

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business — Our business strategies” for a detailed description of our Company’s future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$11.3 billion, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming an initial public Offer Price of HK\$3.625 per H Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this Prospectus. We intend to use these net proceeds for the following purposes:

- A maximum of 65.0%, or approximately RMB7.4 billion (equivalent to approximately HK\$7.3 billion), is expected to be used primarily for the construction of future open pit mines and underground mines, related coal processing plants and dedicated railways planned for development in our Pingshuo Mining Area. Of this total amount, we plan to use RMB6.3 billion for the construction of mines, RMB0.7 billion for the construction of coal processing plants and RMB0.4 billion for the construction of dedicated railways;
- A maximum of 25.0%, or approximately RMB2.8 billion (equivalent to approximately HK\$2.8 billion), is expected to be used to repay bank loans. The relevant bank loans mainly are borrowings from four PRC commercial banks and their maturity dates range from 1 January 2007 to 20 November 2015. In addition, the annual interest rates of these bank loans range from 4.93% to 6.12%. These loans are used as working capital and for the construction of the Antaibao Mines and the Anjialing Mines; and
- the remaining balance to fund our working capital.

To the extent that the net proceeds of the Global Offering derived from unused capital are not immediately applied to the above purposes, we intend to deposit the proceeds in interest-bearing bank accounts, such as short-term savings accounts or basic short-term money market funds, with licensed commercial banks and/or authorized financial institutions in Hong Kong or China.

In the event that the Over-allotment Option is exercised in full, we estimate that we will receive net proceeds from the sale of these additional Offer Shares of approximately HK\$1.7 billion, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the same initial public Offer Price as stated above. We intend to use these net proceeds to expand and upgrade our coal mines and coal processing plants.

In the event that the Offer Price is set at the high-end of the proposed Offer Price range and the Over-allotment Option is not exercised at all, our Company will receive net proceeds of approximately HK\$12.6 billion. The additional net proceeds of approximately HK\$1.3 billion will be used to develop our coal production facilities and ancillary facilities. In the event that the Offer Price is set at the high end of the proposed Offer Price range and the Over-allotment Option is exercised in full, our Company will receive net proceeds of approximately HK\$14.5 billion and the additional net proceeds of approximately HK\$1.9 billion arising from the exercise of the Over-allotment Option will be used in the construction of our coal production facilities and related ancillary facilities.

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In the event that the Offer Price is set at the low end of the proposed Offer Price range and the Over-allotment Option is not exercised at all, our Company will receive net proceeds of approximately HK\$9.9 billion. Under such circumstances, the net proceeds allocated to working capital will be reduced. In the event that the Offer Price is set at the low-end of the proposed Offer Price range and the Over-allotment Option is exercised in full, our Company will receive net proceeds of approximately HK\$11.4 billion. The additional net proceeds of approximately HK\$1.5 billion (when compared to the net proceeds to our Company with the Offer Price being determined at the low end of the stated range and assuming the Over-allotment Option is not exercised) will be used in the construction of our coal production facilities and related ancillary facilities.