wang An

Information about Secretary to the Board of the Company

Name of Secretary to the Board	Zhou Dongzhou
Contact Address of Secretary to the Board	Secretariat of the Board of Directors China Coal Energy Company Limited, No. 1 Huangsidajie, Chaoyang District, Beijing, PRC
Contact Telephone Number of Secretary to the Board	(8610)-82236028
Fax Number of Secretary to the Board	(8610)-82256479
E-mail Address of Secretary to the Board	IRD@chinacoal.com

Information about the Company

Registered Address and Office Address of the Company	No. 1 Huangsidajie, Chaoyang District, Beijing, PRC
Post Code	100120
Internet Website	http://www.chinacoalenergy.com
Email address	IRD@chinacoal.com
Newspapers designated for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Internet Website designated by CSRC for publication of annual reports	http://www.sse.com.cn
Internet Website designated by the Stock Exchange of Hong Kong Limited for publication of annual reports	http://www.hkex.com.hk
Location for inspection of annual reports of the Company	Secretariat of the Board of Directors, China Coal Energy Company Limited, No. 1 Huangsidajie, Chaoyang District, Beijing, PRC

Company Profile

Brief information about shares of the Company				
Type of shares	Stock Exchange for listing of shares	Short name of Stock	Stock code	Short name of stock before change
A Shares	Shanghai Stock Exchange	中煤能源	601898	
H Shares	The Stock Exchange of Hong Kong Limited	China Coal Energy	01898	

Authorised Representatives of the Company	Yang Lieke, Zhou Dongzhou
Company Secretary	Zhou Dongzhou

Other relevant information	
Date of first registration of the Company	22 August 2006
Location of first registration of the Company	No. 1 Huangsidajie, Chaoyang District, Beijing, PRC
Date of change in registration of the Company	28 June 2010
Location of change in registration of the Company	No change
Registration Number of Corporate Business License	100000000040475
Tax Registration Number	Jing Shui Zheng Zi No.110105710934289
Organisation Code	71093428-9

Accountancy firms retained by the Company	
Domestic accountancy firm retained by the Company	PricewaterhouseCoopers Zhong Tian CPAs Limited Company
Office address of the domestic accountancy firm retained by the Company	11/F, PricewaterhouseCoopers Center, Building 2, Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai, PRC
International accountancy firm retained by the Company	PricewaterhouseCoopers
Office address of the international accountancy firm retained by the Company	22/F, Prince's Building, Central, Hong Kong

Legal Advisors retained by the Company	
Legal advisor on domestic law retained by the Company	Beijing Jiayuan Law Firm
Contact address	F407 Ocean Plaza, 158 Fuxingmennei Avenue, Xicheng District, Beijing, China
Legal advisor on Hong Kong law retained by the Company	DLA Piper Hong Kong
Contact address	17/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong

Share Registrars for domestic and overseas listed shares	
A Share Registrar	China Securities Depository and Clearing Corporation Limited Shanghai Branch
Contact Address	36/F, China Insurance Building, 166 Lujiazui East Avenue, Pudong New District, Shanghai, China
H Share Registrar	Computershare Hong Kong Investors Services Limited
Contact Address	Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Definitions

In this annual report, unless the context otherwise requires, the following expressions have the following meanings:

The Group/The Company/ Company/China Coal Energy	China Coal Energy Company Limited, unless otherwise indicated, also includes all of its subsidiaries
Board of the Company/Board	the board of directors of China Coal Energy Company Limited
Directors	the directors of the Company, including all the executive directors, non-executive directors and independent non-executive directors
China Coal Group	China National Coal Group Corporation, the controlling shareholder of the Company
Shanghai Company	Shanghai Datun Energy Resources Company Limited, a controlling subsidiary of the Company
Pingshuo Mining Area	the coal mining area in Shanxi Province, mainly comprising the Antaibao Open Pit Mine and Underground Mine, the Anjialing Open Pit Mine and Underground Mine, and the Jingdong Mine
Datun Mining Area	the coal mining area in Jiangsu Province operated by Shanghai Company, comprising the Yaoqiao, Kongzhuang, Xuzhuang and Longdong mines
Liliu Mining Area	the coal mining area in Shanxi Province operated by Huajin Coking Coal Company Limited, comprising the Shaqu Underground Mine
Dongpo Coal Mine	a coal mine in Shanxi Province operated by Shanxi China Coal Dongpo Coal Industry Company Limited
Nanliang Coal Mine	a coal mine in Shaanxi Province which is operated by Shaanxi Nanliang Coal Company Limited

China Coal Equipment Company	China National Coal Mining Equipment Company Limited, a wholly-owned subsidiary of the Company
Shuozhong Energy	Shuozhou China Coal Pingshuo Energy Company Limited
Dazhong Company	Datong China Coal Export Base Development Company Limited
Pingshuo Coal Industry Company	China Coal Pingshuo Coal Industry Company Limited
Datang Corporation	China Datang Corporation
China Power International	China Power International Development Limited
Shanxi Coking Coal Group	Shanxi Coking Coal Group Co., Ltd.,
Huajin Company	Huajin Coking Coal Company Limited
China Coal Huajin Company	Shanxi China Coal Huajin Energy Co., Ltd. （山西中煤華晉能源有限責任公司）
CCIE Company	China Coal Import and Export Company
China Coal Jinhaiyang Company	China Coal Group Shanxi Jinhaiyang Energy Co., Limited
Jinmei Group	Shanxi Jincheng Anthracite Mining Group Co.,Ltd.
Taiyuan Coal Gastification Group	Taiyuan Coal Gastification (Group) Co., Limited
China Coal Longhua Company	China Coal Heilongjiang Coal Chemical Engineering (Group) Company Limited
Zhongtian Synergetic Company	Zhongtian Synergetic Energy Company Limited
Ministry of Finance	the Ministry of Finance of the People's Republic of China
SAIC	the State Administration for Industry and Commerce of the People's Republic of China
SASAC	the State-owned Assets Supervision and Administration Commission of the State Council

Definitions

CSRC	China Securities Regulatory Commission
HKSE	The Stock Exchange of Hong Kong Limited
SSE	the Shanghai Stock Exchange
Articles of Association	the articles of association passed at the inaugural meeting of the Company on 18 August 2006 and approved by the relevant state authorities, as amended and supplemented from time to time
A Share(s)	the ordinary share(s) issued to domestic investors in China with approval from CSRC, which are listed on the SSE and traded in RMB
H Share(s)	the overseas listed foreign share(s) of RMB1.00 each in the share capital of the Company, which are listed on the HKSE for subscription in Hong Kong dollars
PricewaterhouseCoopers Zhong Tian	PricewaterhouseCoopers Zhong Tian CPAs Limited Company
PricewaterhouseCoopers	PricewaterhouseCoopers
Mengda Mining Company	Wushenqi Mengda Mining Company Limited
Xiaohuigou Coal	Shanxi Xiaohuigou Coal Industry Company Limited
Xi'an Design Company	China Coal Xi'an Design Engineering Company Limited
Share(s)	the ordinary shares of the Company, including A Share(s) and H Share(s)
Shareholder(s)	the shareholder(s) of the Company, including holder(s) of A Shares and holder(s) of H Shares
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
SSE Listing Rules	the Listing Rules of the Shanghai Stock Exchange
RMB	RMB yuan

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中国中煤能源股份有限公司
CHINA COAL ENERGY COMPANY LIMITED

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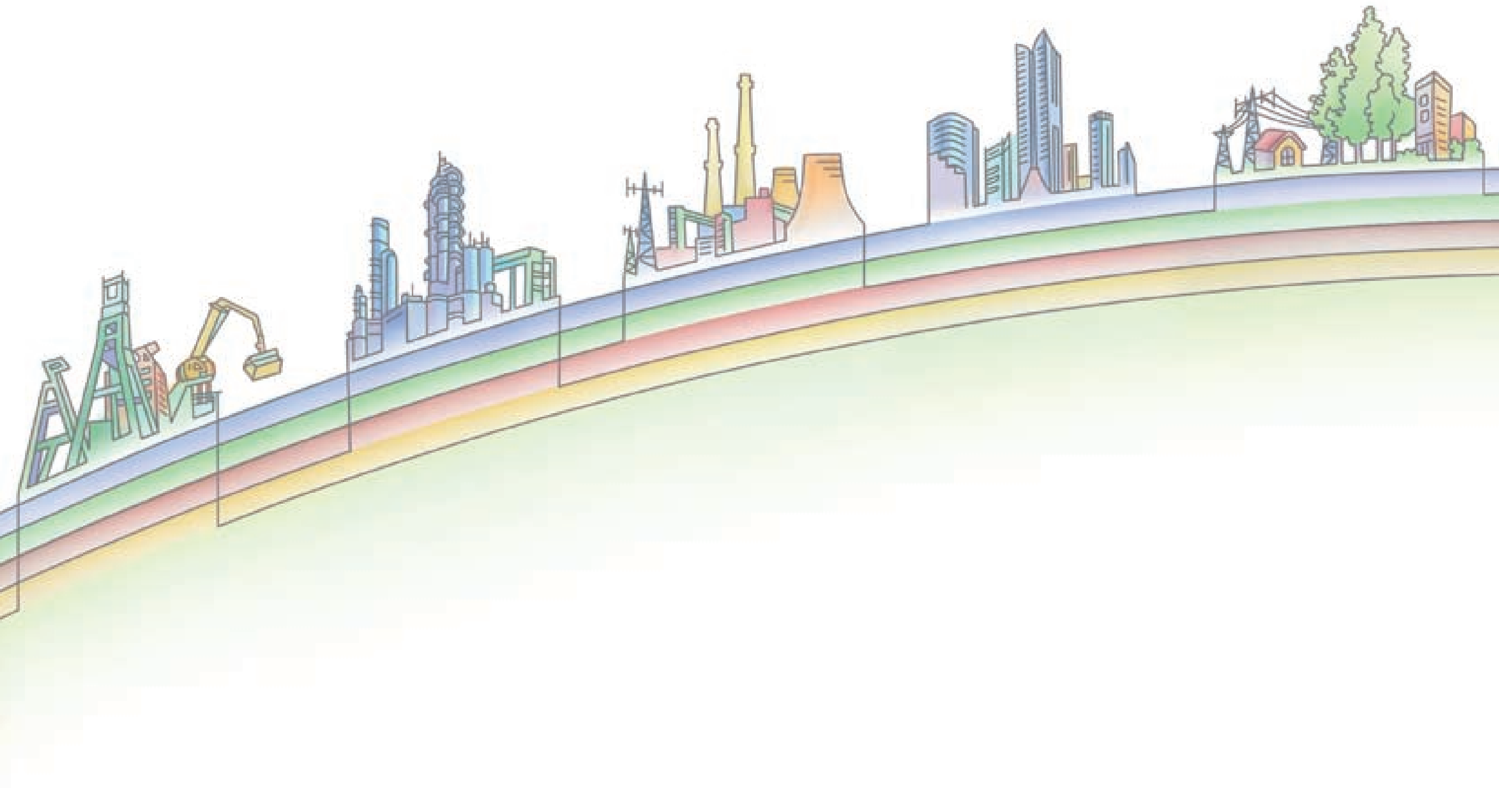
TEL : (010) 82236028
FAX : (010) 82256484

中煤能源2011年社会责任报告

CHINA COAL ENERGY CSR Report

2011



中国中煤能源股份有限公司

CHINA COAL ENERGY COMPANY LIMITED

Description for Preparation

Summary of the report

This report is the third CSR report published by China Coal Energy Company Limited. It reviews the opportunities and challenges the Company faced during the year 2011 and discloses the Company's philosophy, practices and results in performing its economic, environmental and social responsibilities.

Base of preparation

This report was prepared in accordance with the requirements set out in "Notice on Strengthening Listed Companies' Undertaking of Social Responsibilities" and "Guidelines on Environmental Information Disclosure by Companies Listed on the Shanghai Stock Exchange" issued by Shanghai Stock Exchange, and "Guideline on Fulfilling Social Responsibility by Central Enterprises" issued by the State-owned Assets Supervision and Administration Commission of the State Council, and with reference to the "Guidelines on Preparation of Corporate Social Responsibility Report for Corporations in China " issued by Centre of Corporate Social Responsibility of the Chinese Academy of Social Sciences and the "Sustainable Development Reporting Guidelines" (2006 version) of Global Reporting Initiative (GRI).

Range of period

The year 2011 in this report refers to the period from 1 January 2011 to 31 December 2011. Certain representations and data may date back to previous years when appropriate.

Period of publication

This report is a yearly report, which is published every year together with the Annual Report.

Scope of reporting

This report covers China Coal Energy Company Limited and its subsidiaries in respect of five major areas, namely economy, safety, innovation, environment and society.

Source of information

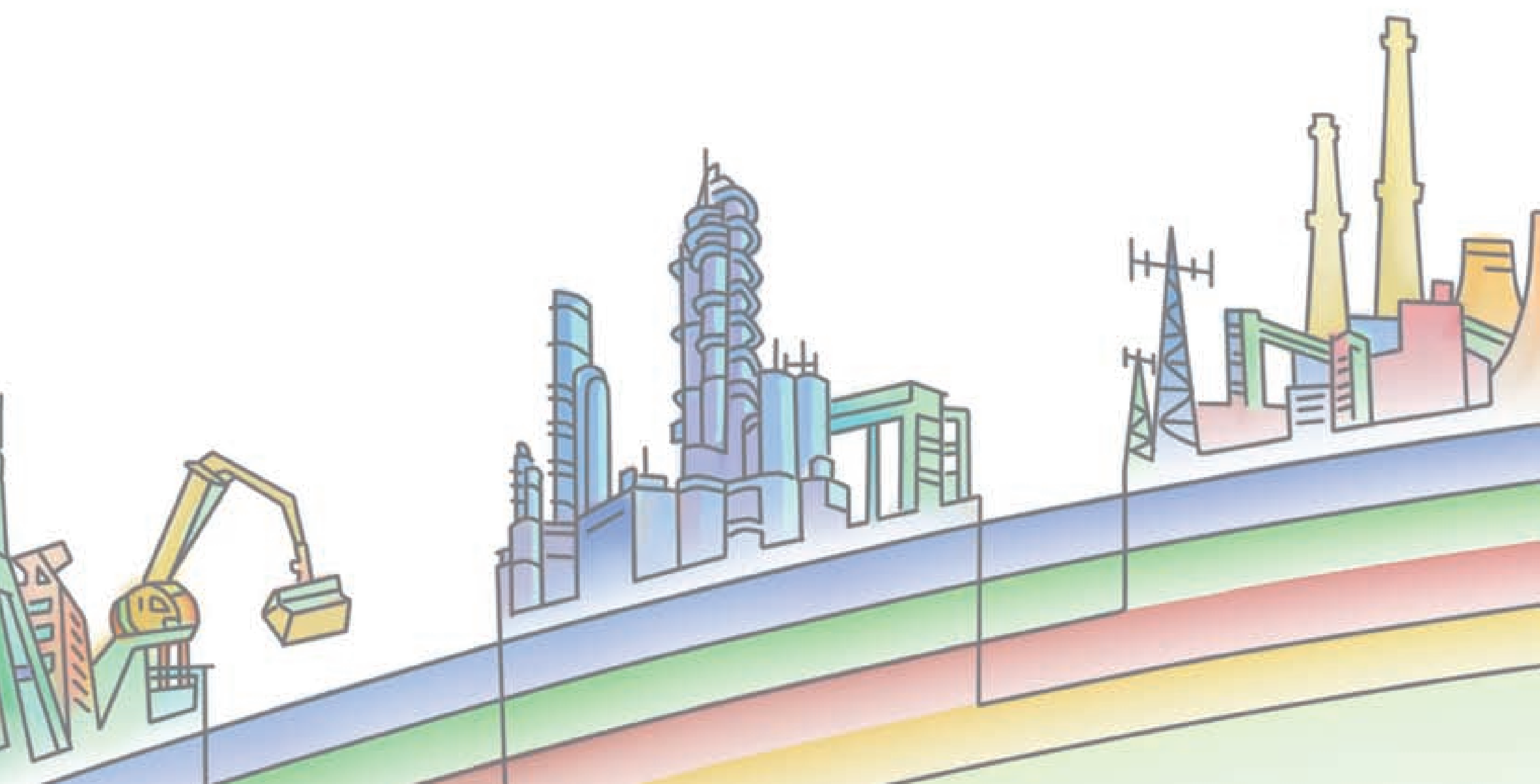
The financial data in the report were extracted from the audited Annual Report of China Coal Energy Company Limited (in accordance with the relevant accounting principles applicable to PRC companies), whilst other data came from internal data of the Company and other relevant statistics.

Description of references

For your easy reference, China Coal Energy Company Limited is also referred as "China Coal Energy", "China Coal Energy Company", "The Company" and "We" in this report.

Inspection of the report

This report is prepared in Chinese. The electronic version of this report may be downloaded at the website of China Coal Energy Company Limited, www.chinacoalenergy.com



Contents

Chairman's Statement

Chairman Wang An

In 2011, the opening year for "Twelfth Five-Year Plan", China Coal comprehensively implemented the scientific development concept and expedited the adjustment of growth model. While aggressively restructuring its business structure and product mix, the Company optimised internal systems to enhance management quality, with increasing efforts in technological innovations to facilitate its safety-based growth and build up a green enterprise. As a result, the major operating indicators once again hit record high levels. While consolidating sustainable development ability for its development, the Company actively performed its social responsibilities and played the exemplary role as a state-owned enterprise.

Scientific operations backed by strong logistics helped to score new success in production and operations. In 2011, we scheduled production in a systematic and scientific manner to conquer the challenges from complex geological conditions of coal mines, tight transportation capacity and frequent extreme weather at ports. The raw coal production for 2011 reached 129 million tonnes, representing a year-on-year growth of 5.4%. We adhered to the market-oriented philosophy to optimise product mix and market composition as well as the sale and logistics networks. While strengthening the coordination among production, transportation and sales, coordinating the railway transportation capacity and port transshipment, the Company strived to improve customers' services and delivery quality, and made contributions to thermal coal supply during the Shenzhen Universiade period and to the national coal contingency reserve.

Faster paces in strategically deploying business strongholds led to significantly improved development capabilities. Resource and project reserves are lifelines for our development. To meet the goals set forth in the "Twelfth Five-Year Plan", we reinforced coordination and proactively carried out preliminary project work with a focus on the five major bases, pressing ahead with construction of major projects as well as merger and acquisition activities. The Company secured absolute control over Shalajida Coal Field which contributed premium coal resources of 1.66 billion tonnes, thereby consolidating its dominant position in the development of the Hujierte Mining Area. Shanghai Company entered into co-operation agreements on acquisition of local mining enterprises in Yangquan; China Coal Longhua Company secured deep resources at Yilan No. 3 Coal Mine; China Coal and Coke acquired controlling interests in Jinchang Coal Mine and Yushuo Coal Mine and thus improved the resource reserve; the project of Xiaohuigou Coal Mine was approved by government authorities; Hecaogou Coal Mine and the Tuke Fertiliser Project etc. stepped up construction; and Pingshuo East Open Pit Mine succeeded in individual on-load trial test. A bulk of resources were secured and project constructions were expedited which improved our sustainable development ability.

Fundamentals were fortified to strengthen surveillance for consistent safety performance. Aiming at "zero fatality" and in pursuit of stronger basic units, fundamentals and capabilities, we pushed forward three systematic constructions with respect to environment, quality and responsibility. Launching a three-year programme of "implementing the accountability system for persons in charge to create a safety-assured enterprise", we advanced the construction of the long-term production safety mechanism to lay a solid foundation for safe development. We continued to strengthen safety surveillance, promote the standardisation of safety and quality and speed up the construction of the emergency shelter system, therefore significantly improving the safety assurance capability. In 2011, the Company, with a fatality rate of 0.008 per million tonnes of raw coal, maintained its international advanced standards.

Efforts in clean production and green development resulted in notable achievements in energy conservation and emission reduction. In light of the established green development concept and strategy, we spared no efforts to promote the creation of a "Green China Coal", utilising advanced technologies to press forward energy conservation and emission reduction activities for clean production. Attaching great importance to ecological treatment, we accomplished the energy conservation and emission reduction tasks delegated by the government, securing the industrial leading position in terms of major indicators. The resource recovery rate in coal mines reached over the national standards, almost all raw coal was washed through optimised coal processing, which effectively reduced pollutant emission and minimised environment pollution. To advance the reclamation of subsided area in mining areas, the Company introduced innovative production processes to improve ecology in mining areas according to local conditions. The reclamation ratio of mining areas reached over 50%, and the vegetation coverage of dumping ground reached over 90%. Meanwhile, the Company earnestly developed ecologic agriculture to build up green mining areas for recycling economy.

Co-operation for mutual benefits laid a cornerstone for harmony, and made continuous contributions to the community. We are dedicated to establishing harmonious relationship with employees and realising mutual growth for the Company and its staff through sharing the Company's results with all staff members as well as improving labour protection and staff benefits and solving their difficulties. Insisting on the philosophy of "co-operation for mutual benefits of the locality and enterprise", the Company increased the investment to speed up construction of its five production bases, which effectively boosted the local economy and employment. In 2011, RMB31.482 billion was invested and taxes of RMB13.592 billion were paid. We extended our active presence in local charity causes such as supporting impoverished areas and caring for low-income groups. We donated RMB12,021,300 for charity in 2011. Amid its fast paces forward, the Company also looked into itself under a long-term plan to incorporate corporate value into the society, and made valuable contributions to local community stability and economic growth.

Thanks to unremitting efforts of all staff members and strong supports from partners and governments, China Coal Energy achieved admirable results in 2011. We are proud of the past achievements, and will embrace the new opportunities and challenges of the future. Looking into 2012, the international and domestic environment will be more challenging and complicated which is characterised with a sluggish global economic growth and slower growth expectation of the domestic economy and the ever-increasing costs for materials and management. Amid the downward trend of the coal industry as a whole due to such double impacts, coal enterprises will be faced with escalating operating pressures as well as increasingly intensified competitions in the industry. On the other hand, we expect that rigid energy demand is to maintain the growth momentum in a positive macro environment, as driven by the government's continuous efforts to promote the upgrading of the economic growth model. Capturing the opportunities, we are determinant to implement the "Twelfth Five-Year Plan", paving the way to energy conservation, ecology protection and sustainable development. We will operate in integrity to ensure energy supply, while taking initiatives to strengthen production safety and promote technological innovations. To live up to our commitment to "Green China Coal", social responsibilities and the undertaking for a state-owned enterprise, we will devote ourselves to extend contributions to national economy, local prosperity and returns to shareholders as well as customers' business development and the well-being of our staff.

Beijing, the PRC
27 March 2012

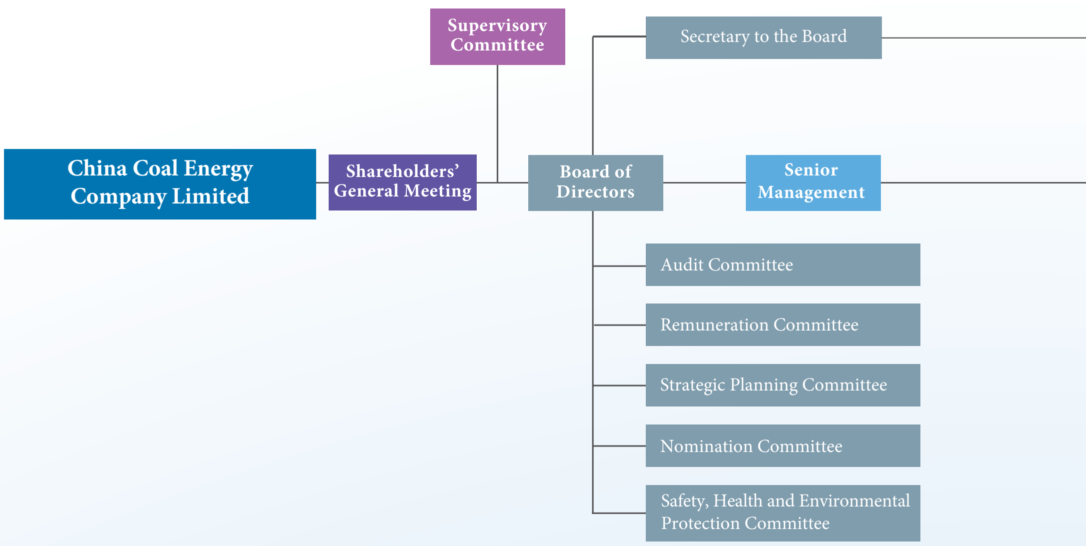
Company Profile

China Coal Energy Company Limited was solely established as a joint stock company by China National Coal Group Corporation on 22 August 2006. The shares of the Company have been successfully listed in Hong Kong since December 2006, while its A shares were issued in February 2008. The headquarter of the Company is located in Beijing, the PRC.

The Company is a large energy company with four core businesses including coal production and trading, coal chemical engineering, power generation and coal mining equipment manufacture. With ample coal resources, the Company has been ranked the fifth and the second among all listed coal companies in terms of coal reserves in the world and in the PRC respectively. In 2011, the volume of coal production of the Company was 129 million tonnes, and the Company was the second largest coal company in the PRC and the largest manufacturer of mining machinery in the PRC. It is equipped with "three machines and one support", i.e. the shearer, the armoured face conveyor, the road header and the hydraulic roof support. The Company has capability in the research and development and manufacture of a comprehensive range of mining and drilling equipment.

The Company boasts strong resource advantages, comprehensive business structure, advanced skills in mining and processing of coal, solid sales and customer service network, experienced management team and reputable brand name.

Company Organisation Chart of CHINA COAL ENERGY COMPANY LIMITED



- Secretariat of the Board
- President's Office
- Department of Strategy Planning
- Department of Human Resources
- Department of Operation Management
- Financial Department
- Department of Infrastructure Management
- Department of Production Technology Management
- Department of Technology Development
- Department of Information Management
- Department of Safety and Health
- Chief Control Office
- International Collaboration & Development Department
- Department of Investor Relations
- Department of Legal Affairs
- Auditing Department
- Coal Chemical Industry Research Institute
- Coal Sales Centre
- Purchasing Centre

Branches

- China Coal Energy Company Limited, Xinjiang Branch
- China Coal Energy Company Limited, Ordos Branch

Subsidiaries

- China Coal Pingshuo Coal Industry Company Limited
- Shanghai Datun Energy Resources Company Limited
- China National Coal Mining Equipment Company Limited
- China Coal and Coke Holdings Limited
- Shanxi China Coal Huajin Energy Company Limited
- Shanxi China Coal Dongpo Coal Industry Company Limited
- Shaanxi Nanliang Coal Company Limited
- Ordos Yihua Mining Resources Company Limited
- Wushenqi Mengda Mining Company Limited
- China Coal Hami Coal Industry Company Limited
- China Coal Xinjiang Coal Electricity Company Limited
- China Coal Yili Coal Electricity Company Limited
- China Coal Heilongjiang Coal Chemical Engineering Company Limited
- China Coal Jizhou Yinhai Coal Chemical Engineering Company Limited
- Inner Mongolia Mengda New Energy Chemical Base Development Company Limited
- China National Coal Industry Qinhuangdao Import and Export Company Limited
- China National Coal Imp. and Exp. Group (Tianjin) Company Limited
- China Coal Ordos Energy and Chemical Company Limited
- China Coal Shandong Company Limited
- Shanghai China Coal East China Company Limited
- Guangzhou China Coal South China Trading Company Limited
- China Coal Xing'an Energy Chemical Engineering Company Limited
- China National Coal Development Company Limited
- China Coal Tendering Company Limited
- Sunfield Resources Pty. Limited
- Ordos Yinhe Hongtai Coal Electricity Company Limited
- Shuozhou Great Company Limited
- Shuozhou China Coal Pingshuo Energy Company Limited
- Datong China Coal Export Base Development Company Limited
- Qinghuangdao China Coal Warehousing and Transportation Company Limited
- China Coal Shaanxi Yulin Energy Chemical Company Limited

Holding Companies

- Zhongtian Synergetic Energy Company Limited
- Taiyuan Coal Gasification Longquan Energy Development Company Limited
- Shaanxi Yanchang China Coal Yulin Energy Chemical Company Limited
- Datong Zhongxin Energy Company Limited
- Zhejiang Zheneng China Coal Zhoushan Coal & Electricity Company Limited
- Tianjin Port China Coal Huaneng Coal Terminal Company Limited
- Huajin Coking Coal Company Limited
- Guotou China Coal Tongmei Jingtang Port Company Limited
- Mengji Railway Company Limited
- Ordos Southern Railway Company Limited
- Tangshan Caofeidian Coal Port Office Company Limited
- Gansu China Coal Tianda Energy Company Limited

The Strategies of the Company

Map of the Five Major Bases of China Coal Energy

Xinjiang Base

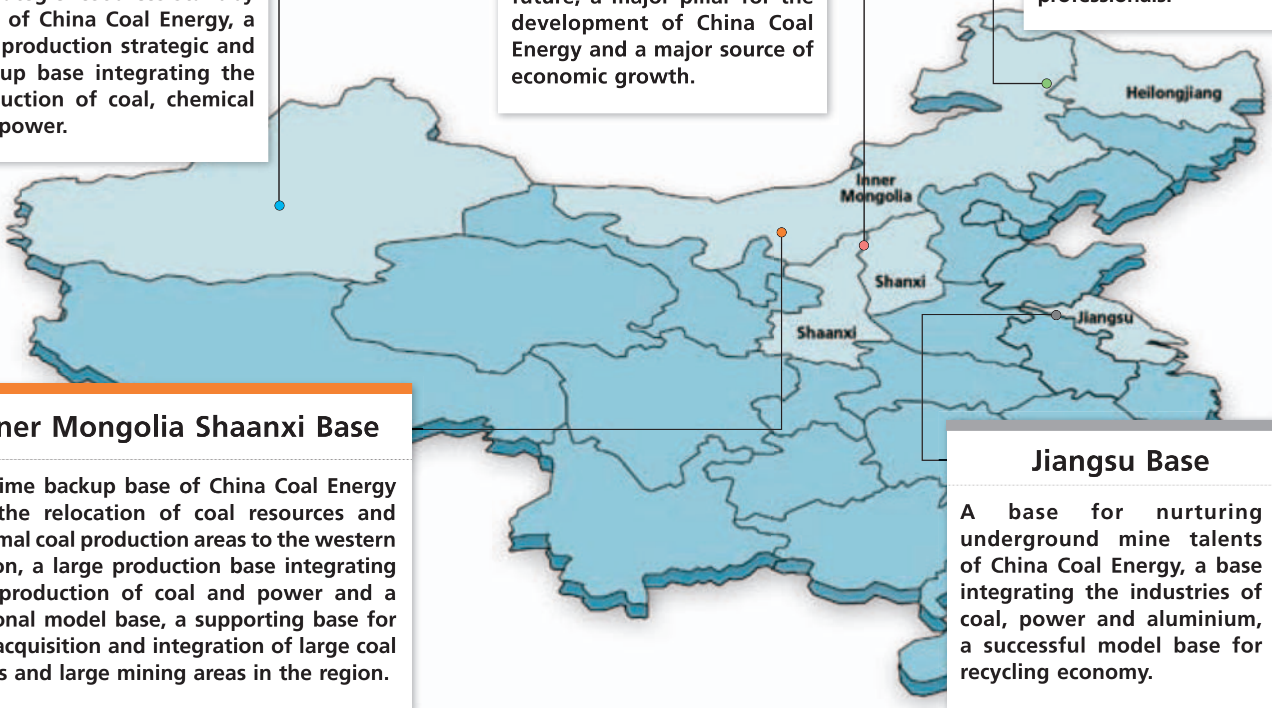
A strategic resources standby base of China Coal Energy, a coal production strategic and backup base integrating the production of coal, chemical and power.

Shanxi Base

A major coal production base of China Coal Energy, a major base for coke production, a major base for power generation, also a major base for the deployment of coal-based natural gas transmission terminal pipe networks in the future, a major pillar for the development of China Coal Energy and a major source of economic growth.

Heilongjiang Base

A production base integrating the production of coal and chemical of China Coal Energy, a base for the research and development of coal chemical gas production technology and training coal chemical professionals.



Inner Mongolia Shaanxi Base

A prime backup base of China Coal Energy for the relocation of coal resources and thermal coal production areas to the western region, a large production base integrating the production of coal and power and a national model base, a supporting base for the acquisition and integration of large coal fields and large mining areas in the region.

Jiangsu Base

A base for nurturing underground mine talents of China Coal Energy, a base integrating the industries of coal, power and aluminium, a successful model base for recycling economy.

During the period of the "Twelfth Five-Year Plan", China Coal Energy will uphold its market-oriented and client-focused operation philosophy, while actively promoting the expansion of production scale, the modernisation of technology and equipment, the development of its professional team and the application of information technology in management. The Company has established stringent working standards with high starting point, high target, high quality, high efficiency and high benefits. With the development of the core coal industry as our top priority, the Company will expand the coal chemical and power generation-related businesses, and at the same time optimise the coal mining equipment business. The Company will speed up the construction of the five coal production and transformation bases in Shanxi, Inner Mongolia-Shaanxi, Jiangsu, Heilongjiang and Xinjiang, forming a geographic layout comprising five coal production and transformation bases with four pillar industries of coal, coal chemical, power generation and coal mining equipment. The Company will focus on the development of Pingshuo Recycling Economic Exemplary Zone, the 100 million-tonne ultra-large coal base in Inner Mongolia-Shaanxi, the core coal industry, coal chemical and power generation-related businesses, while also emphasising economies of scale, intensive management and modernisation. The Company will strive for substantial growth in the production of major products, asset size, turnover and profit, with an aim to double the total amounts of economic volumes by the end of the "Twelfth Five-year Plan" period.

The guidelines for the development of the Company for the period of the "Twelfth Five-Year Plan" are as follows: the Company shall establish itself as a world-class energy company with international competitive edges by adhering to the principle of scientific development and the guidance of the "Twelfth Five-Year Plan", focusing on "four directions" and "five high standards" for expansion, insisting on the model of development based on economies of scale, intensive management, modernisation and recycling economy, making significant efforts in the implementation of four major strategies, i.e. transformation and upgrades, technological innovation, strengthening the enterprise with talents and safe development and complying with the principles of top importance of efficiency, high competence and effectiveness, being self-centered and combination of internal and external factors.

The objectives of the "Twelfth Five-Year Plan" are as follow: the Company will achieve over 200 million tonnes in raw coal production to form an industrial layout with four pillar industries of coal, coal chemicals, power generation and coal mining equipment, and a geographic layout of five major bases of Shanxi, Inner Mongolia-Shaanxi, Jiangsu, Xinjiang and Heilongjiang. Technological innovation capability will be notably enhanced and the ratio of technology-related investment will increase to 2.5%. The foundation for safe production will be more stable and the fatality rate of raw coal production per million tonnes will be decreased to less than 0.01. For energy saving and emission reduction, the Company's integrated energy consumption per RMB10,000 production output will decrease by 13.4% compared with that at the end of the "Eleventh Five-Year Plan". The income of employees will grow at a reasonably rapid pace, and they will benefit from a continuous improvement on living standard and an increased level of well-being.

During the period of the "Twelfth Five-Year Plan", the Company will make significant efforts in the implementation of "four major strategies":

The strategy of transformation and upgrades. The development of mining areas from having Pingshuo as the most important mining area into having Pingshuo and Inner Mongolia-Shaanxi to complement with each other and the construction of five major bases will enhance the overall competitive edges of the Company. The drivers for further growth will be changed by technological advancement, management innovation and the improvement of staff quality. For industrial upgrading, we focus on "four directions" and "five high standards" for the transformation of the traditional industry and moving to the high-end of the industry chain. The industry chain will be extended and developed to cover such relative industries as coal chemicals, power and construction materials. For management upgrading, the extensive operation will be changed to refined management, and the traditional management model will become an intensive and information technology-based management model.

The strategy of technological innovation. The Company adheres to the advanced technological innovation strategy with the major model of integrated innovation and continues to solve technological challenges to support the development of the industry, which makes us the bellwether of technological innovation in the industry. The Company strives to make ground-breaking developments in technology and produce high-end products and build up well-known brands to position itself in a strategic position for sustainable growth, and aims at winning 1 to 2 national awards and 5 to 8 industrial awards for technological improvement in every 2 years. The Company has built a tier-platform for research and development by putting more efforts on the research and development of technologies, increasing technological investment and recruiting talents for research and development.

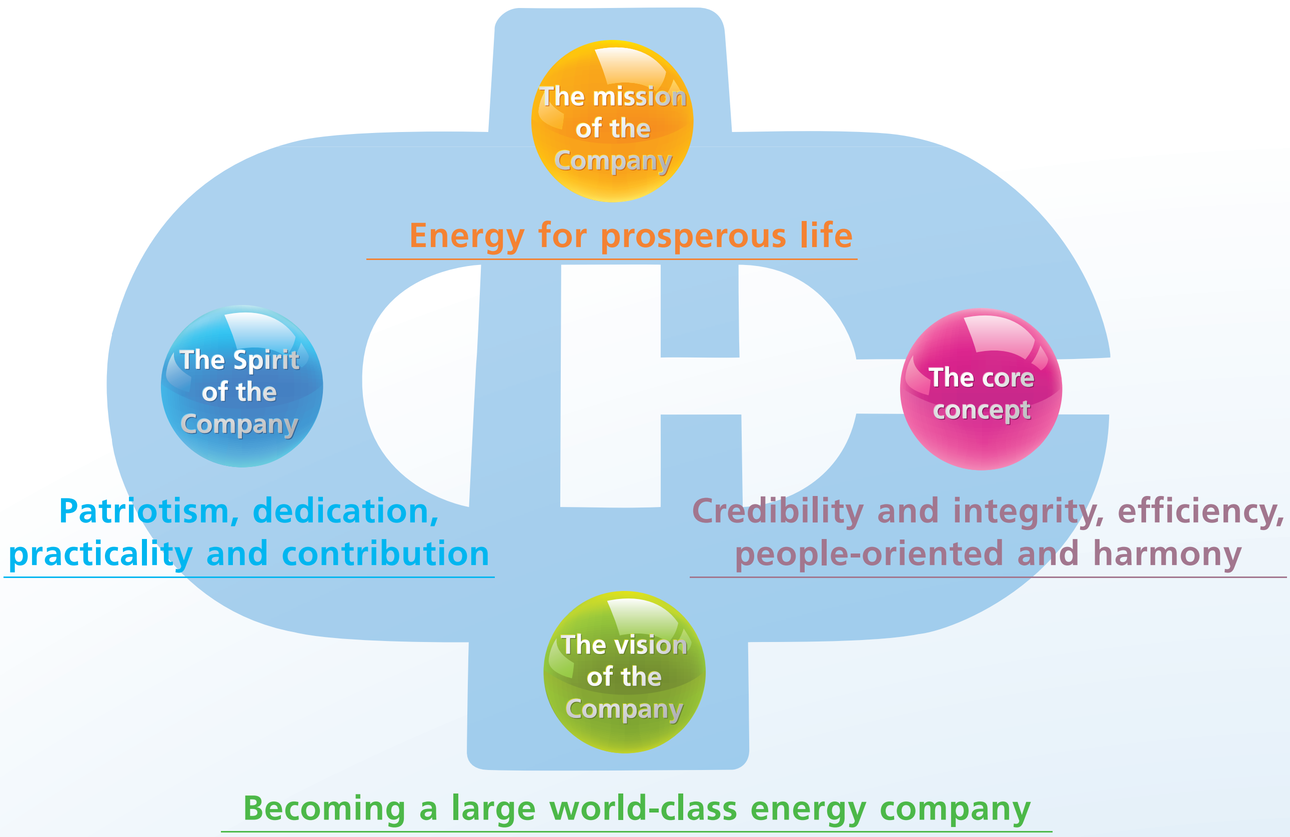
The strategy of strengthening the enterprise with talents. Sticking to its strategic direction, the Company has set up a distinctive, new and dynamic mechanism for training, selecting, assessing and motivating talents, creating an encouraging work environment for them to pursue their career. The Company established four outstanding teams of operators, management staff, technical staff and skilled workers are responsible by coordinating and planning and improving the system. The Company focuses on both training and recruitment and is dedicated to recruiting talents with different kinds of skills from the job market.

The strategy of safe development. The Company adheres to the target of "zero fatality rate" and innovated the advanced concept of production safety, creating the culture of safe development. Moreover, in order to evolve the Company into a company with safe work environment, the Company increases its investments in safety, integrates advanced technology and equipment and raises the standards of project construction. A production safety system is also set up through the reinforcement of basic safety management, implementation of the accountability of production safety, modification of the safety and quality standards and creation of a new safety monitoring mechanism. Sticking to its people-oriented principle, the Company will improve the quality of the staff and the work environment to realise a long-term environment for production safety with good interaction between software and hardware.

The vision of the Company

Becoming a large world-class energy company

We aim to become one of the advanced energy companies in the world in terms of the scale of operation, innovation capability, reputation, corporate culture and energy saving and environmental protection, etc.



The mission of the Company

Energy for prosperous life

As a state-owned key enterprise, the Company's mission is to contribute to the economic growth and provide quality energy and create a prosperous life.

The core concept

Credibility and integrity, efficiency, people-oriented and harmony

Credibility and Integrity

The Company treats the market, our partners and a wide range of users honestly, and operates in compliance with the laws. Our quality products and services and our integrity to people and for work build up an honest and credible image and brand for the Company.

Efficiency

In addition to enhancing the economic results, the Company also maintains and increases the value of its assets, accumulates and creates wealth for the country, the society, the company itself, and its staff. The outstanding performance of its staff has brought remarkable achievement to the Company.

People-oriented

With our philosophy of "safety comes first" and our people-oriented concept, the safety and health of our workers are our top priority. We respect hard work, knowledge, talents and creativity, and create a desired environment for the training and all round growth of the staff. Sustainable growth can be realised with the efforts of the staff.

Pursuing Harmony

Harmony is the main theme of current development of the society. The Company adheres to the guidance for development, i.e. development with safety, environmental protection and all-around harmony, with emphasis on the harmonious relationship of the development and production of the mining areas and its surrounding areas, and the Company and the markets as well as internal relationships in the Company to create the material, political and spiritual civilisation, making contributions to the harmonious development and all-around growth of the nature and the society.

The Spirit of the Company

Patriotism, dedication, practicality and contribution

Patriotism

The interest of the nation is given the top priority and we are dedicated to making contributions to the overall economic growth by maintaining the energy safety, focusing on serving and being loyal to our country.

Dedication

We are committed to developing into a world-class energy enterprise. To realise the target, we will continuously strive for the best performance, spare no effort in self-improvement, widen our vision to make further progress. Furthermore, we will take responsibility and remain duty-bound to fulfill every commitment with painstaking efforts in a view to pursue further corporate development.

Practicality

With our good tradition of realism and practicality, the Company will take into account the actual circumstances and closely track the development of the society. In the process of our development, we respect science and comply with universal laws while adhering to innovation, practicality, effectiveness, pragmatism and integrity. Moreover, we also act responsibly, efficiently, decently, dedicatedly and practicably.

Contribution

Collective interest is given a higher priority than individual interest. We are dedicated to growth, giving out warmness like coal to make contributions to the society and the mankind. We work hard without complaining and are willing to sacrifice our own interests for and reflect our personal values in, the development of the Company.

Corporate Governance

Standardised Operation

2011 was the sixth year that China Coal Energy was listed. China Coal Energy has gradually established a comprehensive corporate governance structure for a legal entity in accordance with laws and regulations such as the Company Law, the Securities Law, the overseas and domestic listing rules, and the provisions of the Articles of Association. A mechanism for decision-making and management was established with a clear allocation and division of powers and functions among General Meeting of the Shareholders, the Board, the Supervisory Committee and the corporate management, by which they discharged their respective duties, maintained effective checks and balances, made scientific decisions and coordinated the Company's operations, significantly enhancing the corporate governance of the Company. The second session of the Board of the Company was established after the election at the end of 2010. A total of nine directors were elected and independent directors remained the majority in the new session of the Board, including three new independent directors and two re-elected independent directors. The second session of the Board of the Company comprises two Executive Directors, two Non-executive Directors and five Independent Non-executive Directors. Five special committees, namely the Strategic Planning Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee, and the Safety, Health and Environmental Protection Committee, were set up under the Board, assisting the Board in decision-making and monitoring such areas as strategic planning, auditing, employee's remuneration, nomination and safe production respectively. All Directors were appointed as committee members in various special committees; other than the Strategic Planning Committee, the other four special committees were chaired by Independent Directors. The majority of the committee members of the Audit Committee, the Remuneration Committee and the Nomination Committee are Independent Directors while the Audit Committee has at least one independent director who is a professional accountant.

To ensure scientific decision-making of and standardised operation in the General Meeting of the Shareholders, the Board, the Supervisory Committee and the corporate management, the Company formulated important rules and regulations such as "Rules of Procedure of Shareholders' General Meeting", "Rules of Procedures of the Board of Directors", Rules of Procedures of the Supervisory Committee, "Rules of Procedures of the Management", "Work Manual of the special committees under the Board and Work System of Independent Directors respectively in accordance with relevant laws and regulations and the provisions of the Articles of Association, clearly defining the duties and powers, work procedures and operational rules of the General Meeting of the Shareholders, the Board, the Supervisory Committee and the special committees under the Board. In order to enhance internal control, the Company established and improved a series of internal control systems, including but not limited to Financial Management Measures, Investment Management Measures and Internal Control and Auditing System. Based on the above, the Company formulated the Management Measures on External Donations by the Company, Management Measures of the Company on Standardization of Capital Transactions with Related Parties, the Accountability System for Material Errors in Annual Report Information Disclosure and the Work System of the Board Secretary of the Company in 2011. These ensured that each and every aspect of operations is in compliance with the standardised management control system, thereby raising the management and control capability.

In 2011, regarding the election of the new session of the Board of the Company, and in order to help independent directors achieve comprehensive understanding on the production and operation of the Company, to make full use of their diverse professional backgrounds, to further consolidate the regulated operating foundation of the Board and to foster the enhancement of the Company's standard of corporate governance, the Company stepped up efforts to organise studies and trainings for independent directors to deepen their understandings on the Company's development strategy, arrange presentations on selected topics on a regular basis to provide independent directors with the information and management briefings of the Company, and ensure all the directors, especially independent directors, were informed of the overall production and operation of the Company in timely manner. In order to standardise the management of Board resolutions, the Company drafted the Provisional Measures on the Management of Board Resolutions, which improved the feedback mechanism of Board resolutions, enhanced scientific decision-making of the Board and strengthened the execution of Board resolutions.

Annual General Meeting

Internal Control

In 2011, the Company consistently implemented the requirements under the "Basic Standard for Enterprise Internal Control" and the "Guidelines for Enterprise Internal Control" jointly promulgated by the five ministries including the Ministry of Finance and China Securities Regulatory Commission. The Company has consistently strengthened and improved the internal control system. On the basis of carrying out a thorough review on the system and processes of the Company, the Board of the Company approved the implementation of the internal control manual and the internal control assessment manual which have been duly prepared.

The Company established a standardised corporate governance structure of legal entities, clearly stating the terms of reference and rules of procedures of decision-making level, management level and executive level as well as the responsibilities of each level, department and position. The internal control system comprises the principles of mutual control and appropriate degree of authorisation, constituting an internal control mechanism of connecting each position discharging its respective duties to be under mutual control. The system ensured the separation of decision making, execution and supervision as well as maintained its effective check and balance, ensuring the effectiveness of the implementation and plan of the internal control mechanism in order to execute appropriate control on substantial risks.

The Company actively carried out internal control self-assessment, by identifying key business areas, procedures and risk control as emphasis of assessment, combining with the best achievements in the industry comprising 18 areas including organisational structure, development strategies, human resources, social responsibilities, corporate culture, capital activities, purchasing business, asset management, sales business, research and development, construction projects, guarantee business, business outsourcing, financial reports, comprehensive budget, contract management, internal information transmission and information system. By means of survey, interviews and sampling, an assessment on the plan and implementation of the internal control system of the Company was effectively carried out. Through conducting the assessment, the Company consistently identified its control deficiencies and implemented effective measures to plug up management loopholes so as to enhance the management and strengthen the prevention of investment risk.

Performance Evaluation

The Company strived to boost its performance by setting up and improving the incentive and regulatory system for human resources, formulating a remuneration system which was based on performance evaluation and optimising the evaluation methods. The Company formulated the implementation proposal for annual performance evaluation and developed a professional evaluation system to carry out its evaluation work in accordance with the Measures for Performance Evaluation on Head Office's Departments of China Coal Energy Company Limited and Measures for Annual Performance Evaluation on Operating Results Achieved by Responsible Officers of Subordinated Enterprises of China Coal Energy Company Limited, which ensured a comprehensive, objective, fair and accurate evaluation of the management and employees of various levels in carrying out their duties and completing missions. The Company emphasised the effective application of evaluation results in management processes. In addition to taking evaluation results as the weighting factor for the management's performance-based remuneration, the appointment of cadres and the year-end bonus of employees, the Company also carried out serious analysis and put forward suggestions for the application of results, which served as a direct and effective reference for the Company's future management. By combining evaluation results with management and supervision, the Company adjusted the positions of its employees in various levels and carried out exchanges and training for employees, so that the right person served the right position and vice versa.

Performance Evaluation

Anti-Corruption

Centering upon the implementation of the "Twelfth Five-Year Plan", the Company focused on regulating the power of officers, implementing the responsibility and accountability system for the promotion of anti-corruption behaviour, reinforcing performance and specific supervision and inspection, thereby incorporating anti-corruption and clean work ethics initiatives into operation and management. Anti-corruption together with comprehensive risk management played an integral part in the promotion of the punishment and prevention system, in strengthening clean work ethics and operating risk prevention, and in facilitating decision making and work execution. The specific governance for "secret vaults" and notable problems in the construction engineering business were carried out in depth against key aspects and critical stages in corporate operational management. Specific inspection on the problems arising from the accelerated transformation of the mode of economic development, the comprehensive inspection on the implementation progress of the "Five Mechanisms", the clean-up and regulation of ceremonies, seminars and conferences were also launched. Key inspections on the implementation progress of remedies for specific governance was carried out according to the principles of level-based responsibilities, inspection by related specific functional departments, concerted management and overall progression. Based on the above, a long-term mechanism of specific governance was also established and improved, and the execution capability of the Company and the awareness of execution of the heads of different levels were strengthened, thus facilitating the orderly function of the Company's standardised management.

Management of Investor Relations

In 2011, China Coal Energy aimed to boost investors' recognition of the Company's values by continuously enhancing the transparency of corporate governance, extending the scope and depth of information disclosure and improving communication platform with investors to strengthen the management of investor relations, and held 431 investors' meeting with 1,975 attendees in total. Of the total, the Company held 62 meetings for results announcements and roadshows, involving 612 attendees; organised two field studies at Shanxi Coal Production Base and Beijing Coal Mining Machinery Company, involving 46 attendees; participated in 55 meetings of investment fora organised by 24 domestic and foreign securities firms, involving 620 attendees; and received 314 visits and phone calls by investors during its daily receptions, involving 697 people. On the basis of conducting overseas road show, the Company organised domestic non-deal road show for the first time, winning unanimous high praise from A-share investors. In 2011, China Coal Energy presented its sound operating results and future development strategies by carrying out sufficient exchanges and communications with domestic and foreign investors, thus effectively deepening the understanding and recognition of the Company from the capital markets, promoting the unification between the Company's intrinsic value and market value and establishing a positive image in the capital markets.

Establishment of Inspection and Liaison Office

Results Announcement Conference

In 2011, China Coal Energy won widespread attention and recognition in the capital markets. The Company was successfully ranked among Platts top 250 Energy Companies and Financial Times Global 500" and "100 Most Valuable Companies Listed in Chinese Main Board" organised by Securitimes. The Company was also awarded "The 10th Top 100 Listed Companies Award" presented by China Enterprise Reform and Development Society and Warton Economic Institute, "Listed Company with the Most Social Responsibilities" presented by Ta Kung Pao (Hong Kong) Company Limited and China Securities Bauhina Award Committee, the "Best Governance Improvement Award for Constituents of Hang Seng Index 2011 of Best Corporate Governance Disclosure Awards 2011" presented by the Hong Kong Institute of Certified Public Accountants, nominated into "CCTV Finance 50 Index" and awarded the "Top 10 Companies with Social Responsibilities". The 2010 Annual Report was awarded the Gold Award of Annual Report Cover Design and Bronze Award of Annual Report Preparing by international organisation ARC, and Corporate Social Responsibility report was granted the A class grade by Rankings CSR Ratings. These awards fully reflected the good operation results of the company in recent years and the unremitting efforts made by the management of the Company in respect of corporate governance. With full recognition of the potential of China Coal Energy, China National Coal Group Corporation, the controlling shareholder of the Company increased its shareholdings of A shares of China Coal Energy many times in 2011, buying in 23,581,580 shares in aggregate. As at 31 December 2011, China National Coal Group Corporation held 56.61% of total share of the Company.

Awards received by China Coal Energy in 2011

No.	Granted by	Awards
1	Platts Top 250 Energy Companies	No. 97 in the world and No. 24 in Asia in terms of overall results; No. 3 in both the global and Asia's industries of coal and consumption fuel oil.
2	Financial Times of the UK	No. 452 of FT Global 500 listed companies 2011
3	Hong Kong Institute of Certified Public Accountants	Best Governance Improvement Award for Constituents of Hang Seng Index 2011 of Best Corporate Governance Disclosure Awards 2011
4	China Enterprise Reform and Development Society Warton Economic Institute	No. 28 in The Tenth Session of Top 100 Listed Companies
		The Chairman, Wang An, won the China's Top Ten Entrepreneurs Medal The President, Yang Lieke, won the China's Top 10 Business Leadership Award Secretary to the Board, Zhou Dongzhou, won China's Best Secretary of the Board Award
5	Fortune	No. 45 of China's top 500 companies 2011
6	Securitimes	100 Most Valuable Companies Listed in Chinese Main Board
7	CCTV Finance 50 Index	Top 10 Companies with Social Responsibilities
8	Ta Kung Pao (Hong Kong) Company Limited China Securities Bauhinia Award Committee	Listed Company with the Most Social Responsibilities
9	International organisation ARC	Annual report of 2010 won the Gold Award of Annual Report Cover Design and the Bronze Award of Annual Report Preparing by international organisation ARC; Social Responsibilities Report of 2010 won the A class grade by Rankings CSR Ratings (RKS)

Management of Social Responsibilities

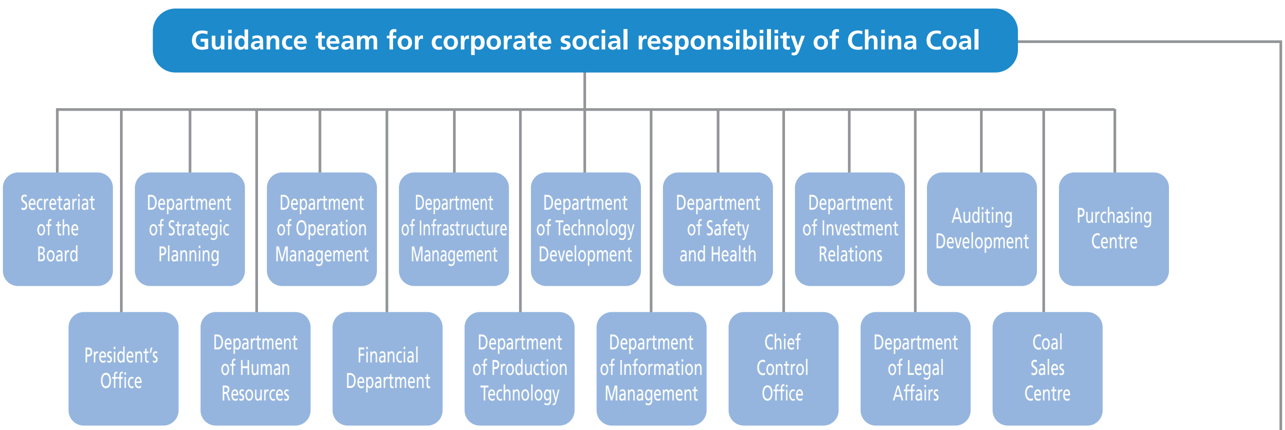
The Company formulated "Guidance Opinions on Corporate Social Responsibilities of China Coal Energy" which provided the targets, purposes and measures for the assumption of social responsibilities, and established a system for the management of the Company's social responsibilities.

The overall requirements for social responsibilities: the Company shall raise the awareness for social responsibilities, establish a comprehensive system and mechanism for the management of social responsibilities and make social responsibility an integral part of the corporation's various operations, so as to become a role model which attaches great importance on lawful operation, integrity and trustworthiness, energy saving and environmental protection; people-oriented. The Company shall build up a harmonious corporation and become a pillar of national economy and a model for other companies in the society.

Basic principles of social responsibilities: the Company shall assume social responsibilities and promote corporate reform at the same time and take social responsibility as a major motivator to drive the sustainable growth of the Company and increase its comprehensive competitiveness, deepen the corporate reform, improve its deployment structure, change its mode of growth and realise better and faster development. The Company shall assume social responsibilities based on its actual circumstances; prioritise its targets with progressive implementation in order to fully achieve the desired results; the Company shall insist on the joint implementation of the performance of social responsibilities and the establishment of a harmonious enterprise, putting the assurance of safe production of the corporation, protection of the employees' legal rights and support to employees in solving actual problems into the top priority; the Company shall foster a harmonious labour relationship and promote the all-round growth of the employees; and realise the harmonious development among the corporation, employees and the society.

Social responsibility management team: China Coal Energy has set up a unit for the fulfillment of social responsibilities, namely the guidance team for social responsibility, with Wang An, the Chairman, as team leader, Yang Lieke, the President, as deputy team leader and all department heads as members. The office of social responsibility work is established under the guidance team which is located at the Company's office and responsible for the specific work of social responsibilities. Respective guidance teams are also set up in each of the secondary enterprises.

Active Promotion of the Standard of ISO26000. ISO26000 broadens corporate social responsibility (CSR) into the social responsibility (SR) of all institutional formats, unifies the definition of SR in the global context, clarifies the principles of SR, confirms the core theme for the implementation of SR, and illustrates the methods of putting SR into organisational strategies and daily activities with the objective of a sustainable development. In 2011, the Company held a work meeting on social responsibilities, talked about the ISO26000 standard and explored the specific problems for its promotion and application. The aim of the meeting was to grasp the latest trend on international social responsibility management, and to raise the standard of the Company's social responsibility initiatives.



The main duties of the President's Office

- Implements the corporate social responsibility work of the Company
- Coordinates the participation of various departments and moves forward corporate social responsibility
- Preparation and publication of corporate social responsibility report
- Daily management of corporate social responsibility work
- Sets up communications and exchanges of the social responsibility work of the Company

The main duties of the Guidance Team

- Consistently implements the guidance opinions and working requirements of the superior departments and the Company in relation to corporate social responsibility
- Conducts research on the implementation of the guidance opinions and working requirements of corporate social responsibility
- Puts forward the planning and guidance opinions of the social responsibility work of the Company

Core Indicators

Type of Targets	Targets		2011	2010	2009
Economic Performance	Revenue from operation (RMB100 million)	▲	**888.72**	712.68	537.30
	Total profit (RMB100 million)	▲	**135.62**	102.22	92.01
	Net profit attributable to equity holders of the Parent Company (RMB100 million)	▲	**95.04**	69.09	66.22
	Total assets (RMB100 million)	▲	**1585.23**	1208.15	1096.81
	Basic earnings per share (RMB per share)	▲	**0.72**	0.52	0.50
	Raw coal production volume (10 thousand tonnes)	▲	**12916**	12253	10080
	Sales volume of commercial coal (10 thousand tonnes)	▲	**13470**	11727	9725
	Coke production volume (10 thousand tonnes)	—	**206**	206	214
	Coal mining equipment production value (RMB100 million)	▲	**81.49**	71.65	58.30
Safe Production	Investment in safe production (RMB100 million)	—	**22.80**	22.80	11.30
	Fatality rate of raw coal production per million tonnes	▼	**0.008**	0.041	0.009
	Staff training for three positions (person times)	▲	**10898**	10775	13554
Technological Innovation	Investment in technological innovation (RMB100 million)	▲	**19.20**	15.20	12.50
	Patents (number)	▲	**168**	106	86
	Awards for advancement of technology above the industry standard (number)	—	**19**	19	10
Environmental Protection	Investment in energy saving and emission reduction (RMB100 million)	▼	**10.20**	12.70	14.60
	Utilisation rate of mine water (%)	▲	**79.70**	78.70	76.3
	Integrated energy consumption per RMB10,000 production output (at comparable cost, tce per RMB10 thousand)	▲	**0.404**	0.329	0.494
	Utilisation rate of coal gangue (%)	▲	**97.10**	95.10	95.90
Social contribution	Social contribution per share (RMB per share)	▲	**2.43**	1.95	1.58
	Amount of donation (RMB10 thousand)	▼	**1202**	1651	684
	Number of employees (person)	▼	**54948**	56013	55614

Stakeholders

The Government

Ways and channels for communication and participation

Regular work meetings, Report of information, Meetings for specific agenda, Policy proposals

Essential topics

Taxation, Employment, Contribution to social development

Feedback

Operation in compliance with laws, Tax payment in compliance with laws, Promotion of economic development

Investors

Ways and channels for communication and participation

Reports and notification, Regular visits, Road shows and reverse road shows

Essential topics

Business operations, Operational risks, Corporate governance, Long term capital appreciation

Feedback

Maintenance and appreciation of the values of the state-owned assets, protection on investors' rights and interests, capital appreciation

Customers

Ways and channels for communication and participation

Service hotline, After sale service, Seminars, Regular Visit

Essential topics

Service quality, Business ethics, Operation performance

Feedback

Provision of quality products and services

Suppliers

Ways and channels for communication and participation

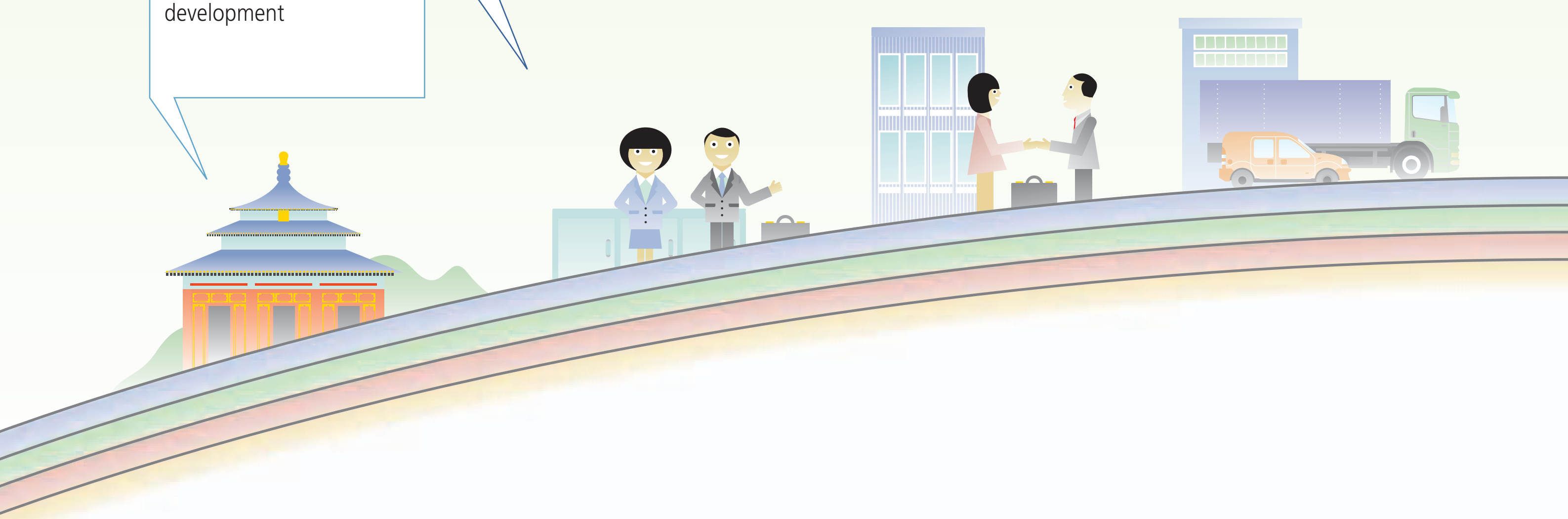
Disclosure of tendering procedures, Work meetings

Essential topics

Business ethics, Fair co-operation

Feedback

Fair procurement, Performance of contracts in compliance with laws, Formulation of Management Measures for Materials Procurement, Name Lists of Qualified Suppliers and Name Lists of Key Suppliers



Fellow mining companies

Ways and channels for communication and participation

Co-operation, Research and discussion on specific issues

Essential topics

Industry standard, Fair competition, Promotion of the overall development of the industry

Feedback

Co-operation, experience sharing, promotion of the sustainable growth of the industry

Employees

Ways and channels for communication and participation

Meetings with employees' representatives, Surveys on satisfaction, Seminars, Mails and visits, Online college

Essential topics

Basic rights, Occupational health, Remuneration and benefits, Work environment, Career development

Feedback

Staff training, Provision of good working conditions, Provision of good working environment, Provision of long term career development opportunities

Media

Ways and channels for communication and participation

Information disclosure

Essential topics

Publication of reports, disclosure information, multi-channel communication

Feedback

Regular disclosure of information on social responsibilities and material issues of public concerns

Financial institutions

Ways and channels for communication and participation

Meetings for specific agenda, Reports of information, Repayment of principal and interests in a timely manner

Essential topics

Business operations, Operational risks, Corporate governance, Credit facilities

Feedback

Repayment of principal and interests in a timely manner

The community and the public

Ways and channels for communication and participation

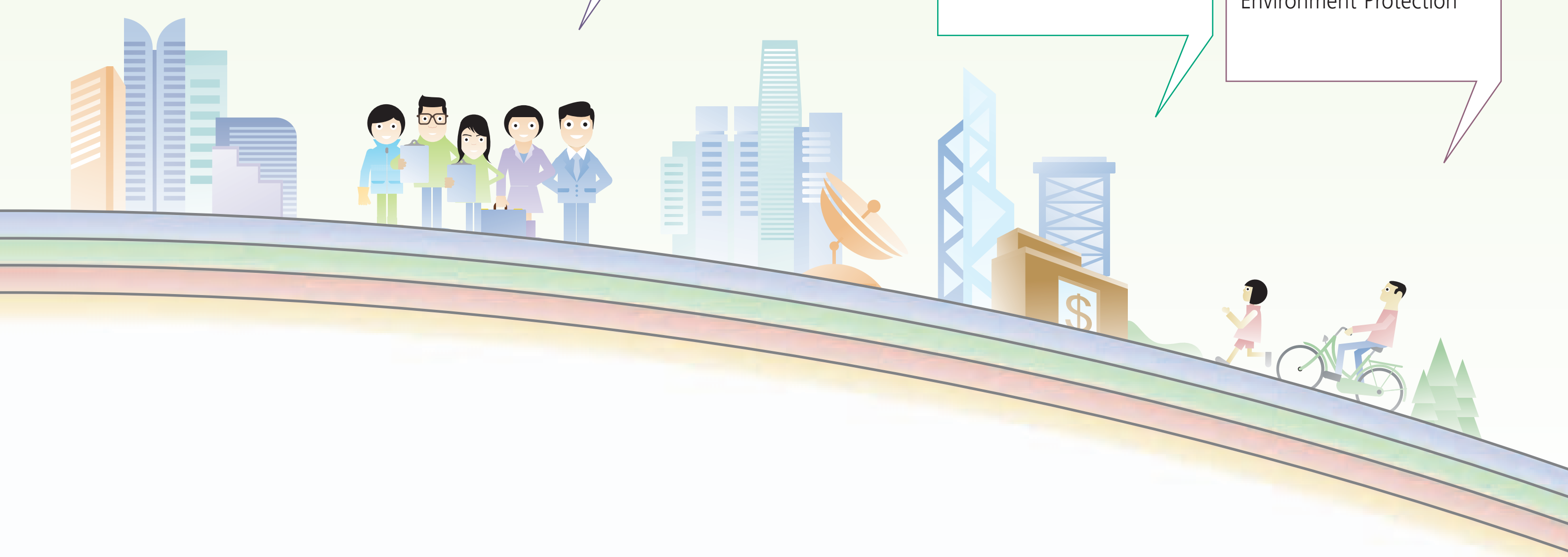
Community activities, Environment protection

Essential topics

Charity donations, Voluntary services, Community development

Feedback

Disaster relief, Help for the poor and the needed, Environment Protection



Economic Responsibilities

Adhere to the scientific development concept to create economic value and secure energy supply.

- Efficient production and coordinated transportation to ensure energy supply.
- Serving customers and expanding market to increase sales.
- Strategy guiding and multi-dimension deployments to realise the blueprint.
- Mutually beneficial co-operation and resource exploration to fuel the growth potential.
- Illustrative case: Providing speedy and efficient services to customers – China Coal Qinhuangdao

As a state-owned large-scale coal enterprise, China Coal Energy shoulders the important responsibility for the national energy security in addition to seeking greater economic interests for shareholders. In 2011, the Company earnestly implemented the scientific development concept to speed up industry and product restructuring and strengthen its coal logistics and customer network construction. Despite the tight supply, the Company managed to ensure the needs of major customer and established a sound brand image.

Efficient production and coordinated transportation to ensure energy supply.

In the principle of "stabilising production of existing mines, expanding production of new mines and releasing capacity of consolidated mines as soon as possible", the Company organised in-depth production technology research activities to tackle the bottleneck in production technology, and constantly pushed forward safety and efficiency construction of mines, leading to improving technical indicators including production volume, efficiency, unit output and unit advancing level for its mines. The major operating indicators outperformed the plan: the annual production of raw coal was 129 million tonnes, sales revenue was RMB88.872 billion and total profit reached RMB13.56 billion, all hitting record high levels. Underground mines of Pingshuo Coal Industry Company maintained the globally leading position in terms of average productivity: commercial coal production volume for the year amounted to 80.23 million tonnes, representing a year-on-year increase of 5.81 million tonnes. By skillfully scheduling its production, Shanghai Company maintained the production level of 10 million tonnes.

> An open pit mine of Pingshuo Coal Industry Company in production

> An underground mine of Pingshuo Coal Industry Company in production

To proactively secure national energy supply, the Company overcame difficulties in heavy production tasks, transportation fluctuations and frequent extreme weather at ports to coordinate rail capacity and port transshipment, thus ensuring the smooth connection of transportation. During the period from June to August 2011, the Company supplied additional 200,000 tonnes per month of high calorific value and low-sulphur premium thermal coal to Shenzhen Energy Group Co., Ltd., making important contributions to ensure thermal coal supply during the Shenzhen Universiade period. Taking initiatives to support the national coal contingency reserve, the Company undertook the 1,200,000-tonne task for the first batch national coal contingency reserve in 2011. At present, physical inventories of the contingency reserve have been initially established (Qinhuangdao Port: 500,000 tonnes, Zhoushan Port: 600,000 tonnes, Guangzhou Port: 100,000 tonnes), and all storage points are in normal course of operations. China Coal Longhua Company, as a supporting natural gas source for Harbin and the major gas source for the surrounding regions of Harbin, actively scheduled the production of coal-based natural gas and thus effective mitigated the natural gas undersupply in Harbin.

> The national coal contingency reserve undertaken by the Company

Serving customers and expanding market to increase sales.

Under the market-oriented and customer-focused operation philosophy, the Company strengthened the construction of sale and logistics networks, pressed ahead with the optimisation of product mix and market structure and leveraged on the cross-selling synergy to continuously improve customer services. In 2011, the Company sold 134.70 million tonnes of coal, a year-on-year growth of 14.9%. Pingshuo Coal Industry Company witnessed declining loss tonnage rate of coal transportation and increasing premium coal ratio and thus achieved better profitability, thanks to the timely communications and joint efforts of the production and sale units based on the improved coordination between production, transportation and sale. By increasing the outsourced and imported coal, the Company effectively addressed the coal blending concern of Pingshuo Coal Industry Company through the "product re-engineering" to improve product quality, and occupy the future market in advance. The Company realised the sales and purchase of coal from third parties for the year of 30.87 million tonnes, representing an increase of 6.93 million tonnes or 28.95%. While consolidating the traditional sale of marine imported coal, the Company actively explored land crossings to import coal from Russia. A total of 5 million tonnes of coal was imported in 2011, including 42,000 tonnes imported from Russia through land crossings. In view of mining conditions and market demand, the Company introduced new varieties including low calorific value coal, lump coal and coal for producing slurry, to develop non-thermal coal customers such as chemicals, building materials, metallurgy, paper and ceramics industries. The ratio of sales to non-power industries increased to 30.26%, representing a year-on-year increase of 4.5 percentage points. At China Coal Qinhuangdao, the Bohai Rim tri-port collaboration pattern has taken shape. In 2011, it launched the "Declaration Express" business which improved the efficiency of customs clearance, and nearly 100 million tonnes of coal were traded in the year.

Through enhancing market expansion, China Coal Equipment Company manufactured mining machinery of 359,000 tonnes, representing a growth of 18.9% over 2010, and achieved gross industrial output value of RMB8.15 billion, representing a year-on-year growth of 13.8%, becoming the only mining machinery company among China's top 100 machinery corporations.

> Coal imported from Russia getting through Manzhouli Port

Strategy guiding and multi-dimension deployments to realise the blueprint.

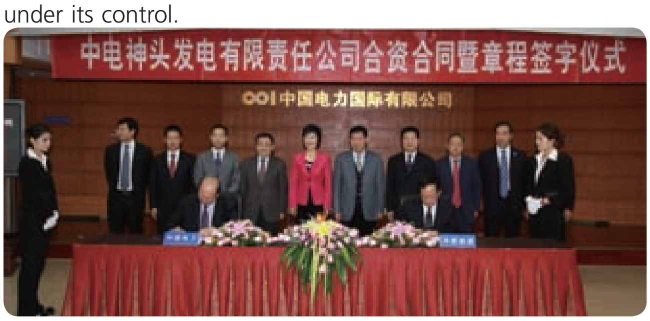
Early this year, the Company started the preparation of the Twelfth Five-year Plan of China Coal Energy Company Limited. A preparation work team and an expert panel were established, taking three months to complete the plan which was considered and passed at the board meeting of the Company on 21 March 2011. With an aim at establishing a world-class energy company with international competitive edges, the plan incorporates the "22255" development goal and "1458" philosophy of the Company, provides an effective foundation to the great blueprint of doubling the major economic indicators and building a new China Coal, and becomes the guideline for the Company's daily operations. The Company's subsidiaries also prepared their development plans for the Twelfth Five-year Plan period, under which the sub-plans covering human resources, production safety, technological innovation, energy conservation and environmental protection and information technology were also developed to support the Company's overall strategy from every dimension. To ensure meeting the targets as planned, the Company aligned the targets under its Twelfth Five-year Plan with those of the PRC and the governments for the locality of the five major bases. A series of super-large coal mines, coal chemical and power projects at Muduchaideng and Nalin River

> The construction commencement of Yulin methanol deep processing project

No. 2 Coal Mine were included into the national and local Twelfth Five-year plans and commenced preliminary work. In 2011, the Company invested RMB31.482 billion in infrastructure construction, equity investment and acquisition of fixed assets which was the historically best level. A string of coal mine and coal chemical projects at the Inner Mongolia-Shaanxi Base commenced construction in full swing to step up the paces toward a world-class energy and chemical base.

Mutually beneficial co-operation and resource exploration to fuel the growth potential.

With a view to resource complementation for mutual benefit and win-win, the Company vigorously sought strategic co-operation with local governments and conglomerates in Inner Mongolia and Shanxi. To contribute to local economic and social development, the business units of our five major bases accelerated project construction and won support from local governments in recognition of their efforts in practical and sincere co-operation. Numerous successes were achieved: the Company became the leader in the consolidation of Shanxi local coal mines and in the development Hujierte Mining Area, Xiaohuigou Coal Mine passed the national certification, and a number of coal mine projects in Shanxi, Shaanxi, Inner Mongolia and Xinjiang were approved or filed at provincial level. China Coal and Coke acquired Jinchang Coal Mine and Yushuo Coal Mine in Shanxi. The Company cooperated with Datang Corporation in the Pingshuo gangue-fired power plant project and made equity investment in the Shentou power project of China Power International, while Shanghai Company entered into agreements on consolidation of local mines in Yu County, Yangquan of Shanxi. By a range of means including merger and acquisition, reorganisation and cooperative construction, the Company achieved a continuous growth in coal resources under its control.



> The Shentou power project of China Power International in which the Company has stakes

Illustrative case

Providing speedy and efficient services to customers – China Coal Qinhuangdao

China National Coal Industry Qinhuangdao Import and Export Company Limited ("China Coal Qinhuangdao") is a wholly-owned subsidiary of China Coal Energy Company Limited. Through nearly 30 years of development since its establishment in 1983, it leveraged on the "two points and a line" geographical advantages across the Pingshuo Mining Area, Daqin Railway and Qinhuangdao Port to boost annual coal trade volume from 4.29 million tonnes at the time of inception to over 50 million tonnes nowadays for four years in a row, especially a record high of 98.03 million tonnes in 2011, advancing towards a coal trade giant of 100 million tonne level.

Under the market-oriented and customer-focused operation philosophy, China Coal Qinhuangdao optimised product mix and market structure, and strengthened co-ordination between production, transportation and sale under a "Great sale" pattern to provide speedy and efficient services to customers in 2011, and was named as "Excellent Export Enterprise in Foreign Trade" by Hebei provincial government.

Construction of a core coal logistics center at Bohai Rim. Responding to the leap-forward growth in coal trade volume, the company tapped on the tri-port collaboration to build up a core coal logistics centre in Bohai Rim according to the development direction of "stabilise Qinhuangdao Port, expanding Jingtang Port, and developing Caofeidian Port". Qinhuangdao Port, maintaining its role as a major channel and focusing on fast turnover and scale operations, recorded stable coal trade volume in an upward trend. Jingtang Port, with a significant growth in domestic and foreign coal trade based on coal blending and coal screening, achieved the breakthrough of exceeding 10 million tonnes. Caofeidian Port, focusing on proprietary business, proactively promoted systematic diversion control and is at the launch pad to expand its business. At Jinzhou Port, the resource outsourcing market development has broken the ice, extending the business presence to the northeast ports. Therefore, the pattern of "tri-port collaboration with multi-port supports" has been established, laying a solid foundation for China Coal Qinhuangdao to improve customer services.

> Tuke Fertiliser Project goes forward at a steady pace

> Port operations of China Coal Qinhuangdao

Continuous improvements in quality and level of customer services. The company launched the "product re-engineering" campaign through bulk purchase of low-sulphur coal for blending and loading, which improved the quality of delivery and met customer needs to the greatest extent. To strengthen inbound and outbound coal quality control, it took efforts in quality testing to ensure providing qualified products in accordance with contract terms. The overall inbound passing rate reached 88.33% for 2011. With respect to Pingshuo coal, the outbound passing rate at loading port was 11.5% higher than the inbound passing rate of railway transportation, outperforming the annual criterion of 5%. The inbound and outbound difference for self-owned resources and purchased resources was 4kcal/kg and 1kcal/kg respectively, and the differences for various coal types were also reduced to different extents compared with 2010. In 2011, the "Declaration Express" business was launched, which greatly shortened the customs declaration and clearance time and thus improved the clearance efficiency.

> "Tri-port collaboration" of China Coal Qinhuangdao

Safety Responsibilities

Insist on safety development based on strong safety fundamentals to ensure safety production.

- Enhancement of technological standards to improve safety assurance capability.
- Consolidation of safety fundamentals to uplift safety management level.
- Improvements in supervision and inspection to fulfil safety responsibility.
- Creation of safety atmosphere to strengthen safety culture.
- Illustrative case: A model of safety culture – Shaanxi Nanliang Coal Company Limited

In 2011, the Company earnestly implemented the major decisions and deployments of the CPC Central Committee, the State Council and the SASAC to strengthen safety production, adhering to the concept of safety development to build up the frameworks of "environment, quality and responsibility". The Company deepened the three-year programme of creating a safety-assured enterprise and the safety and quality standardisation benchmarking and upgrading activities, further improving its safety assurance capability. The Company's fatality rate of raw coal production per million tonnes was 0.008, maintaining its internationally advanced standards.

Enhancement of technological standards to improve safety assurance capability.

With an aim to lead the industry in safety technology advancement, the Company promulgated and implemented the Technology Standards for Safe and Efficient Modern Mines, which is stricter than those of the industrial and national standards. In line with the principle of "technologically advanced, intrinsically safe, standardised management, energy conserving, environmentally friendly and highly efficient", the Company set forth the standardised model for mine construction featuring centralised production, simplified system, automated equipment and intelligent management, seeking to shore up safety assurance capability from the source. Currently, the Company has selected four mines which are newly built, in progress of technological renovation, under construction or in operation as the pilot projects for the said standards, aiming to build them into industry model mines to upgrade the standards and promote the application. Meanwhile, the Company prepared the Engineering Technical Specifications for Freezing Method Drilling and Shafting of Coal Mines, the first relevant industry standard in China, providing a strong support to shafting construction technology and quality improvement for coal mines in the PRC. Integrating the latest, optimal, most advanced technical standards and management mode, the Company improved safety assurance capability from the system level, ensuring safe operations and efficient production of its projects.

Consolidation of safety fundamentals to uplift safety management level.

The Company launched a three-year programme of "implementing the accountability system for persons in charge to create a safety-assured enterprise" in full swing. At subsidiary level, all-round arrangements for the three-year programme were made including preparation of scheme, improvement of implementation rules and the self-inspection benchmarking. To deepen the safety and quality standardisation, the Company revised and improved the Management Methods on Safety and Quality standardisation, and released the criterions on the standardisation of coal mining equipment manufacturing, coal washing and selection, power generation and coal sale. The Company staged the three-tier benchmarking and upgrading contest at post, profession and company level, while 4 companies met the super-grade standards and 7 coal mines were named "National Safety and Quality Standardised Coal Mines". The safety working conditions were further improved through continuously increasing safety investments and accelerating the elimination and renovation of obsolete equipment and working processes. In 2011, the Company's safety investment amounted to an aggregate of RMB2.280 billion with 495 safety renovation projects completed, which further improved the safety assurance capability. The Company stepped up the construction of emergency shelter system. As 19 emergency chambers were basically constructed, the "Pingshuo Model" and the "Shanghai Company Model" safety shelter systems were established. Pingshuo Coal Industry Company and Shanghai Company respectively hosted the national and Jiangshu provincial coal mine safety shelter system on-site promotion conferences, playing the exemplary and leading role in the industry.

> *The "Six systems" construction promotion conference for coal mines in the PRC*

Improvements in supervision and inspection to fulfil safety responsibility.

The Company entered into safety production responsibility pledges with subsidiaries at each level. A total of 46 level-two and level-three business units revised and improved their safety production accountability systems, developed or amended 1,114 safety management rules. Through the promotion and self-inspection benchmarking of the all-staff post accountability system, a safety responsibility system covering all aspects and extending to the lowest level took shape. To strengthen safety management system, additional 348 safety management officers were staffed which fortified the safety supervision force. Moreover, the Company improved incentives and restrictions by increasing the weight of safety performance-based wage in the payroll to effectively materialise the safety responsibility.

> *Chairman Wang An in a safety inspection in Shanghai Company*

According to its production characteristics and major hazard sources, the Company developed 26 special safety production provisions which were enforced company-wide to eliminate major potential hazards. To carry on coal mine systematic diagnosis and optimisations, the Company organised 26 internal and external experts taking 60 days to conduct systematic diagnosis on 10 mines, so as to identify weaknesses in "Six systems" covering mining, excavation, machinery, transportation, ventilation, flood control, information technology and safety refuge. Based on the findings of 486 potential safety hazards and weaknesses, 490 suggestions on system optimisation and rectification to potential hazards were put forward. Through expert consultation, a number of long-lasting major weaknesses and potential hazards were identified and solved. At the company-level and subsidiary-level, 1,621 large-scale safety supervisions/inspections were carried out with focuses on major periods including the Spring Festival, the "Two Conferences" period, the 90th anniversary of the Party and the National Day, while special inspections on flood control, "ventilation and three preventions" and coal mine infrastructure construction were also conducted. The third quarter was taken as the "Season of rectifying potential hazards", and the discipline of "withholding production until major potential hazard is eliminated" was strictly followed. During the period of activities, 43,329 potential hazards and weaknesses were identified, of which 43,096 were rectified, representing a rectification ratio of 99.5%. For all outstanding issues, the persons in charge, measures and deadlines were strictly set forth. At subsidiary level, safety inspection groups were established under the Company's deployment to carry forward self inspections and corrections as well as uninterrupted on-site inspection tours.

On 9 June 2011, Mr. Zhang Dejiang, a member of the Political Bureau of the CPC Central Committee, Vice Premier, director of the Safety Production Commission of the State Council made field investigation to Pingshuo Mining Area, and affirmed the safety production work of the Company and Pingshuo Coal Industry Company.

> *Vice Premier Zhang Dejiang in the visit to Pingshuo Coal Industry Company*

> *President Yang Lieke in a safety inspection in Shaanxi Company*

Creation of safety atmosphere to strengthen safety culture.

The Company insisted on the concept of "safety is of vital importance as life is most valuable". For the first time the Company published its Safety Declaration, making safety oaths and undertakings from the top to the bottom levels. Through a string of events including "March Safety Warnings", "Production Safety Month" and "100-day Safety". The senior management made 18 safety presentations combining their personal experience. The business units, according to actual conditions, carried through a series of all-staff safety activities, staging a promotion campaign of safety production with extensive coverage and overwhelming influence. Nearly 1,000 chiefs at or above division head at mine level reviewed their performance at the safety work meeting, and more than 50,000 employees reiterated the Company's Safety Declaration and their safety undertakings. Activities were carried out at group and team levels from the perspectives such as caring, responsibility, accountability, political impact, economic benefit and family influence. The Company organised 36,000 front-line workers to participate in the safety knowledge contest, and was honoured as the winner of the national "Knowledge Contest on Implementing Safety Production Accountability of Enterprises" and No. 2 of the "National Coal Mine Safety Knowledge Contest". The television documentary "The Ordinary 2068" created by Nanliang Coal Mine won the second prize of the second session of the national contest on safety production television works.

Attaching great importance to safety awareness and calibre of the front-line workers, the Company organised more than 1,000 team leaders to listen to the meritorious deeds of 10 national model coal mine teams including the team led by Bai Guozhou. Based on the inputs from the team building workshops, the Company published the guide to team building, seeking to build up the teams into a basic unit integrating safety and efficiency, talents, innovation, unity and harmony. Efforts were taken in construction of the emergency response system. The Company organised emergency drills against liquid ammonia spills and mine floods, and the subsidiaries conducted special emergency drills targeting flood, gas disaster, fire and hazardous goods. By strengthening promotion and education, the safety awareness of all staff was uplifted, and the three typical violation behaviours were significantly reduced.

> *Emergency and rescue drills against liquid ammonia spills*

Illustrative case:

A model of safety culture – Shaanxi Nanliang Coal Company Limited

In the principle of "interaction between safety and corporate culture", Nanliang Company adhered to the philosophy focusing on system building, fundamentals, rectification, accountability, education, calibre, innovation and management. Currently, Nanliang Company has eliminated accident in safety production for six consecutive years.

> A speech on safety topic

Committed to responsibility to build up an extensive protective umbrella

Nanliang Company established a set of rational, complete, systematic and practical management rules and the all-staff safety accountability system breaking down safety tasks and indictors to every person, laying a solid ground for various safety operations. Coupled with monthly "overhauling" safety inspections, Nanliang Company conducted random checks on vehicle, fire fighting, safety, security and other key aspects, leaving no stone unturned in special inspections on major holidays and festivals to eliminate potential hazards.

Activated to hold up the safety shield

A set of the safety management concepts were clearly established and continuously promoted, including "zero fatality" and "zero injury" as well as "safety planned by leaders, guaranteed by systems, educated through trainings, grasped by staff members, managed by dispatching centres, strengthened by on-site inspections, heightened by devices, assured by investments". Innovations were introduced to the safety culture. A "321" Nanliang Company culture model was proactively promoted, namely "relying on home,

> Workers in a queue to enter the underground mine

school and business platforms, human and management oriented, with a focus on safety production". Nanliang Company organised safety activities such as "Safe Quarter", "March Safety Warning", "Production Safety Month" and "100-days of Safety" as well as emergency response, refuge and rescue drills to promote safety.

Practicality-prioritised to compose a harmonious theme

With three-tier training centres in place, Nanliang Company proactively cooperated with Lenon Training Consultants (Australia) and established the Yulin Long Wall Coal Mining Exemplary Base, the Teaching Base of Xi'an University of Science and Technology and the MBA Experimental Base of Northwest University of a Nanliang Company, to facilitate the training centres in a Nanliang Company to advance toward the domestically leading model training base for coal mines. The company organised the "2+1" competitions for excellent team leaders, excellent teams and work skills, and strictly implemented the "6 fixed" approaches with respect to fixed zones, timing, routes, accountability, assessments and rewards/penalties, as well as a "7-step" closed loop rectification mechanism covering "identification – report – record – rectification – review – feedback – return visit" against potential hazards.

Nanliang Company passed the certification of occupational health and safety management system, and was honoured more than 100 rewards including "National Level Safety and Quality Standardised Coal Mine", "First-class Safe and Efficient Mine of the National Coal Industry", "Pioneering Coal Mine in Legal Operations", "Pioneering Safety Production Unit of China Coal Group", "Excellent Production Enterprises of China Coal Import and Export Company", and "Pioneering Team of Shaanxi Province, Model of Green Civilisation, Pioneering Team of Coal Mine Safety Production".

> Nanliang Coal Mine

Innovation Responsibilities

Insist on innovation-based development and enhance technological research to lead in industrial advancement.

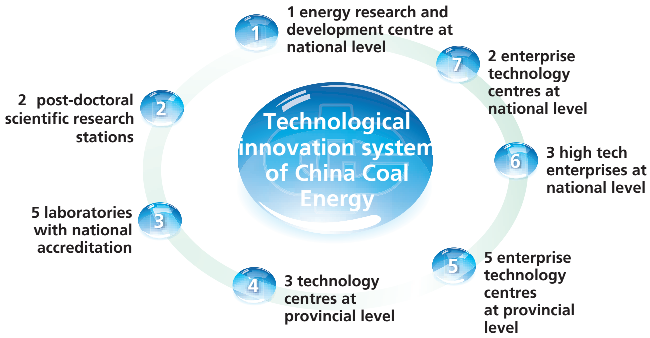
- Establishment of scientific strategy to improve technological innovation system.
- Breakthroughs in core technologies to lead the development of the industry.
- Undertaking of national tasks to facilitate technological research.
- Integration of scientific and technological resources to enhance innovation capacity.
- Illustrative case: An exemplary model of high-tech enterprise – Beijing Coal Mining Machinery Company

The Company is committed to implementing a leading strategy of integrated technology innovation. Realigning itself to the national energy development, the Company strategically deployed its technological innovation activities and focused on key technology research backed by the system building, aiming to upgrade core competitiveness primarily through integrated and collaborative innovations. The significantly strengthened independent innovation ability greatly contributed to the Company's rational development and its leadership in industrial technological advancement.

Establishment of scientific strategy to improve technological innovation system.

Technological innovation has been included into the Company's core strategies for the "Twelfth Five-year Plan" period to guide its technological progress. The Company earnestly designed the top architecture and overall scheme in advance for its technological innovation. Adhering to the policy of "pooling resources, integrating on open platform, making key breakthroughs and leading transformation", the Company established a leading technology strategy focusing on integrated innovation. Under the strategic plans on technology progress and intellectual property, the Company defined the relevant goal, route and major tasks in "Twelfth Five-year Plan" period. The Company will focus on key areas including safety assurance capability, major projects, cost efficiency, market development and leadership in industrial technological advancement in the principle of "paralleled project reserve, R&D and application", increasing investment in key technological research to take over commanding heights in the coal industry. Based on the strengthened R&D system, the Company will enhance key technological research and new product development for major sectors including coal production, coal chemical, power generation and coal mining equipment, laying the cornerstone for building a world-class energy enterprise.

> *Technological innovation and business development of China Coal Energy*

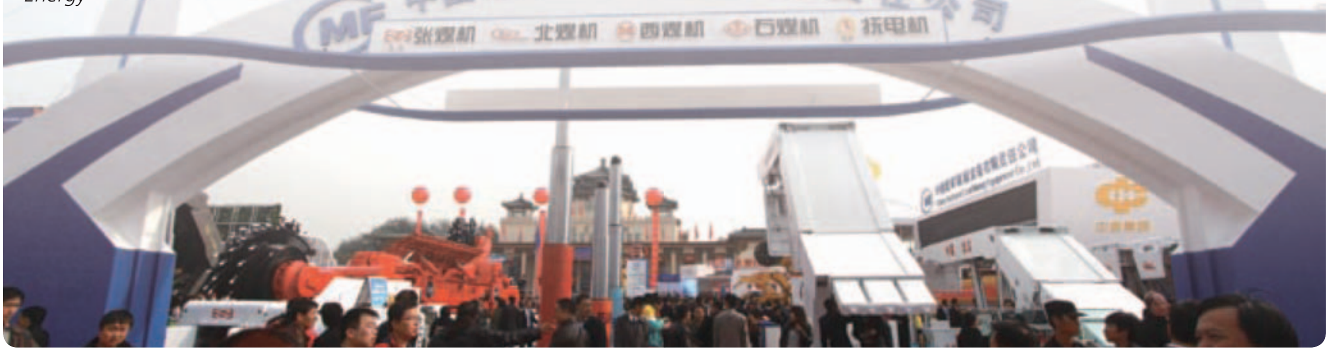


> *Illustration of the Company's technological innovation architecture*

Breakthroughs in core technologies to lead the development of the industry.

Through shifting the innovation focus from individual technology to complete set standardised and integrated technology systems, the Company has fundamentally enhanced the overall safety technology assurance capability of coal mines to support sustainable development of industry. The Company developed a wide range of technologies for coal mines covering high-precision exploration, safe and efficient mining, disaster prevention, complete set equipment, automation and application of information technology.

The Company accelerated the development of core technologies and major new products, striving to lead in technological progress of the industry. Milestone results were achieved for the complete set technology of goaf detection, assuring safe and efficient production of the Company's underground mines. The field test of complete equipment of thin coal seam drum shearer with largest installed power, most comprehensive integration and highest degree of automation for manless automatic coal working face has achieved success. The Company developed the SGZ1400/3×1500 intelligent extra heavy duty AFC with the largest installed capacity in the manufacturing industry and the technologically leading ZFY12000/28/60D high mining height sub-level coal caving powered supports, both filling the gap in the PRC. Meanwhile, the 90kw and 250kw mining flameproof frequency converter obtained the safety certificates issued by the Mining Products Safety Approval and Certification Center (MA Center).



> *The high-end coal mining equipment developed by the Company in an exhibition*

Undertaking of national research tasks to facilitate technological research.

The Company always integrates its technological researches with national missions, seeking to lead in key technologies for national coal and energy security and accomplish its annual research tasks undertaken in the national key scientific projects. The "Remote monitoring techniques and supervision system for mining machine" and the "Remote monitoring techniques and supervision system for road header", two topics of the National "863" Program, passed the intermediate acceptance. The "Complete equipment of 2x1000 fully-mechanised top caving working face AFC for high coal seam" and the "ZF15000/28/52 LTCC hydraulic roof support for high coal seam", two topics of the National Key Technologies R&D Program, passed the project acceptance.

Progress of national technological projects undertaken by China Coal in 2011

No.	Nature of project	Name of project	Progress
1	National High-tech R&D Program (863 Program)	Remote monitoring techniques and supervision system for mining machine	passed intermediate acceptance under industrial testing
2	National High-tech R&D Program (863 Program)	Remote monitoring techniques and supervision system for road header	passed intermediate acceptance under industrial testing
3	NDRC Innovative Ability Development Program	Improvement of innovative ability for Technology Centre of Zhangjiakou Coal Mining Machinery	passed project acceptance
4	National Energy R&D (Laboratory) Centre	Construction of National Energy Coal Mining Equipment R&D Centre	under construction
5	National Key Technologies R&D Program	Complete equipment of 2x1000 fully-mechanised top caving working face AFC for high coal seam	passed project acceptance
6	National Key Technologies R&D Program	ZF15000/28/52 LTCC hydraulic roof support for high coal seam	passed project acceptance
7	Torch Plan of the Ministry of Science and Technology	Complete set conveyor equipment of working face for top caving method with annual output of 10 million tonnes of coal	research completed

Integration of scientific and technological resources to enhance innovation capacity.

The Company coordinated and optimised internal and external technological innovation resources, and speeded up the establishment of a "Development with Two Wings" technological research and development platform centering on proprietary development capacity mainly supported by external technological resources. The Company gained several new technological innovation achievements with proprietary intellectual property rights and top technologies in the coal industry in 2011. With significantly enhanced proprietary innovation capacity, the Company was granted one national technological improvement award and 18 provincial and ministerial technological improvement awards; and was honoured with a national patent award for the first time. The Company has also applied for (and has its applications accepted) 197 patents and gained 168 authorised patents. The total number of effective patents surged by 55.8% year-on-year to 469.

The Company integrated internal technological resources and major research and development activities to establish China Coal Technology Research Institute and China Coal Chemical Industry Research Institute, which are directly responsible for the development of key technologies of the Company. The institutes conducted prospective and general technological researches and provided technological support for key construction programmes to offer high-level technological support to the Company's development. The Company also entered into an intensive technological innovation strategic alliance with China Coal Technology & Engineering Group Corporation. Relying on the modern energy base in Inner Mongolia-Shaanxi mining areas with a production capacity of 100 million tons, the Company conducted key technological development and new technological integrated application and project demonstrations to promote the efficiency of base construction and production, broke down the technical bottleneck and system constraints of industry development, and jointly secured a leading position in technological development of the industry. All of the above were of huge strategic significance for realising strategic goals of the Company, promoting the transformation and upgrade of coal industry in PRC and leading industrial technological advancement.

> *The technological innovation strategic alliance with China Coal Technology & Engineering Group Corp.*

Illustrative case:

An exemplary model of high-tech enterprise – Beijing Coal Mining Machinery Company

Beijing Coal Mining Machinery Company is the largest and strongest manufacturing enterprise for specialised coal mining equipment among high-tech enterprises in the PRC.

Beijing Coal Mining Machinery Company is committed to building a "national team" in the coal mining equipment sector with top-notch offerings to coal mining business of the PRC and the world.

With R&D capability in equipment for working face of 10 million tonnes, Beijing Coal Mining Machinery Company is the domestically largest coal mining equipment manufacturer with global presence by virtue of its stronghold products, proprietary technologies and competitive edge. Its 5m full-height cutting powered supports is so far the only winner of the national gold medal, a token of the highest quality, in the coal mining machine sector.

Beijing Coal Mining Machinery Company is a state-certified high-tech enterprise and one of the constructors of the National Energy Mining Equipment R&D (Laboratory) Centre. It obtained 1 national technological improvement awards and 7 provincial or ministry-level technological improvement awards in recent years. Nearly 100 products and technologies were granted national patents, among which the invention patent of double-telescopic leg universal rising system as well as mining powered supports won the 13th session of excellent prize for Chinese patents, and the Beijing Coal Mining Machinery Company's "CMBJ" brand was named the "Famous Brand of Beijing".

All the products from the series of products developed by Beijing Coal Mining Machinery Company (including the 4.2m sub-level coal caving powered supports with two legs, the 5.2m high height mining sub-level coal caving powered supports for Datong Coal Co. Ltd (a national key technologies support plan in the "Eleventh Five-year Plan" period), the 50° and above angle sub-level coal caving powered supports for heavy gradient, "three soft"- soft roof, soft seam & soft floor applied in Shenhua Ningxia Coal Mine, the plough

> The production workshop of Beijing Coal Mining Machinery Company

with electro-hydraulic control powered supports for heavy gradient and extremely thin coal seam in Baofeng mine, NingXia Autonomous Region, the powered supports for thin coal seam fully automactic manless working face, the face end support and advancing supports in abnormality roadway) reached internationally leading level and filled the gaps in the domestic coal mining equipment sector.

The state-of-the-art systems including advanced software such as PRO-E, ANSYS, Adams, Easy5, Xflow, PLM and ERP system were employed in Beijing Coal Mining Machinery Company. It independently developed the over 600L high flow control valve and fully automatic electro-hydraulic control system. In addition, the 900 Mpa, 1000 Mpa high strength steel plate mixed gas protect flux-cored wire welding process developed by the company takes a leading position in the international welding sector.

Beijing Coal Mining Machinery Company, aiming at new highs based upon its independent innovative products ranking top in China, is aggressively pursuing the domestically and globally leading position to become the bellwether in the hydraulic support sector. It is dedicated to showcasing the "Made in China" strength of a state-owned coal mining machine brand to the world and contributing to the overall upgrading of coal mining machines in the PRC.

> The roof supports for high cool seam

> The National Energy Mining Equipment R&D (Laboratory) Centre

Environment Responsibilities

Insist on green development, develop recycling economy and build up ecological mines.

- A basically established "Green China Coal" strategic system.
- Continuous improvements in energy saving and environmental protection capabilities.
- Proactive technological innovations in energy saving and environmental protection.
- In-depth implementation of major projects of energy saving and environmental protection.
- Illustrative case: Adherence to green mining and environmental protection – Pingshuo Mining Area

Guided by scientific development concept, the Company focused on resource saving and environmental protection to earnestly fulfil its obligations for energy saving, emission reduction and environmental protection. In 2011, a new starting point for the "Twelfth Five-year Plan" period, the Company pinpoint the basic concepts and policies for green development in the five-year period, and established the strategic position of green development in overall corporate growth. Accordingly, the Company vigorously pressed forward the "Green China Coal" campaign to create green output and give up profit derived from polluting the environment, making positive achievements in energy saving and environmental protection operations.

> *A demonstration meeting by experts in energy saving and environmental protection*

A basically established "Green China Coal" strategic system.

To strategically implement the national policies on energy saving, emission reduction and green development and boost its sustainable development, the Company started the preparation of the Strategic Planning for Construction of "Green China Coal", under which the Green Development Compendium, the Energy Saving and Environmental Protection Plan for the "Twelfth Five-year Plan" Period, and the Annual Construction Scheme for "Green China Coal" were developed. From three levels namely mid and long-term strategies, five-year plan and an annual plan, the Company designed the top architecture and made overall deployment for the construction of "Green China Coal". Especially, the Green Development Compendium systematically sets forth the concept, strategies, principle, target and task of green development from a scientific development height, defining green development as an integral part of the corporate strategy. It was highly appreciated by the leaders of the SASAC of the State Council and relevant experts and scholars, as it clearly defined the mid and long-term strategies by way of compendium which was regarded as an important administrative innovation of state-owned enterprises in energy saving and environmental protection. Most of subsidiaries have developed their own energy saving and environmental protection plans for the "Twelfth Five-year Plan" period in accordance with the Company's uniform deployment.

Continuous improvements in energy saving and environmental protection capabilities.

Actively implementing the national energy saving and environmental protection requirements, the Company continued to strengthen management on organisation, statistics and monitoring, assessment, reward and penalty. A four-level organisational network covering the headquarter, level-two subsidiaries, mines (plants) and groups (workshops) has taken shape, under which management functions were set up or designated and staffed with dedicated or concurrent managerial personnel. The energy saving and environmental protection management information system has been basically established, responsible for reporting and reconciling statistic and monitoring data from level-two subsidiaries to the Company and to the SASAC. A set of management rules was formulated, including energy saving and environmental protection responsibility system and the provisional measures of assessment on energy saving and environmental protection performance, to better materialise accountability and govern the assessment. The level-two subsidiaries broken down the targets of energy saving and environmental protection, and thus accumulated successful experience in management model and performance assessment.

> *Safe and efficient production*

> *Anjialing coal preparation plant*

Proactive technological innovations in energy saving and environmental protection.

In light of the engineering philosophy of "best combination of objective and subjective approaches", the Company stepped up its efforts on technological research and development as well as application for energy saving and environmental protection. The Company made a number of breakthroughs in international and domestic advanced key technologies, including fully mechanised top caving method for mining in shallowly-buried hard coal seam with hard top and underlake mining for coals, significantly improving the recovery rate in mining area and reducing the unit consumption in raw coal production. Through simplified mining system and rock shaft, outward transportation volume of coal gangue emission was effective reduced, thereby minimising the damage to the ecological environment on the ground. The subordinated mining enterprises were equipped with advanced energy saving technologies that involved frequency shifting, speed adjustment and soft-starting, resulting in a significant reduction in power consumption. Pingshuo Coal Industry Company successfully developed ecological treatment and reclamation technology for dumping grounds: with land reclamation rate of over 50% and vegetation coverage rate of over 90%, the ecological environment was significantly improved compared to that before development. Shanghai Company developed mine water underground purification and recycling technology to minimise wastewater disposal from the source. China Coal Equipment Company successfully developed a series of energy-saving electromechanical products including flameproof low-voltage converter for mines, energy-efficient coal plough and ultra-high efficiency explosion-proof permanent magnet motor, which were proactively promoted in the coal industry. The treatment technology for phenolic wastewater developed by China Coal Longhua Company took the leading positions in the PRC.

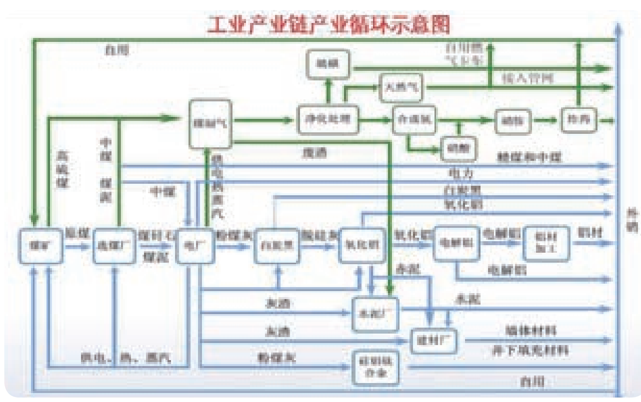
In-depth implementation of major projects of energy saving and environmental protection.

Elimination of obsolete capacity. To facilitate China Coal and Coke to eliminate obsolete capacity, China Coal and Coke Longquan Limited was closed and China Coal and Coke Mudanjiang Limited was disposed of, eliminating coking capacity of 800,000 tonnes/year in total. The Company embarked on the relocation of villagers neighbouring China Coal and Coke Jiuxin Limited, seeking to minimise the impact on environment. Attaching great importance to the use of coke-oven gas and the emission reduction, China Coal and Coke accelerated the construction of coke-oven gas produced urea project, which upon completion will consume 300 million cubic metres of coke-oven gas per year.

> *The coke-oven gas produced urea project*

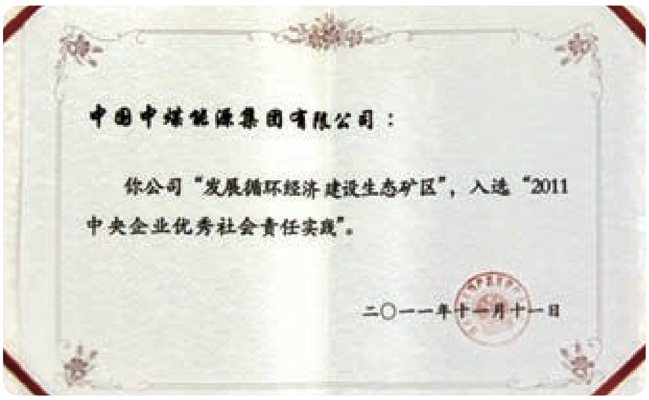
Development of recycling economy. In accordance with the principle of "clean and efficient, recycling and turning waste into treasure", the Company vigorously developed a recycling economy to achieve a co-ordinated development with regional economy, social environment and ecological environment. Pingshuo Coal Industry Company has established an industrial business chain based on coal operations covering "coal – power – aluminum – building materials", as well as an ecological business chain based on land reclamation covering "agriculture – forestry – grassland farming – medicine – ecological tourism". The Company which has become the coal enterprise with the domestically highest resource recovery rate, accomplished great achievements in coal mining technology, efficient and clean production, waste water and gas treatment and ecological environment construction. Focusing on its "coal – power – aluminum – transportation" business chain, Shanghai Company has established a recycling economy framework featuring "1 vertical", namely a main trunk driven by coal and supported by integrated power, aluminum and transportation operations, and "5 horizontals", namely five business lines of "coal gangue and coal slurry – power generation", "gangue – filling and reclamation", "coal fly ash – fire prevention materials", "coal fly ash and slag – building materials" and "mine water and sewage – reuse of tertiary treated wastewater". Through the above-mentioned five interwoven horizontal lines, the Company achieved comprehensive treatment and recycling of coal slurry, coal gangue, coal fly ash, slag, residue heat, industrial wastewater and sewage, which not only reduced waste emission and environmental pollution and improved the ecological environment of mining areas, but also created positive economic benefits.

Construction of ecological mining. Through comprehensive utilisation of reclaimed land to develop modern eco-agriculture, Pingshuo Coal Industry Company built its mining area into a role model of "industry-backed agriculture" and coordinated regional economy. At Shanghai Company, by refilling subsidence areas with coal gangue and unprecedentedly covering the earth's surface with mud of Weishan Lake, coal gangue was effectively utilised while crops benefited from the fertile mud. The Company proactively carried out the relocation of villages under coal mines in line with local government plans for modern rural areas. With 4 villages currently under relocation, the Company invested RMB183.13 million as relocation costs and embarked on the relocation of 11 villages, saving 442 Mu of land.



> *Illustration of the industrial business cycles of Pingshuo Coal Industry Company*

In 2011, the Company's integrated energy consumption per RMB10,000 output was 0.404 tonne COE/RMB10,000, the emission of sulphur dioxide was 12,397 tonnes and the emission of chemical oxides was 1,079 tonnes, all outperforming the energy saving and emission reduction indicators required by the SASAC. The utilisation rate of mine water was 79.7% and the integrated utilisation rate of coal gangue was 97.1%, reaching an advanced level in the domestic industry. Pingshuo Coal Industry Company was nominated for the 7th session of China Baosteel Environment Prize, and its recycling economy case was honoured the Outstanding Corporate Social Responsibility Practice for State-Owned Enterprises in 2011. The Company was included in the Top 10 Energy-saving Contributors of China in 2011 and the Outstanding State-owned Enterprises in Energy Saving and Emission Reduction in the "Eleventh Five-year Plan" Period.



中国中煤能源集团有限公司：

你公司"发展循环经济 建设生态矿区"，入选"2011中央企业优秀社会责任实践"。

二〇一一年十一月十一日

> *Outstanding Corporate Social Responsibility Practice for State-Owned Enterprises*

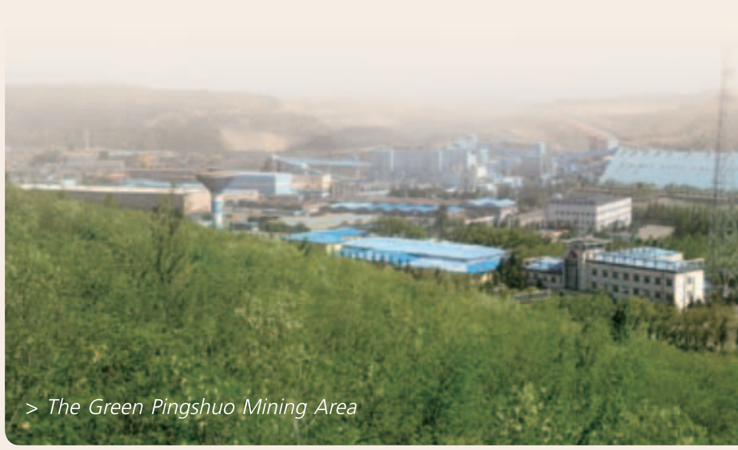
> *The Company was honoured the 2nd Session of Top 10 Energy-saving Contributors of China*

Illustrative case

Adherence to green mining and environmental protection – Pingshuo Mining Area

Pingshuo Coal Industry Company integrated clean production with comprehensive utilisation of resources and ecological restoration and treatment. Since its inception, the land reclamation expenditure has been included into production costs for paralleled mining and treatment on an ongoing basis, which is a unprecedented practice of land reclamation in mining areas in China. As at the end of 2011, the land reclamation rate of mining area reached over 50%, and the vegetation coverage rate of dumping grounds reached over 90% which was far above the original vegetation coverage rate of 10%. After the development, the previously deserted mining area witnessed higher soil fertility, soil conservation and vegetation species than before, which was recommended as an exemplary project by the coal and environment authorities of the PRC.

Based on the Overall Plan for Ecology Recreation and Tourism Development in Pingshuo Mining Area and the Chinese Herbal Medicine Development Plan in Pingshuo Mining Area, Pingshuo Coal Industry Company classified the extended functions of dumping grounds and living blocks to materialise the recycling economy initiatives, paving the way to building up a national green mining area. Relying on the industry-university-



> *The Green Pingshuo Mining Area*

> *Land reclamation in Pingshuo Mining Area*

research-application modern eco-agriculture exemplary base, Pingshuo Coal Industry Company integrated innovations and optimised the three technologies incorporating the biological humic acid land reclamation technology for mining area, the livestock and poultry waste utilisation technology, and the pollution-free vegetable production technology, and thus established a modern recycling eco-agriculture model based on integrated planting and breeding businesses, which is suitable for sustainable land treatment and reclamation in mining area. By virtue of its paralleled green recycling agriculture and black coal business, Pingshuo Mining Area became an ecological and environmental protection mode in the coal industry.

Pingshuo Coal Industry Company invested RMB67 million in renovation of public green space, landscape alongside trunk roads and building surroundings in its living area. With an investment of nearly RMB80 million, it completed the treatment on 4,500 Mu of subsidence area of underground mines; in particular, the subsidence area treatment project for the No. 3 underground mine was highly appreciated by the land resources authorities. An investment of RMB30 million was made for the greening of the surrounding wasteland in Pingshuo Mining Area. With an investment of RMB42.13 million, Pingshuo Coal Industry Company completed the greening and landscape renovation projects at Antaibao south dumping and west dumping parks, the Ecological Avenue, inner parks, eco-gate and the surrounding areas, and planted 1.98 million nursery stocks of various types. It also invested RMB32.84 million in waterscape construction of 78,000 sq. m. at Antaibao inner dumping area, which has been put into operation. With an investment of approximately RMB8 million, it completed the greening and landscape works at the office area of the Pingshuo East Open Pit Mine. In the future, Pingshuo Coal Industry Company will continue to strengthen its corporate social responsibility system to live up to its mission of "contributing to the country, the society and the staff", advancing toward a domestically and globally advanced level.

> *Development of eco-agriculture by Pingshuo Coal Industry Company*

Social Responsibilities

Insist on harmonious development to facilitate staff growth and support local economy.

- Protecting employees' rights to establish harmonious relationship with employees.
- Establishing diversified occupational systems to create a platform for career growth.
- Implementing the talent-empowered corporate strategy to strengthen staff training.
- Reforming distribution and welfare system to uplift well-being of the staff.
- Fostering advanced corporate culture to contribute to harmonious community.
- Adhering to win-win co-operation to benefit local economy and livelihood.
- Illustrative case: model of charitable donation – Shanghai Company

Adhering to the concept of "paralleling corporate and individual growths", the Company is committed to improving livelihood, one of its crucial duties and missions, including providing the staff with growth platform under harmonious relationship with employees. By promoting the income distribution system reform, the Company has maintained steady and rational growths in the staff's income to share the corporate growth with the staff and improve their quality of life, thereby establishing a sound social image for the state-owned enterprise.

Protecting employees' rights to establish harmonious relationship with employees

The Company strictly follows the national labour laws and regulations and the corporate employment contract management system to standardise the relationship with employees, while properly handling the historically outstanding problems to clean up non-standard employment and strengthen the management on employment contracts. The employment contract signing rate of the Company reached 100%. The Company maintains a well-established rest and leave system to protect the normal rest and leave rights of its employees. All staff of the Company have participated in the "five insurance and one fund" scheme in compliance with the local regulations, including pension insurance and medical insurance, to which contributions are made on time and in full amount. The Company also offers hardship allowance for its frontline workers of underground mines. In 2011, the allowance offered amounted to RMB350 million.

The Company attaches great importance to the occupational health of its employees with each of its subsidiaries has a safety assurance mechanism in place. The Company arranges regular body checks for its employees, insists on implementing relevant laws and regulations such as Laws on Prevention and Control of Occupational Diseases. The Company imposes strict controls on the procurement, management and use of protective equipment and supplies sufficient protective equipment in a timely manner.

Establishing diversified occupational systems to create a platform for career growth

The Company focuses on career growth to pave the career paths for managers, technicians and skilled workers. In light of the scientific development concept and on a systematic, long-standing and dynamic basis, the Company takes initiatives to promote career growth. By pressing forward the teambuilding of professional talents under a system of diversified career paths, the Company has built up an extensive career platform and an ideal stage for employees to demonstrate their talents while helping them to identify, play and develop their self-worth, aiming to stimulate their enthusiasm and creativity and improve their satisfaction and loyalty. Through the effective integration of individual and corporate growth goals, human resources are converted to human capital to the greatest extent, which facilitates the realisation of corporate vision and thus promotes harmonious development of the Company and its employees.

In 2011, the Company had 54,948 staff members. Among them, 1,784 persons held senior qualifications, 3,328 persons held medium qualifications and 4,087 persons held junior qualifications. The Company had 38,568 skilled workers, including 7,207 senior or above workers, 7,951 medium workers and 8,097 junior workers.

training in total.

Implementing the talent-empowered corporate strategy to strengthen staff training

To meet the strategic development goal, the Company provided training at five levels, namely, for managers, backup talents, technicians, skilled workers and new recruits. Through benchmarking activities, the Company organised its medium-ranked managers to communicate with leading enterprises including GE and Formosa Plastics, thus boosting the management's capabilities. Meanwhile, the Company leveraged on excellent educational platforms to independently, rationally and scientifically provide training courses on a post-specific and need-to-learn basis and a "making up for what is lacking" basis, so as to ensure the efficiency of training. Fully capitalising on the rippling effect, the Company strengthened the training on key forces of the posts to inspire the peripheral employees improving along with those being trained. By inviting lecturer groups from national coal mine teams with meritorious safety deeds to make teambuilding speeches to first-line managers of relevant subsidiaries, the Company created an atmosphere to fortify teambuilding and safety management fundamentals. While strengthening management on the overall training programme, the Company took advantage of the China Coal E-learning School to provide online training including compulsory courses and elective courses to effectively accommodate the concurrent needs for working and learning, thereby enhancing the comprehensive calibre of employees. In 2011, the Company provided over 200,000 attendees of training in total.

> Managers learning experience at Formosa Plastics

Reforming distribution and welfare system to uplift well-being of the staff

The headquarter of the Company implemented the new remuneration system to deepen the income distribution system reform and optimise the remuneration and welfare system. At the headquarter, a distribution model featuring post-specific salary, performance-based remuneration and rational spans has taken shape, calling an end to the traditional seniority-based and egalitarian distribution system. To establish the multi-tiered pension security system, in addition to basic insurance, certain subsidiaries of the Company launched corporate annuity plans with effect from 1 January 2011 covering the first batch of 14 subsidiaries and 47,402 employees with approximately RMB250 million earmarked. A flexible welfare plan was formulated and implemented for employees at the headquarter. Based on the findings on the welfare preference survey, a specific scheme on flexible welfare was designed for employees at the headquarter, for which experts were engaged to develop an online management platform to cater for their individual needs based on human-based management, demonstrating the Company's practical efforts to attach more importance to the staff.

Fostering advanced corporate culture to contribute to harmonious community

Taking competitions as an important vehicle to promote corporate culture, the Company carried through various competition events in the Party organisations at all levels. Focusing on the celebration of the 90th anniversary of the

Chinese Communist Party, the Company carried out a series of events with the theme of "Following the Party forever", including art shows, speech tours, calligraphy, painting and photograph exhibitions and literature collection. The events created a positive and motivating atmosphere, and enhanced the "competitive, innovative and aggressive" sense of mission and responsibility of the Party members and cadres. Thus, the Company's corporate spirit of "Patriotism, dedication, practicality and contribution" was embodied into daily work.

> Outstanding Party members learning in Yan'an

Aiming at "leading the ideas, consolidating the force, fostering atmosphere and promoting development", the Company carried on extensive corporate culture activities. At Shanghai Company, the Yaoqiao Mine organised the event of "Correct a shortcoming, carry forward an advantage, solve a puzzle, highlight a stronghold, create a spotlight" to regulate staff behaviours and uplift the business ethics. At the No. 1 workshop of Zhangjiakou Coal Mining Machinery, the cultural concept of "an army, a school, a family" was advocated to enhance the pride and sense of belonging of employees. Through such practices featuring a variety of topics, the Company's corporate culture took root.

> The staff cultural activity centre

Adhering to win-win co-operation to benefit local economy and livelihood

With a heritage of participating in charity causes and contributing to local economy, China Coal Energy has been assisting local governments to improve livelihood throughout the years. In 2011, the Company invested a total of RMB27 billion in its five bases in Shanxi, Inner Mongolia-Shaanxi, Jiangsu, Heilongjiang and Xinjiang, contributing to local employment and relevant industry. The subsidiaries in Shanxi offered low-income households 228,000 tonnes of coal free of charge, responding to the call of providing each low-income rural household a tonne of "warm-hearted" coal in the province free of charge. The offered coal, after the strict screening and coal gangue removing processes, was delivered with required quality and quantity to rural households, had been highly praised as the say-and-do benevolence of the China Coal Energy. Insisting on its mission of "contributing to the country, the society and the staff", Pingshuo Coal Industry Company is dedicated to helping the local disadvantaged. In 2011, Pingshuo Coal Industry Company settled 1,652 landless farmers. Shanghai Company is devoted to carrying forward the humanitarian spirit: nearly 500 youths joined the Chinese Hematopoietic Stem Cell Database, and 4 persons have successfully donated blood stem cells; and Shanghai Company was named as the "Model of Charitable Donation" by Xuzhou municipal government in recognition of its participation in public welfare. As a large energy conglomerate, the Company operates with integrity and pays taxes in compliance with the laws. In 2011, the Company paid taxes totalling RMB13.592 billion.

While pursuing its own development, the Company has always been showing great concerns over the livelihood of people and the progress of the community as a whole. The Company makes contributions to the society through activities such as supporting the backward regions, helping the disadvantaged and providing disaster relief and aids to the needy. In 2011, the Company donated RMB12.02 million for charity.

> A donation event

> Offering "warm-hearted" coal free of charge

Illustrative case:

Model of charitable donation – Shanghai Company

With a commitment to fuelling local prosperity through its development, Shanghai Company attaches a high priority to fulfilling its corporate social values in pursuit of the best economic benefit. In operations in Xuzhou City, Jiangsu Province throughout the years, Shanghai Company placed great emphasis on co-operation with local government, rooting itself in the locality and actively participating in public welfare to establish a sound social image as a state-owned enterprise.

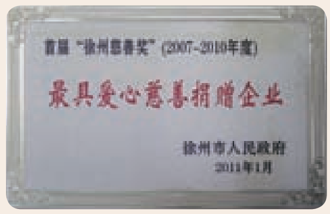
Shanghai Company has made constant efforts through the years in improving local habitat Shanghai Company and creating a safe, healthy and harmonious community. Shanghai Company speeded up the construction of New City Garden, the residential community for its employees. The main structures of the first phase of 40 blocks have been roofed, and more than 6,700 spot and forward units were sold to employees. In addition, another affordable housing project comprising 3,000 units was started to alleviate the housing difficulty of employees. Shanghai Company invested RMB16.17 million in renovation of heating pipelines, roads and dwelling floors. The heating project with investment plan of RMB170 million, linking the power plant to the New City Garden and the Administration and R&D Centre, is about to commence construction. The single dormitory and canteen was renovated. With an investment of RMB7.7 million, the landscaping and greening project at the central area was completed, and the green coverage rate of the mining area reached 38%. The difficulty in

> Donated parcels in a charity event

utilisation of housing provident fund for rural employees was solved. Physical examinations were provided to all employees in batches. A learning center and a service center for the elderly have been established. The community resident committee, playing its irreplaceable role, received 2,333 visits of residents, paid 668 visits to households and settled 234 disputes, thus ensuring harmony and stability in the Shanghai Company. Actively providing convenient service to the community, Shanghai Company helped 470 permanent residents unemployed or without income source to apply for health insurance cards. Voluntary service teams have been established, including 21 volunteer groups which provided nearly 10,000 attendees of services to residents in the year. Shanghai Company's Yiyuan New Village was named as the Civilized Residential Community in Xuzhou City, the Water-saving Residential Community in Jiangsu Province, and the Excellent Residential Community in Jiangsu Province.

To help the poor and the needy, Shanghai Company provided relief funds of RMB395,500 to 254 families suffering poverty or serious diseases in the Spring Festival holidays. Wish visits were made to 363 employees in hospital, and RMB72,600 was offered as sympathy money. Shanghai Company actively organised charity donations to the poor and the needy, with a staff participation rate of over 90%. Shanghai Company provided nearly 20,000 employees to help those in need, including RMB3.378 million as relief money. Sickness allowance of RMB450,000 was provided to 75 employees in serious diseases, and autumn student subsidy of RMB584,000 was provided to 675 persons.

Shanghai Company is devoted to expanding the humanitarian spirit: nearly 500 youths joined the Chinese Hematopoietic Stem Cell Database, and 4 persons have successfully donated blood stem cells. Shanghai Company was named as the "Model of Charitable Donation" by Xuzhou government in recognition of its extensive supports to the disadvantaged groups, including the donations of RMB100,000 to the China Coal Mine Pneumoconiosis Treatment Foundation, RMB100,000 to Xuzhou Municipal Civil Affairs Bureau, RMB250,000 as poverty relief fund to Feng County, Jiangsu Province, and RMB1,000,000 to the Justice and Courage Foundation in Pei County.



> The plaque of the Model of Charitable Donation

> Staff's active participation in a donation activities

Outlook

The year of 2012 is an important juncture for the Company in the implementation of the "Twelfth Five-Year Plan". The Company puts forward the general requirement of "Seeking Progress in Stability and Keeping Simmering to Prosper" based on the spirit of the Central Economic Work Conference and the conference of the persons in charge of central enterprises after taking into consideration the current complex domestic and overseas situation, having analysed the Company's development bottlenecks and having coordinately dealt with the relationship between growth and quality. "Stability" means to maintain the development momentum and avoids a violent rise and fall in the business operation. The key is to guarantee improvement on secure conditions, steady growth of production and operation as well as having a stable and harmonious business environment. "Keeping simmering" means to consolidate the foundation of the Company's development and prevent management and personnel from falling behind the demands of the development. Keep the fundamental management simmering and improve the management level; keep team building simmering and tackle the bottleneck of talent shortage and the lagged core team building; keep simmering of continuous development, solve the problem of project financing, strengthen the management of projects under construction, safeguard against investment risks and speed up effective production so as to lay a solid foundation for the realisation of the goal of "Twelfth Five-Year Plan".

1. Strengthen the coordination among production, transportation and sales and enlarge market share. Closely monitor the market dynamics, enhance the analysis of the impact of policies such as price cap on coal and improve the support system of product optimisation decision and guarantee the maximisation of sales profit. Improve the plan and layout of logistics facilities to prepare an access to release its own resources. Enhance market expansion, motivate the initiatives of regional companies and expand the scale of product distribution. Take advantage of being a traditional trade enterprise, establish a foothold on both domestic and overseas markets and further expand external channels for the purchase of resources. Plan in advance the railway transportation and market linkage of the newly added production of Wangjialing Mine, Xiaohuigou Coal and Inner Mongolia and Shaanxi bases and ensure the stable sale of coal after the commencement of production of the coal mines. The Company will deepen its joint venture co-operation with electric power enterprises, carry forward the joint management of coal and electric power and expand the sales of product.

2. Enhance the implementation of projects, realising planned goals. Guided by the Company's development plan, the Company is committed to enhancing work effort and aims at accomplishing work goals of gaining approval for projects, strengthening resources acquisition, applying for coal exploration rights and implementing projects with approval from the National Development and Reform Commission. At the same time, the Company will enhance resources exploration in foreign countries. Sticking the principle of focusing on major business, the Company will centralise premium resources and speed up the construction of key projects.

3. Enforce safe production, ensure the continuous stability of the safe production trend. While seriously implementing the concept of safe production of "comprehensive management with safety and protection as top priority", the Company views humanity and life as core values and cares for and relies on the employees. Employees' lives, and occupational safety and health are protected. Their basic rights are also protected. Propelling the development of a company with safe work environment, the Company is committed to continuing to carry out the safety and quality standardisation and achieve the standard of the position, the profession and the company. Moreover, the Company will enforce the removal, investigation and rectification of potential safety problems and carry out serious inspection on substantial risks. The Company will also execute safety assessment of coal mine infrastructure system, improve the system and enhance its hazard prevention and resistance capabilities.

4. Develop technological innovation, strengthen the motivation for innovation Significant efforts will be made on aggregating leading strategies of technological innovation, strengthening the sense of mission and responsibility to lead the development of the industry and developing revolutionary technologies in order to provide core motivation for corporate development. The Company will strengthen the accumulation of innovative resources and the co-operation between production, learning and research; ensure the completion of important technological missions such as the National Technological Support Plan and Project 863; execute substantial technology demonstration construction such as the high-tech mining of the Pingshuo Mining Area and two 100 million-tonne coal electricity chemical mining area in Inner Mongolia and Shaanxi; actively propel the technological demonstration of enhanced oil recovery by utilizing CO_2 produced from coal chemical production in the coal base in Inner Mongolia and Shaanxi; explore strategical and newly developed energy technology and support and lead the scientific development of the Company. We will also realise the enhancement of the standard of safe, effective and modern coal mine technology, its promotion and application; accelerate the organisation of core technological achievements of the Company's five major sectors and establish a theoretical system technology of China Coal Energy.

5. Save energy and reduce emission, carry forward the construction of "Green China Coal" The Company will formulate green standards and the assessment methods for the four industries concerning the Company's business of coal mining, coal electricity, coal chemical and mining machinery to propel the construction of "Green China Coal". The Company will actively develop energy-saving and environmentally-friendly construction projects such as the implementation of green mining technologies and the ecological restoration of mining areas. We will also strengthen the daily administration of the existing energy-saving and environmentally-friendly facilities in order to ensure that the Company meets the annual and term target of energy saving and emission reduction under the State-owned Assets Supervision and Administration Commission.

6. Enhance recruitment and training of talents, establish an outstanding team of workers Aiming at substantially improving the quality of teams of talents at each management level, the Company is committed to creating career paths for various kinds of talents and formulate specific training plans in accordance with the requirements of the position and the qualities of the talents. Moreover, the Company will accelerate the recruitment of talents, strengthen our nurturing of talents, sequentially complete the formation of core teams of coal business in three years and carry on the nurturing of professional teams. We will also speed up the construction of the Company's training base in Shanghai Company of Energy and Pingshuo Coal Industry Company. Under the Company's development, the Company will enhance the development of talents, utilise the value of talents and assist employees in realising their career ideals in order to achieve mutual growth of the Company and the employees.

7. Establish a harmonious environment, promote win-win development of the Company and local community Focusing on the co-operation and co-ordination between the Company and the stakeholders, through the establishment and improvement on the management system for the Company's assumption of social responsibilities, we will more effectively assume our responsibilities for the implementation of the national macro-economic policies, maintenance of the energy safety of the PRC, promotion of local economic development, protection of the lives and safety of staff, protection of the natural environment and provision of the social emergency aids to ensure a harmonious external environment of the Company. Moreover, the Company will actively participate in charity activities, support the construction of the community and pursue social harmony. We will improve the communication channels with the stakeholders and are willing to be monitored.

During the period of "Twelfth Five-Year Plan", the Company will keep its responsibilities and missions firmly in mind, and carefully implement scientific development. While speeding up the development of the Company, we shall share our achievement with our employees and make contribution to the society, realising a win-win development with the stakeholders and making contribution to the harmony and improvement of the society.

Indicator Indexes of Global Reporting Initiative (GRI)

1. Adequate disclosure 2. Partial disclosure 3. Not involved 4. Not applicable

	Particulars of Indicators of GRI	Section in the Report (Contents of the Report)	Extent of Disclosure
1. Strategies and Analysis	1.1 Statement from the highest decision-maker of the organisation (e.g. the President, Chairman or equivalent positions) in respect of the relationship between sustainable growth and the organisation and its strategies	P2-3, P6-7	Adequate disclosure
	1.2 Description of key effects, risks, and opportunities	P2-3	Adequate disclosure
2. Introduction to the Organisation	2.1 Name of the organisation	Cover	Adequate disclosure
	2.2 Major brands, products and (or) services	P4	Adequate disclosure
	2.3 Operating structure of the organisation, including major departments, operating companies, subsidiaries and associates	P4-5	Adequate disclosure
	2.4 Location of the head office of the organisation	P4	Adequate disclosure
	2.5 Number of countries in which the organisation operates, the countries in which the organisation conducts major business, the countries which have particular relationship with the matters of sustainable growth as mentioned in this report	P5	Adequate disclosure
	2.6 Nature and legal form of ownership	P4-5	Adequate disclosure
	2.7 Markets in which the organisation involves (including classification by location, industry involved, types of beneficiaries who are customers)	P6, P19-20	Adequate disclosure
	2.8 Scale of the reporting organisation	P4	Adequate disclosure
	2.9 Material changes in the scale, structure or ownerships of the organisation during the reporting period	P4	Adequate disclosure
	2.10 Awards obtained during the reporting period	P12-13, P28	Adequate disclosure
3. Requirements of Reports	3.1 Reporting period (i.e. financial year/Gregorian calendar year) for information	Cover II	Adequate disclosure
	3.2 Previous reporting date (if any)	Cover II	Adequate disclosure
	3.3 Frequency of report (i.e. once a year or once every two years)	Cover II, back cover	Adequate disclosure
	3.4 Contact information for enquiry about the report or the contents of the report	Cover II	Adequate disclosure

	Particulars of Indicators of GRI	Section in the Report (Contents of the Report)	Extent of Disclosure
3. Requirements of Reports	3.5 Process for the determination of the contents of the report	Cover II	Adequate disclosure
	3.6 The coverage of the report (i.e. countries, government authorities, subsidiaries, leased facilities, joint ventures and suppliers)	Cover II	Adequate disclosure
	3.7 The limitations on the coverage and scopes of the report	Cover II	Adequate disclosure
	3.8 The basis for reporting on the joint ventures, subsidiaries, leased facilities, overseas procurement, and any other entities which may materially affect various reporting periods and (or) comparability among different organisations	Cover II	Adequate disclosure
	3.9 The measurement of data and basis of calculation, including assumptions and methods on which the estimates used for the preparation of indicators and other information are based	Cover II	Adequate disclosure
	3.10 Explanation on the results and reasons for the rearrangement of the information contained in previous reports (e.g. mergers and acquisitions, change of base year/number of years, nature of business and basis of calculation)		Not applicable
	3.11 The material differences between the report and previous reports in respect of their coverage, limitations and all bases of calculation	Cover II	Adequate disclosure
	3.12 A list to indicate where various standards are disclosed in the report	P44-50	Adequate disclosure
	3.13 A list of the policy and existing measures adopted by the organisation for external verification of the report in the verification report attached to the sustainability report. If not, please provide explanations on the scopes and proofs of the external verification, and the relationship between the reporting organisation and the party who carries out the verification.		Not involved
4. Governance, commitment and engagement	4.1 The management structure of the organisation	P10-11	Adequate disclosure
	4.2 Indication that if the head of the highest management body also takes up any other executive post	P10	Adequate disclosure
	4.3 The number of independent and (or) non-executive members of the highest management body in case of an organisation with unitary board system	P10	Adequate disclosure
	4.4 The channel for shareholders and employees to make suggestions or give opinion on the direction of operation to the highest management body	P10	Adequate disclosure
	4.5 Relationship between compensation (including arrangement for loss of office) for the members of the highest management body, senior managers and executive officers and the organisation's performance (including social and environmental performance)	P10-11	Adequate disclosure
	4.6 Procedures for prevention of conflicts of interest in the highest management body	P10-11	Adequate disclosure
	4.7 Policy for determination of the required qualifications and experience of the members of the highest management body to implement the strategies of the organisation's economic, environmental and social projects	P10-11	Adequate disclosure

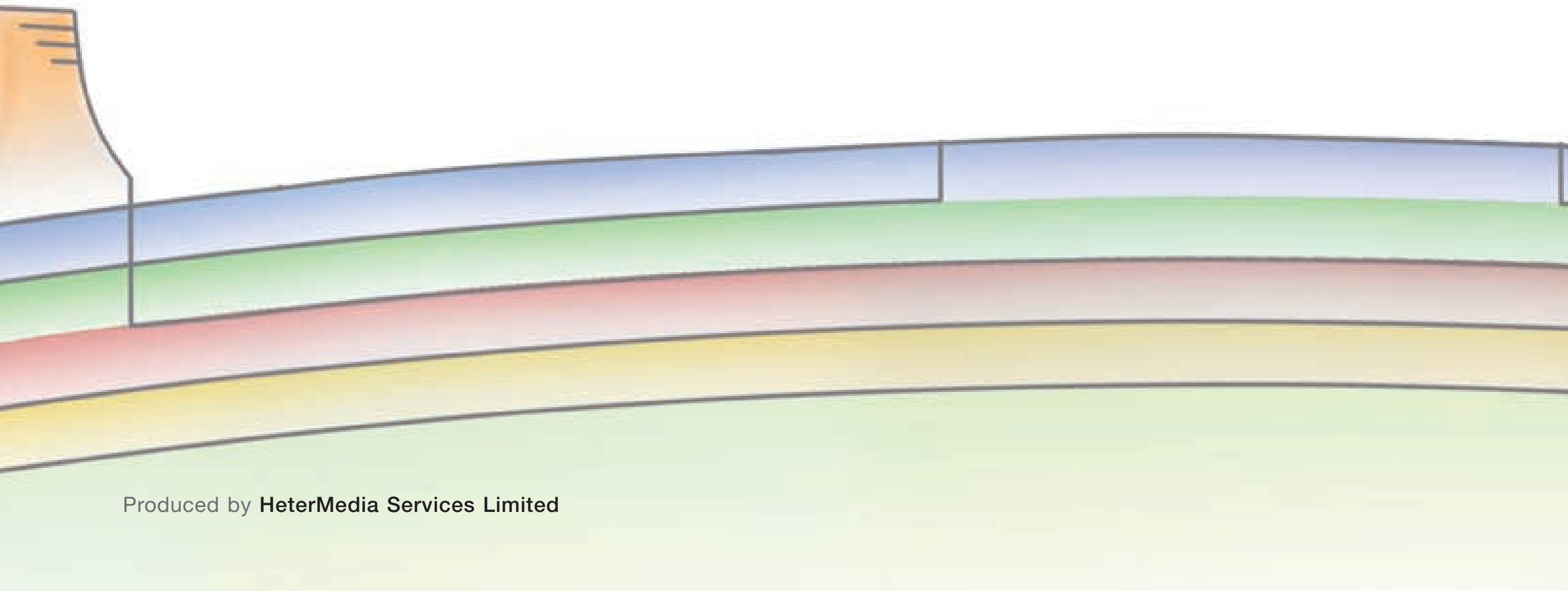
	Particulars of Indicators of GRI	Section in the Report (Contents of the Report)	Extent of Disclosure
4. Governance, commitment and engagement	4.8 The internal missions or values, code of conduct, principles related to economic, environmental and social performance, and their implementation	P8-9	Adequate disclosure
	4.9 The supervision of the highest management body over the determination and management by the reporting organisation of the economic, environmental and social performance (including relevant risks and opportunities), and its compliance with internationally accepted standards, codes of conduct and principles	P11	Adequate disclosure
	4.10 Assessment procedures on the performance of the highest management, particularly, economic, environmental and social performances	P11	Adequate disclosure
	4.11 Explanation on if and how the organisation acts based on prudence or in accordance with the principles		Not involved
	4.12 The organisation's commitment and support to economic, environmental and social charters or principles or other initiatives promoted by external parties	P16-17	Adequate disclosure
	4.13 The admittance to any associations (e.g. industry associations) and (or) national/international initiative organisations	P12-13	Adequate disclosure
	4.14 A list of stakeholders of the organisation	P16-17	Adequate disclosure
	4.15 The basis for identification and selection of stakeholders	P16-17	Adequate disclosure
	4.16 The policy for the introduction of stakeholders, including the frequency of introduction by various forms and groups	P16-17	Adequate disclosure
	4.17 The major projects and concerns raised by stakeholders during their participation, and the feedback given by the organisation, including feedback in the form of reports	P16-17	Adequate disclosure
Economic	EC1 Direct economic value created and distributed, including profit, operating cost, employees' remuneration, donations and other investment on public community, retained benefits, and capital payable to the government and investors	P15	Adequate disclosure
	EC2 The financial impact and other risks and opportunities caused by or arising from the activities carried out by the organisation to cope with weather changes	P19-20	Adequate disclosure
	EC3 The coverage of the organisation's fixed benefit plan	P37-40	Adequate disclosure
	EC4 Important financial assistance received from the government		Not applicable
	EC5 The range of changes in the ratio of local minimum wage to standard starting wage in key operation regions		Not involved
	EC6 The operation policy and practices and the proportion of expenditure spent on local suppliers in key operation regions	P38-40	Adequate disclosure
	EC7 Procedures for employment of staff members and proportion of local management in key operation regions	P37-40	Partial disclosure
	EC8 The development and effects of the investment and services in relation to infrastructure mainly for public interest through trade or provision of in-kind support or social welfare activities	P38-40	Partial disclosure

	Particulars of Indicators of GRI	Section in the Report (Contents of the Report)	Extent of Disclosure
Economic	EC9 Understanding and description of important indirect economic effects, including the degree and scope of the effects	P38-40	Partial disclosure
Environment	EN1 The materials classified by weight or volume	P31-32	Partial disclosure
	EN2 The percentage of recycling materials to the materials used	P15, P32-34	Partial disclosure
	EN3 The direct energy consumption for primary energy resources	P31-32	Partial disclosure
	EN4 The indirect energy consumption for primary energy resources	P31-32	Partial disclosure
	EN5 The energy saved by adopting energy saving measures and increasing efficiency of utilization	P31-34	Adequate disclosure
	EN6 The initiatives promoted for the utilization of the products and the services for energy saving or renewable energy, and the reduction of energy consumption due to these activities	P31-34	Partial disclosure
	EN7 The initiatives promoted for the reduction of indirect energy consumption and the achievement of the reduction target	P31-32	Partial disclosure
	EN8 The total amount of water consumption classified by sources		Not involved
	EN9 The water sources seriously affected by water consumption	P31-34	Partial disclosure
	EN10 The percentage and amount for recycling water	P15	Adequate disclosure
	EN11 The location and size of the area owned, leased and managed in conservation area or in an area adjacent to the conservation area and other area outside the conservation area with great biodiversity		Not involved
	EN12 Elaboration on the important effects on the conservation of biodiversity of the areas with great biodiversity inside and outside the conservation areas brought by the activities, products and services provided by the organisation		Not involved
	EN13 The conserved and restored habitats		Not involved
	EN14 The management of strategies, current actions and future plans which affect the biodiversity.		Not involved
	EN15 The quantity of living things which are listed in the Red List of Threatened Species of International Union for Conservation of Nature (IUCN Red List) and national conservation list for the areas affected by the business operation.		Not involved
	EN16 The calculation of the direct or indirect emission of greenhouse gas by weight	P3, P31-32	Partial disclosure
	EN17 The calculation of other relevant indirect emission of greenhouse gas by weight	P31-32	Partial disclosure
	EN18 The initiative for the reduction of greenhouse gas and the achievement of the reduction target	P32-34	Partial disclosure
	EN19 The calculation of the emission of ozone depleting substance by weight		Not involved

	Particulars of Indicators of GRI	Section in the Report (Contents of the Report)	Extent of Disclosure
Environment	EN20 The calculation of the emission of nitrides, sulfides and other important gas by type and weight	P32-34	Partial disclosure
	EN21 The calculation of total discharge of water by quality and destinations		Not involved
	EN22 The amount of wastes by type and treatment methods	P31-34	Partial disclosure
	EN23 The total occurrence and volume of material leakages		Not involved
	EN24 The amount of hazardous wastes, as specified in Appendix I, II, III and VIII of the Basel Convention on the Control of Transboundary Movement of Hazardous Wastes and their Disposal, being transported, imported, exported or treated, and the percentage of transboundary transportation of the wastes		Not involved
	EN25 The characteristics, scale, conservation, biodiversity and the habitat of water body seriously affected by the sewage discharge and the runoff from the reporting organisation		Not involved
	EN26 The measures taken to alleviate the environmental impact caused by the products and the services and the degree of alleviation	P31-34	Adequate disclosure
	EN27 The products sold and their packing materials which are suitable for separate recycling		Not involved
	EN28 The amount of substantial monetary penalties and the number of non-economic sanctions imposed for the breaches against environmental laws and regulations		Not involved
	EN29 The substantial impact brought by the products and other goods and the transportation of raw materials and labor used in the operations of the organisation	P31-34	Partial disclosure
	EN30 The total expenditures and total investment on environmental protection by types	P15, P32-34	Partial disclosure
Social Labor policies and reasonable workload	LA1 The total number of employees classified by types of employment, employment contracts and locations	P37-38	Adequate disclosure
	LA2 The total number and percentage of employees' turnover classified by ages, sex and location	P37-38	Partial disclosure
	LA3 The benefits exclusively provided to full-time employees, excluding temporary or part-time employees, classified by principal businesses	P37-40	Adequate disclosure
	LA4 The percentage of employees under the protection of the collective negotiation agreement	P37-40	Adequate disclosure
	LA5 The shortest notice period for the change of all kinds of operation, including indication of whether the notice period is provided in the collective agreement	P37-40	Partial disclosure
	LA6 The percentage of employee representatives in the committee for health and safety of the employees formally established in order to provide assistance for the supervision on and consultation for the occupational health and safety plan	P37-40	Partial disclosure
	LA7 The percentage of work injury, occupational diseases, loss of working days (number of days of absence), absence (absenteeism) as classified by locations, and the fatality rate for job – related accidents	P37-40	Partial disclosure

	Particulars of Indicators of GRI	Section in the Report (Contents of the Report)	Extent of Disclosure
Social Labor policies and reasonable workload	LA8 Education, training, consultation and counseling, prevention and risk control in respect of serious diseases provided to help the employees, their families or members of the community	P37-40	Partial disclosure
	LA9 The issues on health and safety set out in the formal agreement entered into with the labor union	P23-24	Partial disclosure
	LA10 The annual average hours of training received by each of the employees classified by job positions	P37-38	Partial disclosure
	LA11 Lifelong learning plans for the employment sustainability and the skill management for job transferal of the employees.	P37-38	Adequate disclosure
	LA12 The percentage of employees under regular performance appraisals and career development	P37-38	Adequate disclosure
	LA13 Details in respect of members of each of the management departments and details of each type of employees classified by sex, ages, minorities and other diversified indicators	P37-38	Partial disclosure
	LA14 The ratio of basic salary of male employees to that of female employees classified by job positions	P37-38	Adequate disclosure
Human rights	HR1 The total number of and percentage for important investment agreements which contain clauses of human rights or have passed the examination for human rights		Not involved
	HR2 The percentage of important suppliers and contractors, and the actions taken by the organisation which have passed the examination for human rights		Not involved
	HR3 The total training hours for the employees in connection with relevant policies and processes for human rights related to their performance of job duties, including the percentage of employees who receive the training	P37-38	Adequate disclosure
	HR4 The total number of cases of discrimination, and the actions taken by the organisation	P37-38	Adequate disclosure
	HR5 The work (operation) discovered that may materially affect the freedom of association and rights of collective negotiation, and the actions taken to protect such rights	P37-40	Adequate disclosure
	HR6 The work (operation) discovered that may materially endanger child labors and the measures taken to abolish child labors	P37-40	Adequate disclosure
	HR7 The work (operation) discovered to possibly cause compulsory or forced labor and the measures taken to abolish such kinds of labor	P37-40	Adequate disclosure
	HR8 The percentage of security guards who receive trainings for relevant policies and processes of human rights related to their performance of duties		Not involved
	HR9 The total number of cases involving the violation of the rights of original inhabitants, including local staff, and the measures taken by the organisation		Not involved
Society	SO1 Assessment of the nature, coverage, and effectiveness of any projects or actions which are operated by the management organisation and affect the community (including moving in or out from a community and operation)	P16-17	Adequate disclosure

	Particulars of Indicators of GRI	Section in the Report (Contents of the Report)	Extent of Disclosure
Society	SO2 The total number and percentage of operating units to which risk analysis for corruption has been conducted		Not involved
	SO3 The percentage of employees who received training relating to the policy and processes for anti-corruption		Not involved
	SO4 The actions taken to tackle corruption		Not involved
	SO5 The stance toward public policies, and the participation in the formulation and lobbying of public policies	P16-17	Partial disclosure
	SO6 The total value of financial and in-kind donation made to political parties, politicians and relevant organisation, as classified by countries		Not applicable
	SO7 The litigations involving anti-competitive behaviours, and measures of anti-trust and anti-monopoly and their results		Not applicable
	SO8 The total amount of substantial penalties and the total number of sanctions without fines imposed as a result of the breaches of laws and regulations		Not involved
Product liability	PR1 Assessment on the effects of safety and health of the products and the services during different phases of their lifespan for improvement, and the percentage of important products and services required to be assessed	P16-17	Partial disclosure
	PR2 The total number of cases which breaches the regulations and voluntary codes for safety and health during the lifespan of the products and the services, as classified by the consequences	P16-17, P23-24	Partial disclosure
	PR3 The type of information on the products and the services as required in the procedures, and the percentage of important products and services under this information requirement	P15, P19-20	Adequate disclosure
	PR4 The total number of cases which breaches the regulations and voluntary codes for information on and the labels of the products and the services, as classified by consequences	P3, P23	Adequate disclosure
	PR5 The measures taken to satisfy customers' needs, including the results of the surveys on customers' satisfaction	P19-20	Adequate disclosure
	PR6 The measures taken to meet the requirement of relevant laws, standards, and voluntary codes in respect of marketing (including advertisements, promotion and sponsorship)	P10, P12	Adequate disclosure
	PR7 The number of cases which breaches relevant regulations and voluntary codes in respect of marketing (including advertisements, promotion and sponsorship), as classified by consequences		Not involved
	PR8 The total number of complaints confirmed to be related to the infringement of customers' rights of privacy and the loss of customers' information		Not involved
	PR9 The total payment of fines imposed as a result of the breaches against relevant laws and regulations in respect of the provision and use of the products and the services		Not involved



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China Coal Energy welcomes your suggestions and opinions on this report

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