OVERVIEW

Our Company was established on 22 August 2006 by our sole Promoter, ChinaCoal Group.

ChinaCoal Group owns 100% of the issued share capital of our Company immediately prior to the Global Offering. Upon completion of the Global Offering, ChinaCoal Group will own approximately 68.25% of our then issued share capital if the Over-allotment Option is not exercised (or approximately 65.00% if the Over-allotment Option is exercised in full), and will be our Controlling Shareholder.

As part of the Restructuring, which took effect on 22 August 2006, ChinaCoal Group transferred to our Company substantially all its assets, liabilities and interests relating to its coal operations, coking operations, coal mining equipment manufacturing operations, coal mine design and other operations. ChinaCoal Group has retained its assets, liabilities and interests relating to its remaining ancilliary businesses.

The major businesses of ChinaCoal Group include:

- equity interests in certain coal gas, coke and coking coal operations and in certain coal-based chemicals manufacturing and sales operations;
- operations of the Mines under Restructuring;
- coal mine construction and civil engineering construction operations;
- coal bed methane development operations;
- provision of coal export agency services and a small amount of coal trading and agency services business of overseas trading companies;
- community functions such as schools and hospitals;
- a small amount of investment in equity and some non-operational assets; and
- other non-core operations including real estate and hotel development and management.

Except for certain coal and coke production as described under "Non-Competition Agreement" below, there is, and the Restructuring was aimed and implemented to provide, clear delineation between our Company's businesses and those retained by ChinaCoal Group. With the implementation of the preventive measures as described in "Non-Competition Agreement" below, our Directors believe that we will not face significant competition, either directly or indirectly, from ChinaCoal Group. Further details regarding our Restructuring are set out in "Restructuring". For details of the businesses and assets retained by ChinaCoal Group after the Restructuring, see "Group Retained Businesses" below.

In connection with the Restructuring, we have entered into a number of agreements and arrangements with ChinaCoal Group and other connected persons (as defined under the Hong Kong Listing Rules). For details of such agreements and arrangements, see "Connected Transactions." In addition, we have entered into a Non-Competition Agreement with ChinaCoal Group. For details, see "Non-Competition Agreement" below.

COMPETITION

Our Main Businesses

The main businesses conducted by us are as follows:

- Coal operations, being our core business, including coal production and sales and coal trading;
- Coking operations, including the production and sale of coke and coal-based chemicals products;

- Coal mining equipment manufacturing operations, including coal mining equipment design, research and development, manufacturing and sales operations and after-sales services; and
- Other operations including provision of coal mine design services.

Group Retained Businesses

Among the businesses retained by ChinaCoal Group after the Restructuring, the following businesses continued to be operated by ChinaCoal Group (collectively, the "Group Retained Businesses") and may compete with our business after listing:

ChinaCoal Group's Coal Production

ChinaCoal Group (through one or more of its subsidiaries other than our Company) will, after our listing, continue to have the right to operate the following coal mines in the Shanxi Province (the "Mines under Restructuring"): the Dongpo Mine (東坡煤礦), the Tangshangou Mine (唐山溝煤礦), the Yangjian Mine (楊澗煤礦), the Danshuigou Mine (擔水溝煤礦) and the Xishahe Mine (西沙河煤礦).

In 2003, 2004 and 2005 and the six months ended 30 June 2006, the Mines under Restructuring produced an aggregate of 0.85 million tonnes, 1.32 million tonnes, 1.09 million tonnes and 1.57 million tonnes, respectively, of coal products, representing approximately 1.1%, 1.6%, 1.2% and 3.6%, respectively, of coal products sold by our Company during these periods. The corresponding revenue from coal sales was approximately RMB58.4 million, RMB124.4 million, RMB134.2 million and RMB198 million, respectively. Total revenue from coal sales by the Mines under Restructuring accounted for 0.5%, 0.7%, 0.5% and 1.7% of our total revenue from coal sales in the same periods. The extent of competition of the coal produced by the Mines under Restructuring is therefore very limited.

The Mines under Restructuring are currently undergoing consolidation and restructuring by ChinaCoal Group pursuant to the relevant PRC Government policies. Before completion of such consolidation and restructuring, ChinaCoal Group's right to operate the Mines under Restructuring will not be transferred to our Company. We intend to acquire from ChinaCoal Group its interests in the Mines under Restructuring, after such consolidation and restructuring have been completed, by exercising our option or pre-emptive right under the Non-Competition Agreement. When deciding whether to exercise the option or pre-emptive right to acquire any of the Mines under Restructuring, our Company will consider the following principal factors: whether this mine (i) has obtained all requisite licences or permits for its operations; and (ii) has been properly established as a mining enterprise with clear corporate and equity structure. See 'Relationship with ChinaCoal Group — Non-Competition Agreement'. Taking into account the above factors and the current progress with regard to the restructuring of these mines, the Directors estimate that three of the Mines under Restructuring, namely, the Yangjian Mine, the Danshuigou Mine and the Xishahe Mine, will meet the above requirements before the end of 2008.

In the meantime, as a transitional arrangement to reduce any possible competition resulting from ChinaCoal Group's operation of the Mines under Restructuring, we have entered into a coal supplies framework agreement with ChinaCoal Group. Under this agreement, ChinaCoal Group shall procure that all coal products from the Mines under Restructuring be supplied exclusively to our Company for our use on normal commercial terms, which we consider fair and reasonable. ChinaCoal Group has further undertaken not to sell any such coal products to any third party. Further details about this arrangement are set out in "Connected Transactions".

The operational management of each Mine under Restructuring is independent of our Company.

ChinaCoal Group's interest in Taiyuan Coal Gas Corporation Limited

ChinaCoal Group holds, and will after our listing continue to hold, a 47.67% interest in Taiyuan Coal Gas Corporation Limited (太原煤炭氣化(集團)有限責任公司) ("Taiyuan Group"), a limited liability company established in the PRC. Taiyuan Group was established by the Shanxi Provincial Government to supply coal gas to Taiyuan City and is controlled and majority owned by Shanxi Provincial SASAC and other minority shareholders. Taiyuan Group owns a 49.45% interest in Taiyuan Coal Gasification Company Limited (太原煤氣化股份有限公司) ("Taiyuan Coal Gasification"), an A share company listed on the Shenzhen Stock Exchange. Taiyuan Group owns the Changgou Mine (長溝煤礦).

ChinaCoal Group has retained instead of transferred its interest in Taiyuan Group to us due to the following reasons:

- Taiyuan Group is required to guarantee the supply of coal gas in Taiyuan City and is therefore carrying a social benefit obligation. It owns and maintains all the infrastructure for coal gas supply in Taiyuan City. Taiyuan Group's coal gas is supplied at government regulated price, which currently does not reflect either the market demand for and supply of coal gas or the cost of investing in and maintaining the coal gas supply infrastructure. As a result, the coal gas business of Taiyuan Group is operating at a loss;

- ChinaCoal Group does not have a majority control of Taiyuan Group, and any transfer of its 47.67% equity interest in Taiyuan Group is subject to the prior consent of other shareholders of Taiyuan Group. Due to Taiyuan Group's social obligation to supply coal gas to Taiyuan City, the Directors are of the view that ChinaCoal Group may not be able to secure such a consent in the event it requests so;

- The Changgou Mine (長溝煤礦) is currently operating at a loss and is undergoing restructuring and assets disposal in accordance with the relevant PRC Government policies. Therefore, it is not appropriate to transfer the interest of Taiyuan Group to us at the current stage.

In 2003, 2004 and 2005, Taiyuan Group generated total revenue of RMB1,385 million, RMB2,092 million and RMB2,809 million, respectively, and incurred net loss of RMB36 million, RMB49 million and RMB14 million, respectively. Taiyuan Group does not manufacture coal gas, but has a coal gas supply agreement with Taiyuan Coal Gasification, which manufactures coal gas. In 2003, 2004 and 2005, Taiyuan Coal Gasification generated revenue of RMB1,137 million, RMB1,705 million and RMB2,465 million, respectively, and net profit of RMB70 million, RMB164 million and RMB186 million, respectively.

Taiyuan Coal Gasification's principal product is coal gas and has a manufacturing capacity of approximately 566.7 million cubic meters per year. Through Taiyuan Group, coal gas produced by Taiyuan Coal Gasification is sold to target customers including residential and industrial customers in Taiyuan City.

Taiyuan Coal Gasification also yields coke as a by-product during the process of converting coal into coal gas and has an annual coke production capacity of 1.7 million tonnes. However, as a by-product, Taiyuan Coal Gasification's coke production capacity is restricted by the volume of coal gas manufactured and therefore cannot be freely adjusted on a market driven basis. For the three years ended 31 December 2005, it produced and sold approximately 0.8 million tonnes, 1.1 million tonnes and 1.5 million tonnes of coke during the coal gas manufacturing process, representing approximately 80.2%, 109.6% and 115.4%, respectively, of the coke sold by our Company during these three years. The coke products from Taiyuan Coal Gasification are sold to the steel factories in Northern and Eastern China.

In addition, Taiyuan Coal Gasification also sells a certain amount of coking coal to local customers in the Shanxi Province. The coal gas manufacturing process also generates certain quantity of low quality coking coal and coal residual stones. For the three years ended 31 December 2005, Taiyuan Group sold approximately 2.4 million tonnes, 2.2 million tonnes and 3.1 million tonnes of coking coal and residual stones. These coking coal and coal residual stones are sold to local customers in the Shanxi Province.

Other than a small number of transactions which took place in 2003 between ChinaCoal Group and Taiyuan Coal Gasification that amounted to RMB62.1 million, there has been no transaction between the two companies since 2004. The Directors believe that there will be no transactions between our Company and Taiyuan Group or Taiyuan Coal Gasification after the listing of our H Shares on the Hong Kong Stock Exchange.

The Directors are of the view that Taiyuan Group and Taiyuan Coal Gasification are not in direct competition with us and even if there is any competition, it is minimal as described below.

Business Focus

Taiyuan Group and Taiyuan Coal Gasification focus on coal gas production as a utility provider. In contrast, our primarily business is coal production, sales and trading. Our Company's coal operations revenue in the years ended 31 December 2003, 2004 and 2005 and the six months ended 30 June 2006 was RMB11,656.7 million, RMB17,733.0 million, RMB25,147.7 million and RMB11,761.0 million, respectively, accounting for 80.5%, 80.0%, 83.7% and 80.1%, respectively, of our total revenue.

Product and Customer Differentiations

- Coal gas: The principal product of Taiyuan Coal Gasification is coal gas, which is supplied to customers in Taiyuan City through Taiyuan Group. The primary target customers of Taiyuan Group are the residential and industrial consumers of Taiyuan City. In contrast, our coal gas is a by-product produced from our coke production and its primary customers include power plants and chemicals companies.
- Coke: Coke produced by Taiyuan Group through Taiyuan Coal Gasification is a by-product from its coal gas production. It is primarily comprised of second grade metallurgical coke and is sold to iron and steel manufacturers in Northern and Eastern China, such as Shandong Laiwu Steel International Corp., Jinan Iron & Steel Group Corp., Tangshan Iron and Steel Co., Ltd. and Tangshan Guofeng Iron & Steel Co., Ltd. In contrast, coke is not our by-product. We produce first grade metallurgical coke, and top-grade and first grade foundry coke. Most of our foundry coke is for export purposes while our metallurgical coke is mainly sold to large iron and steel manufacturing enterprises such as Baoshan Iron & Steel Co., Ltd. None of the major coke customers of Taiyuan Gasification overlaps with our major customers.
- Coking coal: Taiyuan Coal Gasification sells coking coal and coal residual stones, to local customers in the Shanxi Province as by-products from coal gas. Our Company's coal mines produce higher quality coking coal primarily used to produce top-grade and first grade coke. As a result, the coal products of Taiyuan Coal Gasification are not in competition with ours.

In particular, in terms of coke production, the Directors believe that if Taiyuan Coal Gasification is in competition with us, such competition is very limited due to the following reasons in addition to the factors mentioned above:

- Relative significance: Our coking operations contributed significantly less revenue relative to our coal operations. In the years ended 31 December 2003, 2004 and 2005 and the six months ended 30 June 2006, our coking revenue amounted to RMB1,064.9 million, RMB2,039.2 million, RMB1,591.3 million and RMB1,012.4 million, respectively, representing 7.4%, 9.2%, 5.3% and 6.9%, respectively, of the total revenue of our Company. In terms of sales volume, in 2005, our Company sold 92.2 million tonnes of coal, as compared to only 1.3 million tonnes of coke in the same period. The Directors are of the view that our Company's coking operations, as compared to its coal operations, is relatively small both by revenue and sales volume.

- Limited volume: We produced and sold 0.1 million tonnes, 0.2 million tonnes and 0.7 million tonnes of coke, respectively, in each of the three years ended 31 December 2005. In addition, we sold 0.9 million tonnes, 0.8 million tonnes and 0.6 million tonnes of coke, respectively, on a trading basis during the same period. The Directors believe that even if Taiyuan Group is in competition with us, such competition is limited to the extent of our coke output, which amounts to approximately 0.7 million tonnes in 2005. As such, competition, if any, is very minimal.

- Fragmented market: The total volume of coke production in the PRC for the years ended 31 December 2003, 2004 and 2005 was approximately 178 million tonnes, 208 million tonnes and 243 million tonnes, respectively. Taiyuan Group and Taiyuan Gasification's coke sales volume accounted for 0.4%, 0.5% and 0.6%, respectively, of the total sales volume in the PRC during this period. In comparison, our coke sales volume accounted for 0.5%, 0.4% and 0.3% of the total volume during this period. As such, considering the very small market share of Taiyuan Group, Taiyuan Gasification and us in the PRC coke market, the Directors are of the view that the likelihood that coke sold by our Company directly competing with that from Taiyuan Group and Taiyuan Gasification is extremely small.

- Production flexibility: The coke production of Taiyuan Coal Gasification, as a by-product, is restricted by the coal gas demand in Taiyuan City and therefore cannot be freely adjusted in response to sudden change in market demand or supply.

The core management personnel of Taiyuan Group and Taiyuan Coal Gasification are independent of ours. We have been granted an option and a pre-emptive right to acquire ChinaCoal Group's interest in Taiyuan Group under the Non-Competition Agreement, but currently we do not have any plan to exercise such a right.

Other than the competing businesses disclosed in this Prospectus, ChinaCoal Group does not have any other interest in any other business which competes or is likely to compete with our core business.

Non-Competition Agreement

We entered into a Non-Competition Agreement with ChinaCoal Group, under which ChinaCoal Group agreed not to compete with us in our core business and granted us options and pre-emptive rights to acquire the Group Retained Businesses and certain future new business from ChinaCoal Group.

ChinaCoal Group has undertaken in the Non-Competition Agreement that, other than the Group Retained Businesses described above, during the period of the Non-Competition Agreement, ChinaCoal

Group will not compete with us, directly or indirectly, whether on its own or jointly with other entities in any activities or businesses which directly or indirectly competes with our core business, whether inside or outside the PRC. ChinaCoal Group has also undertaken to procure that any other company in which ChinaCoal Group is a Controlling Shareholder (as defined in the Hong Kong Listing Rules) will not compete with us. In addition, ChinaCoal Group has undertaken that the Group Retained Businesses do not generally compete with our core business as some of the Group Retained Business are still currently under restructuring or development. In addition, ChinaCoal Group has granted us options and pre-emptive rights to acquire the Group Retained Businesses under the Non-Competition Agreement.

ChinaCoal Group has undertaken in the Non-Competition Agreement that, during the period of the Non-Competition Agreement:

(a) if ChinaCoal Group becomes aware of a business opportunity which directly or indirectly competes, or may lead to competition, with our core business, ChinaCoal Group or any of its subsidiaries will notify us of such business opportunity immediately upon becoming aware of it. ChinaCoal Group is also obliged to use its best efforts to procure that such opportunity is first offered to us upon terms which are fair and reasonable. ChinaCoal Group has also undertaken to provide us with all information necessary to enable us to make an informed decision on whether to acquire such new business opportunities. ChinaCoal Group shall procure that companies in which it holds an interest as a Controlling Shareholder comply with this provision. Any decision on whether to take up such a business opportunity will be decided by our independent non-executive Directors; and

(b) we have been granted by ChinaCoal Group for the duration of the Non-Competition Agreement:

(i) options to purchase the following interests on the basis of valuation conducted by an independent valuer jointly appointed by ChinaCoal Group and us, subject to any relevant laws and applicable listing rules and existing third party pre-emptive rights:

- any interest in the Group Retained Businesses which directly or indirectly competes or is likely to compete with our core business and which is retained by ChinaCoal Group as part of the Restructuring; and
- any interest in any business of ChinaCoal Group resulting from the business opportunity referred to in paragraph (a) above which has been offered to, but has not been purchased or taken up by us and has been retained by ChinaCoal Group;

(ii) pre-emptive rights to purchase the following interests on terms no less favorable than those of third parties, if ChinaCoal Group or any of its associates intends to transfer, sell, lease or license such interests to any third party:

- any interest in the Group Retained Business which directly or indirectly competes with or is likely to compete with our core businesses;
- any interest in any business of ChinaCoal Group resulting from the business opportunity referred to in paragraph (a) above, which has been offered to, but has not been purchased or taken up by us and has been retained by ChinaCoal Group or any of its subsidiaries or associates; and

(iii) On the exercise of such option or the pre-emptive right, ChinaCoal Group shall transfer such interest to our Company.

In relation to our pre-emptive rights described in paragraph (b) (ii) above, under the Non-Competition Agreement, ChinaCoal Group must notify us before the transfer of its relevant interest to a third party. It is further provided that such notice must set out full terms of the proposed transfer and any information which may reasonably be required by us in order for us to make a decision as to whether we ought to exercise the pre-emptive rights. Any decision on whether to exercise the pre-emptive rights will be made by our independent non-executive Directors. ChinaCoal Group has undertaken to provide such information as may be reasonably requested by our independent non-executive Directors for them to properly consider whether to exercise such pre-emptive rights.

ChinaCoal Group conducts semi-annual working meetings with all of its subsidiaries, including us, to review the operational and financial performance of its business portfolio and to discuss business plans. Members of our senior management will represent us at these meetings, at which they may make enquiries of the performance of the Group Retained Businesses to enable them to consider whether exercising the options is in our interest. In addition, ChinaCoal Group has also undertaken to provide and use reasonable endeavours to procure the provision to our Company such other information as may be necessary for us to properly consider whether to exercise the options under the Non-Competition Agreement. At least on a semi-annual basis, based on the information from meetings with ChinaCoal Group and other information so provided by ChinaCoal Group, our independent non-executive Directors will consider whether ChinaCoal Group has complied with the non-competition undertakings and whether any option or pre-emptive right should be exercised or not exercised. Further, any exercise or non-exercise of any option under the Non-Competition Agreement would constitute a connected transaction. When our Board decides whether to exercise such an option or a pre-emptive right, only our independent non-executive Directors have the right to vote.

When considering whether to exercise or not to exercise any option or pre-emptive right under the Non-Competition Agreement, our independent non-executive Directors will take into account various factors including, among others, the following:

- whether the competing business under consideration has obtained all requisite licences or permits for its operations;
- in respect of any of the Mines under Restructuring, whether such mines have obtained the requisite mining right permit, safety production permits and have complied with the relevant environmental laws and regulations;
- whether the competing business or new business opportunity under consideration is in line with our then development strategy;
- whether the competing business or new business opportunity has reached a sufficiently developed stage that it would be in the interest of our shareholders as a whole to exercise the options or pre-emptive rights.

If we decide to exercise or not to exercise any option or pre-emptive right under the Non-Competition Agreement, we will also disclose such decision either in our annual reports or public announcements in addition to complying with the disclosure requirements of the Hong Kong Listing Rules. The disclosure requirements for any decision to exercise or not to exercise the options to acquire interests held by ChinaCoal Group will be regulated by the Hong Kong Listing Rules. Accordingly, where a decision to exercise or not to exercise an option under the Non-Competition Agreement is required under the Hong Kong Listing Rules to be disclosed, a public announcement will be made unless a waiver has been obtained from the Hong Kong Stock Exchange. In circumstances where a decision to exercise or not to exercise an option is not required to be announced under the Hong Kong Listing Rules, such as where the relevant percentage ratio is below the relevant de minimis thresholds, under the Hong Kong Listing Rules, disclosure of the decision will be made in our annual report of the year in which the decision is made. The value of the target company or business will be used for the purpose of calculating the relevant percentage ratio under the Hong Kong Listing Rules. We will also disclose in our annual reports on how the non-competition undertakings are complied with and enforced.

The Non-Competition Agreement took effect on 5 September 2006 and shall remain effective until the earlier of (a) the date on which ChinaCoal Group directly or indirectly beneficially holds less than 30% of our issued share capital; and (b) the date on which our Shares cease to be listed on the Hong Kong Stock Exchange, or any other recognized international stock exchange.

New business opportunities pursued by ChinaCoal Group

To date, ChinaCoal Group has, in accordance with the Non-Competition Agreement, informed us of the following new business opportunities:

- proposed coal-based chemicals project relating to production of coal-based dimethylether in the Inner Mongolia Autonomous Region;
- coal-based chemicals project relating to coal-based methanol and alkene in Harbin City, the Heilongjiang Province;
- proposed investment relating to participation in the consolidation and restructuring of local mines, coal-based chemicals and related projects in the Shanxi Province; and
- cooperation with a research organization at the State level for construction of a coal-based chemicals and new energy research and development centre in the Liaoning Province.

As for coal-based chemicals project relating to coal-based methanol and alkene in Harbin City, the Heilongjiang Province, on 19 September 2006, the SASAC approved the transfer of 57.92% and 100% equity interests in Harbin Coal Industry Company ("Harbin Coal") and Harbin Gasification Company ("Harbin Gasification"), respectively, to ChinaCoal Group for nil consideration. Harbin Coal has a coal mine with an annual production of 1.8 million tonnes, which is predominantly used by Harbin Coal for the production of coal gas, with the remaining being used for production of methanol and electricity generation for its own consumption. Harbin Gasification currently produces approximately 2.42 million cubic meters of gas per day and approximately 140,000 tonnes of methanol annually.

As of the Latest Practicable Date, other than the development of the coal-based chemicals project in Harbin City, the Heilongjiang Province, ChinaCoal Group has only entered into framework agreements with the relevant parties in respect of the above three other new business opportunities.

ChinaCoal Group has, in accordance with the Non-Competition Agreement, informed and invited us to participate in the above four new business opportunities. We have decided not to accept the above new business opportunities at this initial stage after due consideration because:

- coal-based methanol, dimethylether and alkene do not cause any competition with our core business as they are industrial chemicals products processed from coal, and are mainly used as fuel or fuel substitute. The major coal-based products produced by our Company are tar, benezene and refined naphthalene, which are mainly used as productive materials of other industrial chemical products. For example, tar can be used in modified asphalt and coloring agent; benzene and naphthalene can be used in producing explosives and other chemicals products; and

- local coal mines, before the completion of their consolidation and restructuring, are not suitable to be transferred to us since these mines normally have regulatory compliance issues, such as operating without obtaining all requisite licences or permits or in compliance with the relevant environmental and safety laws and regulations. In addition, such mines normally are not properly established as a mining enterprise with clear corporate and ownership structure.

The coal-based chemicals projects in the Inner Mongolia Autonomous Region and in Harbin City, the Heilongjiang Province, as well as the research project in the Liaoning Province all involve research and development or production of coal-based methanol, dimethylether and alkene. Such new business opportunities do not cause any competition with our core business. Further, as ChinaCoal Group has only entered into a framework agreement with the provincial government of the Shanxi Province for the proposed restructuring of local mines in the Shanxi Province, the Directors are also of the view that there is no competition arising from such business opportunity. See "Relationship with ChinaCoal Group - ChinaCoal Group's coal production".

ChinaCoal Group has provided our independent non-executive Directors with the necessary information relating to these new business opportunities. Having reviewed the information and made reasonable enquiries, all independent non-executive Directors are of the view that the new business opportunities are not mature and therefore agree not to accept them at this stage. We will continue to monitor the development of these opportunities and have reserved our rights to exercise our option under the Non-Competition Agreement to acquire ChinaCoal Group's interests in the businesses that may result from such opportunities in the future.

INDEPENDENCE FROM CHINACOAL GROUP

Having considered the following factors, we are satisfied that we can conduct our business independently from ChinaCoal Group and its associates after the Global Offering:

Our Restructuring

The separation of businesses, assets and liabilities between ChinaCoal Group and our Company in connection with the Restructuring, including adopting relevant legal procedures, implementing internal control and management functions, making required governmental registrations and obtaining third party consents, has been, or is expected to be, completed before listing. All governmental approvals required for the completion of the separation have been or will be obtained.

Independence of board and management

Composition of the Board and the senior management

Our Board comprises nine Directors, seven of whom are not associated with ChinaCoal Group. Of these seven Directors, five are independent non-executive Directors and two are executive Directors. Set out below is a table summarising the positions held by the Directors at our Company and ChinaCoal Group:

No	Name	Position with our Company	Position with ChinaCoal Group (1)
Board of Directors			
1.	Jing Tianliang....	Chairman and Executive Director	President
2.	Zhang Baoshan ..	Vice Chairman and Non-Executive Director	Vice President and Chief Engineer
3.	Yang Lieke......	Executive Director and President	None
4.	Peng Yi.........	Executive Director, Executive Vice-president and Chief Financial Officer	None
5.	Gao Shangquan ..	Independent Non-Executive Director	None
6.	Zhang Ke	Independent Non-Executive Director	None
7.	Peng Ru Chuan ..	Independent Non-Executive Director	None
8.	Wu Rongkang ...	Independent Non-Executive Director	None
9.	Li Yanmeng	Independent Non-Executive Director	None

Apart from those of our Directors set out above with concurrent positions with ChinaCoal Group, none of our senior management hold any position within ChinaCoal Group, and all such senior management members are full-time employees of our Company as shown in the table below:

No	Name	Position with our Company	Position with ChinaCoal Group (1)
Senior Management			
1.	Gao Jianjun	Vice President	None
2.	Li Fuyou........	Vice President	None
3.	Qi Hegang	Vice President	None
4.	Niu Jianhua	Vice President	None
5.	Zhou Dongzhou ..	Secretary to the Board and Joint Company Secretary	None

(1) ChinaCoal Group does not have a board of directors.

Our Board will function independently from ChinaCoal Group despite that two of the Directors have overlapping positions with ChinaCoal Group for the following reasons:

- The majority, or seven out of nine members, of our Board has no overlapping position with ChinaCoal Group. It is our Board as a whole, and not the individual Directors, which makes decisions for our Company pursuant to our Articles of Association.

- The day-to-day operation of our Company is managed by our senior management, who are all independent of ChinaCoal Group and are our full time employees.

- We have five independent non-executive Directors who are independent from our Company and ChinaCoal Group and they form the majority of our Board.

- Our independent non-executive Directors have diversified skills and expertise and our Board will benefit from their independent advice on different aspects of our operations. We expect to benefit from the advice of our independent non-executive Directors on the following different areas:

Gao Shangquan	We expect to benefit from the substantial experience of Mr. Gao in the economic reforms and systems of China.
Zhang Ke	We expect to benefit from the substantial experience of Mr. Zhang in accounting, finance, corporate governance, internal control and auditing.
Peng Ru Chuan	We expect to benefit from Mr. Peng's substantial experience in advising PRC listed issuers on their compliance obligations under the Hong Kong Listing Rules.
Wu Rongkang	Our Board will benefit from Mr. Wu's extensive professional knowledge and experience of the PRC coal industry.
Li Yanmeng	Mr. Li has extensive experience in the PRC power industry and our Board will benefit from his experience and knowledge in the PRC power and energy industry.

- Our Board has put in place various mechanisms to avoid conflicts of interest to ensure independent decision-making and to safeguard the protective measures of the non-competition undertakings under the Non-Competition Agreement.

The decision-making mechanism of our Board as set out in the Articles of Association includes provisions to avoid conflicts of interest by providing, among other things:

- When our Board is to decide on a matter which involves a transaction between our Company and another company or entity (i) with overlapping Director(s) or (ii) where a Director is engaged as a member of the senior management of the proposed counter-party, the overlapping Director shall abstain from voting on any proposed resolution involving the proposed counter-party;
- Such resolution will only be passed by the affirmative votes of at least half of the total number of Directors not associated with the proposed counter-party voting the resolution; and
- The decision so made at such meeting shall be deemed a decision of the board as if the decision were made by the full board.

In relation to enforceability of the protective measures (such as options, pre-emptive rights or acceptance of new business opportunities) under the Non-Competition Agreement, the Non-Competition Agreement contains the following protective measures:

- Any decision whether (i) to accept or not to accept any new business opportunity; or (ii) to exercise or not to exercise any option or pre-emptive rights under the Non-Competition Agreement, will only be made by our independent non-executive Directors;
- ChinaCoal Group will organize semi-annual working meetings with ChinaCoal Group to review ChinaCoal Group's business portfolio and business plans and to enable our independent non-executive Directors to consider whether to exercise the option under the Non-Competition Agreement; and

- ChinaCoal Group has undertaken to provide and use reasonable endeavours to procure the provision to our Company such other information as may be necessary for us to properly consider whether to exercise the option under the Non-Competition Agreement.

For more details of the enforceability of the protective measures under the Non-Competition Agreement, see "Non-Competition Agreement" in this section.

As such, when conflicts of interest situation arises, for example, when considering a connected transaction with ChinaCoal Group, the two overlapping Directors who are also members of the senior management of ChinaCoal Group shall abstain from voting on the proposed resolution to decide such transaction and hence they will not be in position to affect the decision of the Board on matters in which ChinaCoal Group may be interested. Further, following the listing of our Company on the Hong Kong Stock Exchange, our Board has to comply with the provisions of the Hong Kong Listing Rules and certain matters, in particular, connected transactions shall be referred to the independent non-executive Directors for review and recommendations. When considering the exercise of options or pre-emptive rights under the Non-Competition Agreement, only the independent non-executive Directors will make the decision, thereby ensuring the independence of Board when deciding on such matters.

Based on the above, our Board is satisfied that there are sufficient and effective preventive measures to manage conflicts of interest and that our Board is able to operate independently of ChinaCoal Group.

Non-competition undertaking

As stated in the sub-section headed "Non-Competition Agreement" in this section and as we have put in place various mechanisms to ensure the enforceability of the protective measures of the Non-Competition Agreement, our Directors believe that we will not face significant competition, directly or indirectly, from ChinaCoal Group.

Our assets and businesses

Following the Restructuring, we own five mining areas comprised of nine mines in operations and three mines under development. Our marketable coal reserves were over 3,000 million tonnes, which we expect will provide stable coal resources to fulfill our coal production requirements necessary for carrying on our business. We have also obtained, through the Restructuring, ChinaCoal Group's overall sales-related resources, including its extensive sales and marketing network, integrated port facilities, established customer base, well-recognized brand names, trademarks and valuable market experience.

We have obtained our own business licenses necessary for our headquarters, and substantially all of our other entities have completed their registrations with the local Administrations for Industry and Commerce. We anticipate that those entities which have not yet completed their registrations will be able to complete the registration process before listing.

We also have our own relevant industry licenses required to carry on our business, except for the relevant coal export qualification which could not be freely transferred under the current PRC regulatory regime. We have therefore entered into an agency agreement to appoint ChinaCoal Group as our non-exclusive coal export and sales agent. Under the agreement, the agency services provided by ChinaCoal Group shall be made on terms no less favorable to us than those available from other export agents. The transaction is more fully described under "Connected Transactions". In respect of our coke export, we plan to independently apply for our coke export licence and quotas after listing, and have appointed ChinaCoal Group as our non-exclusive coke export agent in the interim period.

Operational independence

Pursuant to the Restructuring, ChinaCoal Group has transferred most of its assets, liabilities and interests of its coal operations, coking operations, coal mining equipment manufacturing operations and coal mine design operations to our Company. The chains of production, supply and sales of the above businesses are complete, and their operations are independent.

ChinaCoal Group has partly retained the function of supplying supplemental raw materials, buildings, land use rights, trade marks and the State coal export trading qualification relating to the above businesses. To govern the transactions between ChinaCoal Group and our Company arising from the above retained businesses, ChinaCoal Group and our Company have entered into a series of connected transaction agreements. The terms and conditions of these agreements are on normal commercial terms which we believe to be fair and reasonable and in the interests of our shareholders as a whole. Furthermore, the renewal or modification of the terms and conditions or the entering into of any new agreement with ChinaCoal Group will be subject to the strict regulation of connected transactions under the Hong Kong Listing Rules. If the relevant terms and conditions are unfair, our Company has the right to cease using ChinaCoal Group's services.

We are not dependent on ChinaCoal Group with respect to raw material supplies or buildings and land leases under the relevant connected transaction agreements. These transactions only represented less than 5% of our total cost of operations and provision of these materials and leasing of these buildings and land are supplemental. In addition, pursuant to the connected transaction agreements, if ChinaCoal Group cannot provide the materials, buildings and land use rights upon reasonable terms, our Company is entitled to choose a third party who can provide such materials and services upon better terms. Therefore, these transactions will not have a material impact on the operations of our Company.

We are not dependent on ChinaCoal Group for its export sales agency services. In addition to ChinaCoal Group, there are three other operators who are authorized to export coal. The Coal Export and Sales Agency Agreement stipulates that if the terms provided by other authorized holders of coal export trading rights are more favorable than those provided by ChinaCoal Group, our Company is entitled to use the services of other authorized export agents. We do not expect any difficulties in entering into export agency arrangements with any of these authorized operators.

We have secured the long-term use of ChinaCoal Group's trademarks by entering into a ten-year trademarks license framework agreement, renewable for another ten years. Pursuant to this agreement, ChinaCoal Group has licensed to our Company the right to use its registered trademarks and trademarks in application in the PRC, Japan, Hong Kong and Korea relevant to our business operations. The trademarks license framework agreement contains a non-cancellable clause and ChinaCoal Group is therefore not entitled to unilaterally terminate this agreement.

Based on the above reasons, the Directors are of the view that there is no operational dependence by us on ChinaCoal Group. Further details about these transactions between our Company and ChinaCoal Group are set out in "Connected Transactions".

Further, our operational decisions are made by and through our shareholders' meeting, our Board, our supervisory committee and our management according to their respective duties.

We have our own organizational structure comprised of independent departments and business and administrative units, each with specific areas of responsibility. We have also maintained a set of comprehensive internal control procedures to facilitate the effective operation of our business.

Our Financing

We will have settled all amounts due from us to ChinaCoal Group and its associates and procured the release of all guarantees provided to us by ChinaCoal Group and its associates by the time of listing. We have sufficient capital to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations. See "Financial Information — Working capital confirmation".

We have our own finance department and have established our own financial auditing system independent of ChinaCoal Group. We have an independent bank account, have made independent tax registrations and have employed a sufficient number of dedicated financial accounting personnel.

In accordance with an agreement between ChinaCoal Group and China Development Bank, ChinaCoal Group is entitled to allocate, without prior consent from China Development Bank, part or all of a RMB22 billion banking facility under the agreement to any of its subsidiaries. We have applied to China Development Bank for the grant, subject to the bank's credit appraisal and internal approval process, of separate and new banking facilities of not less than RMB22 billion to our Company. The Directors believe that our Company will obtain the new banking facilities prior to the listing.