

	<u>Formerly</u>
Qinhuangdao China Coal Warehousing and Transportation Co., Ltd. (秦皇島中煤儲運有限公司)	China Coal Import and Export Group Qinhuangdao Warehousing and Transportation Center (中國煤炭進出口集團公司秦皇島儲運中心)
Beijing China Coal Zhongzhuang Machinery Materials Co., Ltd. (北京中煤中裝機械物資有限公司)	Beijing Zhongzhuang Machinery Materials Company (北京中裝機械物資公司)
China Coal Handan Mining Machinery Company Co., Ltd. (中煤邯鄲礦山機械有限責任公司)	Handan Design and Research Institute Zhongxing Minchinery Plant (邯鄲設計研究院中興機械廠)
China Coal Handan Rock Soil Engineering Technology Co., Ltd. (中煤邯鄲岩土工程有限公司)	Handan Design and Research Institute Rock Soil Engineering Technology Development Company (邯鄲設計研究院岩土工程技術開發公司)
China Coal Handan Zhongyuan Construction Supervision and Consulting Co., Ltd. (中煤邯鄲中原建設監理諮詢有限責任公司)	China Coal Industries Handan Design and Research Zhongyuan Construction Supervision and Consulting Company (煤炭工業邯鄲設計研究院中原建設監理諮詢公司)
China Coal Handan Xinhua Technology Development Co., Ltd. (中煤邯鄲信華技術開發有限責任公司)	Handan Design and Research Institute Xinhua Technology Development Company (邯鄲設計研究院信華技術發展公司)
China Coal International Technical Consulting Development Co., Ltd. (中國煤炭工業國際技術諮詢開發有限責任公司)	China Coal Industries International Technical Consulting Company (中國煤炭工業國際技術諮詢開發公司)

**(ii) Principal jointly controlled entities**

Company Name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the		Principal activities	Type of legal entity
			Company	Group		
Huajin Coking Coal Company Limited (Note xix)/(華晉焦煤有限責任公司)	Shanxi, the PRC 20 December 1991	RMB 519,876,510	50%	50%	Coal mining	Limited liability company
Lingshi China Coal & Coke Gas Power Limited (Note xvi)/(靈石縣中煤焦化煤氣發電有限責任公司)	Lingshi, the PRC 11 November 2004	RMB 1,000,000	—	51%	Power generation	Limited liability company
Shuozhou China Coal Pingshuo Energy Co., Ltd. (Note xx)/(朔州中煤平朔能源有限公司)	Shuozhou, the PRC 21 March 2004	RMB 150,000,000	51%	51%	Manufacture and processing of coal	Limited liability company
Shaanxi Nanliang Coal Co., Ltd. (Note x)/(陝西南梁礦業有限公司)	Fugu, the PRC 5 February 1999	RMB 68,750,000	23%	55%	Manufacture and processing of coal	Sino-foreign limited liability company

Company Name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the		Principal activities	Type of legal entity
			Company	Group		
Datong China Coal Export Base Development Co., Ltd. (Note xi) / (大同中煤出口煤基地建設有限公司)	Datong, the PRC 8 August 2000	RMB 125,000,000	19%	60%	Manufacture and processing of coal	Sino-foreign limited liability company
Datong Zhongxin Energy Co., Ltd. (Note xii) / (大同中新能源有限公司)	Datong, the PRC 27 August 2001	RMB 161,000,000	5%	42%	Manufacture and processing of coal	Sino-foreign limited liability company
China Coal Complete Equipment Co., Ltd. (Note ii) / (中煤設備成套有限公司)	Beijing, the PRC 23 September 1993	RMB 28,452,400	—	65.73%	Provision of maintenance services	Wholly state-owned enterprise
Shanxi China Coal Pingshuo Antaibao Coal Co., Ltd. (formerly Ping Shuo First Coal Company Limited)* (Note ii) / (山西中煤平朔安太堡煤炭有限責任公司 (前稱平朔第一煤炭有限公司))	Shuozhou, the PRC 8 July 1991	RMB 983,329,299	80%	80%	Coal mining	Limited liability company

\* In September 2006, the Company acquired the remaining 20% equity interest in Shanxi China Coal Pingshuo Antaibao Coal Co., Ltd. and it became a wholly owned subsidiary of the Group since then (note 37(c)).

The aggregate amounts of assets, liabilities, revenues and expenses, and capital commitments attributable to the Group's interests in the jointly controlled entities are summarised as follows:

	As of 31 December			As of 30 June
	2003 RMB'000	2004 RMB'000	2005 RMB'000	2006 RMB'000
<b>Assets:</b>				
Non-current assets . . . . .	3,248,761	3,364,817	3,383,604	3,766,017
Current assets . . . . .	1,750,977	1,965,977	2,374,031	3,172,461
<b>Liabilities:</b>				
Long-term liabilities . . . . .	(953,805)	(977,281)	(922,316)	(670,650)
Current liabilities . . . . .	<u>(2,692,004)</u>	<u>(2,484,184)</u>	<u>(2,738,737)</u>	<u>(4,123,651)</u>

	Year ended 31 December			Six months ended 30 June	
	2003 RMB'000	2004 RMB'000	2005 RMB'000	2005 RMB'000 (unaudited)	2006 RMB'000
Revenue .....	3,335,804	5,305,210	6,688,488	3,231,039	2,936,089
Expenses .....	3,270,458	4,940,075	6,334,064	3,049,675	2,787,857
Net profit .....	65,346	365,135	354,424	181,364	148,232
Capital commitments.....	—	—	110,000	—	145,299

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

- (i) The accounts of these companies for the Relevant Periods were audited by Jiangsu Tianheng Certified Public Accountants Co., Ltd. (江蘇天衡會計師事務所有限公司)
- (ii) The accounts of these companies for the Relevant Periods were audited by Zhongtianheng Certified Public Accountants Co., Ltd. (中天恒會計師事務所有限公司)
- (iii) The accounts of these companies for the years ended 31 December 2003 and 2004 were audited by Shanxi Tianyuan Certified Public Accountants Co., Ltd. (山西天元會計師事務所有限公司) and the accounts of these companies for the year ended 31 December 2005 was audited by Beijing Zhonglei Certified Public Accountants Co., Ltd. (北京中磊會計師事務所有限公司)
- (iv) The accounts of the company for the year ended 31 December 2003 were audited by Shuozhou Sanyi Certified Accountants Co., Ltd. (朔州三益會計師事務所有限公司). The accounts of the company for the years ended 31 December 2004 and 2005 were audited by Zhongtianheng Certified Public Accountants Co., Ltd. (中天恒會計師事務所有限公司)
- (v) The accounts of this company for the year ended 31 December 2003 were audited by Jiangsu Tianheng Certified Public Accountants Co., Ltd. (江蘇天衡會計師事務所有限公司), the accounts of the company for the years ended 31 December 2004 were audited by Zhongtianheng Certified Public Accountants Co., Ltd. (中天恒會計師事務所有限公司) and the accounts of the company for the year ended 2005 were audited by Zhongfa Daoqin Certified Public Accounts Co., Ltd. (中發道勤會計師事務所有限公司)
- (vi) The accounts of this company for the year ended 31 December 2003 were audited by Jiangsu Tianheng Certified Public Accountants Co., Ltd. (江蘇天衡會計師事務所有限公司) and the accounts of the company for the years ended 31 December 2004 and 2005 were audited by Zhongfa Daoqin Certified Public Accountants Co., Ltd. (中發道勤會計師事務所有限公司)
- (vii) The accounts of the company for the year ended 31 December 2003 were audited by Zhongjia Certified Public Accountants Co., Ltd. (中嘉會計師事務所有限公司) and the accounts of the company for the years ended 31 December 2004 and 2005 were audited by Zhongtianheng Certified Public Accountants Co., Ltd. (中天恒會計師事務所有限公司)
- (viii) The accounts of this company for the Relevant Periods were audited by Ceiceily Lo & Company.
- (ix) The accounts of these companies for the year ended 31 December 2003 were audited by Zhongtianheng Certified Public Accountants Co., Ltd. (中天恒會計師事務所有限公司), the accounts of these companies for the year ended 31 December 2004 were audited by ShanxiTianyuan Certified Public Accountants Co., Ltd. (山西天元會計師事務所有限公司) and the accounts of these companies for the year ended 31 December 2005 were audited by Beijing Zhonglei Certified Public Accountants Co., Ltd. (北京中磊會計師事務所有限公司)

- (x) The accounts of this company for the Relevant Periods were audited by Yulinborui Certified Public Accountants Co., Ltd. (榆林博瑞會計師事務所有限公司)
- (xi) The accounts of this company for the Relevant Periods were audited by Datong Beiyue Certified Public Accountants Co., Ltd. (大同北岳會計師事務所有限公司)
- (xii) The accounts of this company for the Relevant Periods were audited by Shanxi Zhencheng Certified Public Accountants Co., Ltd. (山西真誠會計師事務所有限公司)
- (xiii) Newly incorporated in 2005 and the accounts of these companies for the year ended 31 December 2005 were audited by Zhongfa Daoqin Certified Public Accountants Co., Ltd. (中發道勤會計師事務所有限公司)
- (xiv) Newly incorporated in 2004 and the accounts of the company for the year ended 31 December 2004 were audited by Shanxi Tianyuan Certified Public Accountants (山西天元會計師事務所有限公司) and the accounts of the company for the year ended 31 December 2005 were audited by Beijing Zhonglei Certified Public Accountants Co., Ltd. (北京中磊會計師事務所有限公司)
- (xv) The accounts of this company for the year ended 31 December 2003 and 2004 were audited by Zhongtianheng Certified Public Accountants Co., Ltd. (中天恒會計師事務所有限公司) and the accounts of the company for the years ended 31 December 2005 were audited by Zhongfa Daoqin Certified Public Accountants Co., Ltd. (中發道勤會計師事務所)
- (xvi) Newly incorporated in 2004 and the accounts of the company for the years ended 31 December 2004 and 2005 were audited by Zhongtianheng Certified Public Accountants Co., Ltd. (中天恒會計師事務所有限公司)
- (xvii) No audited accounts were issued for this company for the Relevant Periods as it is not required to issue audited accounts under the local statutory requirements.
- (xviii) The accounts of this company for the year ended 31 December 2003 were audited by Zhongtianheng Certified Public Accountants Co., Ltd. (中天恒會計師事務所有限公司) and the accounts of the company for the years ended 31 December 2004 and 2005 were audited by Beijing Zhonglei Certified Public Accountants Co., Ltd. (北京中磊會計師事務所有限公司)
- (xix) The accounts of the company for the years ended 31 December 2003 and 2004 were audited by Shanxi Tianyuan Certified Public Accountants Co., Ltd. (山西天元會計師事務所有限公司) and the accounts of the company for the year ended 31 December 2005 was audited by Beijing Zhongtianhuazheng Certified Public Accountants Co., Ltd. (北京中天華正會計師事務所有限公司)
- (xx) Newly incorporated in 2004 and the accounts of the company for the years ended 31 December 2004 and 2005 were audited by Shuozhou Sanyi Certified Public Accountants Co., Ltd. (朔州三益會計師事務所有限公司)

Except for Ceiceily Lo & Company, which is a firm of certified public accountants registered in Hong Kong, all the auditors of the above entities are certified public accountants registered in the PRC. None of the above entities have ever prepared audited financial statements in accordance with IFRS.

The English names of certain subsidiaries, jointly controlled entities and associates companies referred to herein represent management's best effort at translating the Chinese names of these companies as no English names have been registered.

## (iii) Principal associates

Company Name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the		Principal activities	Type of legal entity
			Company	Group		
China Coal & Coke Xuyang Limited 河北中煤旭陽焦化有限公司	Hebei, the PRC 21 November 2003	RMB 100,000,000	—	45%	Manufacture and sale of coal and other related products	Limited liability company
Tianjin Tanjin Energy Technology Company Limited 天津炭金能源技術有限公司	Tianjin, the PRC 28 August 2001	RMB 2,000,000	—	40%	Coal washing and other related services	Limited liability company
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	RMB 5,800,000	—	25.86%	Manufacture and sale of environmentally friendly equipment	Limited liability company
Zhangjiakou Hengyang Appliance Company Limited 張家口恒洋電器有限公司	Zhangjiakou, the PRC 26 April 2001	RMB 2,329,505	—	45.55%	Manufacture of electrical appliances	Sino-foreign limited liability company
Zhangjiakou Litong Transportation Company Limited 張家口利通汽車運輸有限公司	Zhangjiakou, the PRC 18 February 2002	RMB 500,000	—	20%	Freight forwarding services	Limited liability company
Beijing Tianhua Zhongrui Machinery Technology Development Company Limited 北京天華中瑞機械科技發展有限公司	Beijing, the PRC 16 September 2004	RMB 4,641,000	—	49%	Manufacture of spare parts for motor vehicles	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	Shanxi, the PRC 10 December 2002	RMB 129,250,000	30%	30%	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	Shanxi, the PRC 19 May 2004	RMB 10,000,000	37.5%	37.5%	Railway transportation	Limited liability company
Guotou Zhongmei 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	RMB 200,000,000	21%	21%	Coal Quay Construction	Limited liability company
Fukai (Zhangjiakou) Mineral Equipment Company Limited 富凱(張家口)礦業設備有限公司	Zhangjiakou, the PRC 18 November 2004	RMB 1,650,000	—	49%	Manufacture of mining vehicles and provision of technical services	Sino-foreign limited liability company

## 37 SUBSEQUENT EVENTS

Save as disclosed elsewhere in this report, the significant subsequent events are as follows:

- (a) The Company was incorporated on 22 August 2006. Subsequently, China Coal Group and the Company entered into a restructuring agreement (the "Restructuring Agreement") in preparation for a listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited. Details of the Restructuring are set out in note 1 to the Financial Information. Pursuant to the Restructuring Agreement, China Coal Group has made various representations and warranties in relation to the businesses, assets, liabilities and interests transferred to the Company under the Restructuring and has agreed to be responsible for all tax liabilities associated with the transferred businesses, assets, liabilities and interests incurred before the Restructuring. China Coal Group has also agreed to indemnify the Company against any claims, losses or expenses incurred by the Company in connection with or arising from, among others:
- (i) any breach of any provision of the Restructuring Agreement on the part of China Coal Group or its subsidiaries (excluding the Company);
  - (ii) the businesses, assets, liabilities and interests retained or held by China Coal Group following the Restructuring;
  - (iii) any rights and interests in relation to all employees of the Company who were employed by China Coal Group before the Restructuring for the period of their employment by China Coal Group;
  - (iv) any title defect in respect of properties being acquired by the Company prior to the Restructuring;
  - (v) any litigation or other claims against the Company that relate to events or circumstances occurring before the effective date of the Restructuring in relation to the businesses, assets, liabilities and interests transferred to the Company under the Restructuring, except those that are disclosed and provided for in the Financial Information.
- (b) As part of the Restructuring, the Company entered into following agreements with China Coal Group on 5 September 2006:
- (i) Coal export sales agency agreement, under which the Company appoints China Coal Group as its non-exclusive export sales agent in respect of its coal products;
  - (ii) Coal supplies framework agreement in respect of the procurement of coal products from the coal mines operated by China Coal Group;
  - (iii) Integrated materials and services mutual provision framework agreement for the provision of raw materials and services by either party;
  - (iv) Mine construction and design framework agreement for the provision of coal mine construction services and coal mine design services by either party;
  - (v) Property leasing framework agreement for properties leased from China Coal Group and its subsidiaries;
  - (vi) Land use rights leasing framework agreement for land use rights leased from China Coal Group;

The above framework agreements contemplated that the relevant members of the Group and China Coal Group (including its subsidiaries and associates) will enter into separate agreement to set out the specific terms and conditions in respect of the relevant materials and services to be provided or the relevant properties or land leased according to the principles, within the parameters under the relevant framework agreement.

- (c) In September 2006, the Company obtained approval from the PRC government to acquire the remaining 20% equity interests in Shanxi China Coal Pingshuo Antaibao Coal Co., Ltd., a jointly controlled entity, from China Coal Group and another third-party joint venture partner at aggregate consideration of approximately RMB247.65 million. Upon completion of such acquisition in September 2006, Shanxi China Coal Pingshuo Antaibao Coal Co., Ltd. became a wholly owned subsidiary of the Group.

The selected financial information of Shanxi China Coal Pingshuo Antaibao Coal Co. Ltd. during the Relevant Periods is summarised as follows:

Balance sheet	As of 31 December			As of 30 June
	2003 RMB'000	2004 RMB'000	2005 RMB'000	2006 RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment . . . . .	1,139,676	1,107,297	1,072,535	1,268,657
Investments in associates . . . . .	—	35,339	34,543	35,305
Deferred tax assets . . . . .	5,231	3,576	2,399	3,479
Due from group companies . . . . .	<u>1,218,333</u>	<u>1,297,916</u>	<u>1,112,437</u>	<u>1,310,836</u>
	<u>2,363,240</u>	<u>2,444,128</u>	<u>2,221,914</u>	<u>2,618,277</u>
<b>Current assets</b>				
Inventories . . . . .	574,544	614,205	834,648	702,965
Receivables and prepayments . . . . .	329,106	404,106	783,145	788,571
Cash and cash equivalents . . . . .	<u>394,516</u>	<u>72,832</u>	<u>231,894</u>	<u>293,698</u>
	<u>1,298,166</u>	<u>1,091,143</u>	<u>1,849,687</u>	<u>1,785,234</u>
<b>TOTAL ASSETS</b> . . . . .	<u><u>3,661,406</u></u>	<u><u>3,535,271</u></u>	<u><u>4,071,601</u></u>	<u><u>4,403,511</u></u>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Long-term borrowings . . . . .	118,500	99,000	99,000	50,000
Deferred tax liabilities . . . . .	55,662	88,540	128,784	143,330
Provision for close down, restoration and environmental costs . . . . .	<u>128,724</u>	<u>135,218</u>	<u>142,040</u>	<u>145,579</u>
	<u>302,886</u>	<u>322,758</u>	<u>369,824</u>	<u>338,909</u>
<b>Current liabilities</b>				
Payables and accruals . . . . .	1,877,880	2,154,100	2,254,310	2,295,570
Short-term borrowings . . . . .	<u>792,500</u>	<u>100,000</u>	<u>200,000</u>	<u>299,000</u>
	<u>2,670,380</u>	<u>2,254,100</u>	<u>2,454,310</u>	<u>2,594,570</u>
<b>TOTAL LIABILITIES</b> . . . . .	<u><u>2,973,266</u></u>	<u><u>2,576,858</u></u>	<u><u>2,824,134</u></u>	<u><u>2,933,479</u></u>

**APPENDIX I**
**ACCOUNTANTS' REPORT**

Income statement	Year ended 31 December			Six months ended 30 June	
	2003 RMB'000	2004 RMB'000	2005 RMB'000	2005 RMB'000 (Unaudited)	2006 RMB'000
Revenue .....	3,072,328	4,862,244	5,106,661	2,854,375	2,436,391
Cost of sales .....	(2,776,103)	(4,153,740)	(4,482,460)	(2,426,941)	(1,964,406)
Gross profit .....	<u>296,225</u>	<u>708,504</u>	<u>624,201</u>	<u>427,434</u>	<u>471,985</u>
Selling, general and administrative expenses .....	(269,480)	(365,670)	(319,876)	(166,869)	(146,000)
Other gains .....	14,170	3,717	5,398	315	487
Other operating income, net .....	(1,654)	23,636	48,242	32,836	21,166
Total operating expenses .....	<u>(256,964)</u>	<u>(338,317)</u>	<u>(266,236)</u>	<u>(133,718)</u>	<u>(124,347)</u>
Profit from operations .....	<u>39,261</u>	<u>370,187</u>	<u>357,965</u>	<u>293,716</u>	<u>347,638</u>
Finance costs .....	(68,857)	(60,721)	(26,693)	(22,454)	(12,452)
Share of profits/(losses) of associates .....	—	(4,661)	(796)	(1,352)	762
Profit before income tax .....	(29,596)	304,805	330,476	269,910	335,948
Income tax expense .....	<u>2,520</u>	<u>(34,533)</u>	<u>(41,421)</u>	<u>(30,329)</u>	<u>(113,384)</u>
Profit/(loss) for the year/period ....	<u>(27,076)</u>	<u>270,272</u>	<u>289,055</u>	<u>239,581</u>	<u>222,564</u>

The above financial information reflects the balances and operating results as reported by Shanxi China Coal Pingshuo Antaibao Co. Ltd. as an entity, which includes transactions and balances with other companies comprising the Group. Details of these material transactions and balances, which have been eliminated upon consolidation, are as followed:

Transactions	Year ended 31 December			Six months ended 30 June	
	2003 RMB'000	2004 RMB'000	2005 RMB'000	2005 RMB'000	2006 RMB'000
Sales to other group companies .....	882,364	1,386,271	2,013,640	1,177,042	1,282,139
Purchase from other group companies .....	(677,545)	(1,073,936)	(1,051,946)	(429,808)	(456,875)
Management and other fees paid and payable to other group companies .....	<u>(151,957)</u>	<u>(223,415)</u>	<u>(230,232)</u>	<u>(120,322)</u>	<u>(125,733)</u>

  

Balances	As of 31 December			As of 30 June	
	2003 RMB'000	2004 RMB'000	2005 RMB'000	2006 RMB'000	
Due from other group companies (included in non-current assets) .....		1,218,333	1,297,916	1,112,437	1,310,836
Due from other group companies (included in receivable and prepayments) .....		76,457	104,643	467,961	644,620
Due to other group companies (included in payables and accruals) .....		<u>128,620</u>	<u>275,904</u>	<u>278,892</u>	<u>304,641</u>

All balances with other group companies are unsecured and non-interest bearing.

- (d) In accordance with the “Provisional Regulation Relating to Corporate Reorganization of Enterprises and Related Management of State-owned Capital and Financial Treatment” (the “Provisional Regulations”) issued by the Ministry of Finance, which became effective from 27 August 2002, the Company is required to make a distribution to China Coal Group, in an amount equals to the difference in the Company’s net asset values as at 1 October 2005 and as at 21 August 2006 (being the date immediately prior to the date on which the Company was



incorporated) (the "Pre-establishment Distribution") as determined based on the audited accounts prepared in accordance with PRC GAAP.

In addition, pursuant to the resolution of a shareholders' meeting dated 23 August 2006, the shareholder of the Company has resolved to make a special distribution to China Coal Group, in an amount equals to the distributable profit of the Company for the period from 22 August 2006 to the last day of the month prior to the listing of Company's shares (the "Special Dividends"). The amount of the Special Dividends will be determined based on the audited accounts prepared in accordance with PRC GAAP and IFRS respectively, whichever is the lower, after deducting any contribution made by the Company to the statutory and discretionary reserve funds.

The Directors have preliminarily estimated that the total aggregate amount of the Pre-establishment Distribution and the Special Dividends to be RMB1,210.0 million.

### 38 ULTIMATE HOLDING COMPANY

The Company's directors regard China Coal Group, a state-owned enterprise established in the PRC, as being the ultimate holding company of the Company.

### III FINANCIAL INFORMATION OF THE COMPANY

As of 30 June 2006, the Company had not yet been incorporated and hence there were no reserves available for distribution to the shareholders of the Company.

### IV SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2006. Save as disclosed in this report, no dividend or distribution has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any periods subsequent to 30 June 2006.

Yours faithfully,

**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong