

In accordance with relevant rules and regulations applicable to enterprises whose shares are listed on a stock exchange in the People's Republic of China ("PRC"), Shanghai Datun Energy Resources Co., Ltd. ("Shanghai Datun"), a 62.43% owned subsidiary of the Group whose shares are listed on the Shanghai Stock Exchange of the PRC, has published its unaudited interim financial report for the nine months ended 30 September 2006 on 26 October 2006.

The following is the text of the unaudited interim financial information of Shanghai Datun, which comprises the audited balance sheet as at 31 December 2005 and unaudited balance sheet as at 30 September 2006; unaudited income statements for the three and the nine months ended 30 September 2005 and 2006; unaudited cash flow statements for the nine months ended 30 September 2005 and 2006 and the notes to the unaudited interim financial statements of Shanghai Datun and its subsidiaries (collectively referred to as "Shanghai Datun Group"), prepared in accordance with the Accounting Standard for Business Enterprises "Interim Financial Reporting" issued by the Ministry of Finance of the PRC. The unaudited interim financial information also includes a reconciliation of the net profit for the three months ended 30 September 2006 and the owners' equity as at 30 September 2006 of Shanghai Datun Group as reported in the interim financial information, which has been prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC (the "PRC GAAP") to amounts to be reported under the accounting policies of the Group, which comply with International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board for the purpose of inclusion in this prospectus.

## A. UNAUDITED INTERIM FINANCIAL STATEMENTS

### (a) Balance sheets

(prepared in accordance with PRC GAAP)

	Group		Company	
	As at		As at	
	30 September 2006	31 December 2005	30 September 2006	31 December 2005
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(audited)	(unaudited)	(audited)
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and bank balances . . . . .	306,381	431,896	216,780	324,072
Short-term investments . . . . .	—	8,624	—	8,624
Notes receivable . . . . .	314,730	235,363	288,020	207,531
Accounts receivable . . . . .	70,075	35,196	440,938	143,814
Other receivables . . . . .	43,839	40,094	10,942	7,522
Prepayments to suppliers . . . . .	168,599	127,814	96,085	49,563
Inventories . . . . .	205,580	146,521	123,043	111,666
Prepaid expenses . . . . .	244	—	244	—
Deposits for futures . . . . .	2,000	—	—	—
<b>Total current assets</b> . . . . .	<u>1,111,448</u>	<u>1,025,508</u>	<u>1,176,052</u>	<u>852,792</u>
<b>Long-term investments</b>				
Long-term equity investments . . . . .	2,552	2,825	163,308	154,757
Long-term debt investments . . . . .	—	—	350,000	350,000
<b>Total long-term investments</b> . . . . .	<u>2,552</u>	<u>2,825</u>	<u>513,308</u>	<u>504,757</u>

## APPENDIX IV

UNAUDITED PRC GAAP INTERIM FINANCIAL  
INFORMATION OF SHANGHAI DATUN

## (a) Balance sheets (continued)

(prepared in accordance with PRC GAAP)

	Group		Company	
	As at		As at	
	30 September 2006 RMB'000 (unaudited)	31 December 2005 RMB'000 (audited)	30 September 2006 RMB'000 (unaudited)	31 December 2005 RMB'000 (audited)
<b>Fixed assets</b>				
Fixed assets, cost .....	4,686,101	4,520,145	4,022,225	3,960,488
Less: Accumulated depreciation .....	<u>(1,428,597)</u>	<u>(1,170,869)</u>	<u>(1,371,734)</u>	<u>(1,144,702)</u>
Fixed assets, net book value .....	3,257,504	3,349,276	2,650,491	2,815,786
Construction materials .....	36,431	80,392	—	—
Construction in progress .....	809,349	477,990	315,165	115,206
Fixed assets pending disposal .....	3,275	—	3,275	—
<b>Total fixed assets and construction in progress ...</b>	<u>4,106,559</u>	<u>3,907,658</u>	<u>2,968,931</u>	<u>2,930,992</u>
<b>Intangible assets and other assets</b>				
Intangible assets .....	68,534	70,401	68,534	70,401
<b>Total intangible assets and other assets .....</b>	<u>68,534</u>	<u>70,401</u>	<u>68,534</u>	<u>70,401</u>
<b>TOTAL ASSETS .....</b>	<u>5,289,093</u>	<u>5,006,392</u>	<u>4,726,825</u>	<u>4,358,942</u>
<b>LIABILITIES AND OWNERS' EQUITY</b>				
<b>Current liabilities</b>				
Short-term loans .....	30,000	70,000	—	—
Accounts payable .....	293,030	488,856	231,108	442,239
Advances from customers .....	69,724	113,493	65,539	110,475
Accrued payroll .....	221,381	66,019	221,381	66,019
Welfare payable .....	42,296	35,041	41,672	34,984
Dividends payable .....	58,920	—	58,920	—
Taxes payable .....	159,153	147,373	160,807	147,015
Other levies payable .....	10,049	11,712	10,049	11,712
Other payables .....	655,927	750,425	640,653	700,210
Accrued expenses .....	306,748	23,785	300,464	22,962
Long-term debts maturing within one year .....	40,000	190,000	—	100,000
<b>Total current liabilities .....</b>	<u>1,887,228</u>	<u>1,896,704</u>	<u>1,730,593</u>	<u>1,635,616</u>
<b>Long-term liabilities</b>				
Long-term loans .....	1,005,000	955,000	675,000	625,000
Long-term payable .....	30,622	4,439	30,622	4,439
Specific payables .....	13,400	13,400	13,400	13,400
<b>Total long-term liabilities .....</b>	<u>1,049,022</u>	<u>972,839</u>	<u>719,022</u>	<u>642,839</u>
<b>TOTAL LIABILITIES .....</b>	<u>2,936,250</u>	<u>2,869,543</u>	<u>2,449,615</u>	<u>2,278,455</u>
<b>Minority interests .....</b>	<u>53,585</u>	<u>50,644</u>	<u>—</u>	<u>—</u>
<b>Owners' equity</b>				
Share capital .....	722,718	401,510	722,718	401,510
Capital surplus .....	825,926	1,031,016	825,926	1,031,016
Surplus reserves .....	221,692	221,692	221,692	221,692
Including: Statutory public welfare fund .....	<u>83,198</u>	<u>83,198</u>	<u>83,198</u>	<u>83,198</u>
Undistributed profits .....	528,922	431,987	506,874	426,269
<b>Total Owners' equity .....</b>	<u>2,299,258</u>	<u>2,086,205</u>	<u>2,277,210</u>	<u>2,080,487</u>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY .....</b>	<u>5,289,093</u>	<u>5,006,392</u>	<u>4,726,825</u>	<u>4,358,942</u>

**(b) Unaudited income statements***(prepared in accordance with PRC GAAP)*

	<u>Group</u>		<u>Company</u>	
	Three months ended 30 September 2006 RMB'000 (unaudited)	Three months ended 30 September 2005 RMB'000 (unaudited)	Three months ended 30 September 2006 RMB'000 (unaudited)	Three months ended 30 September 2005 RMB'000 (unaudited)
<b>Revenue from principal operations</b> .....	1,058,081	968,507	817,932	845,288
Costs of revenue for principal operations .....	(760,247)	(748,548)	(540,573)	(633,409)
Tax and levies .....	(12,420)	(9,534)	(12,414)	(9,482)
<b>Gross profit from principal operations</b> .....	285,414	210,425	264,945	202,397
Profit from other operations .....	10,875	9,059	8,829	9,059
Selling expenses .....	(22,639)	(16,494)	(20,074)	(16,494)
General and administrative expenses .....	(164,865)	(100,727)	(169,596)	(102,784)
Financial expenses, net .....	(14,425)	(15,589)	(6,591)	(10,317)
<b>Operating profit</b> .....	94,360	86,674	77,513	81,861
Investment gain/ (loss) .....	(91)	(91)	7,974	(1,253)
Subsidy income .....	4,504	4,792	4,504	4,792
Non-operating income .....	49	71	49	71
Non-operating expenses .....	(5,112)	(1,821)	(5,112)	(1,821)
<b>Total profit</b> .....	93,710	89,625	84,928	83,650
Income taxes .....	(20,618)	(22,215)	(20,618)	(22,215)
Minority interests .....	(1,065)	738	—	—
<b>Net profit</b> .....	<u>72,027</u>	<u>68,148</u>	<u>64,310</u>	<u>61,435</u>

**(b) Unaudited income statements (continued)***(prepared in accordance with PRC GAAP)*

	<u>Group</u>		<u>Company</u>	
	Nine months ended 30 September 2006 <u>RMB'000</u> (unaudited)	Nine months ended 30 September 2005 <u>RMB'000</u> (unaudited)	Nine months ended 30 September 2006 <u>RMB'000</u> (unaudited)	Nine months ended 30 September 2005 <u>RMB'000</u> (unaudited)
<b>Revenue from principal operations</b> .....	3,205,625	2,839,535	2,648,015	2,573,724
Costs of revenue for principal operations .....	(2,181,291)	(1,941,823)	(1,681,249)	(1,690,466)
Tax and levies .....	(37,012)	(31,681)	(36,914)	(31,630)
<b>Gross profit from principal operations</b> .....	987,322	866,031	929,852	851,628
Profit from other operations .....	32,602	21,167	25,516	21,167
Selling expenses .....	(58,366)	(52,796)	(54,303)	(52,796)
General and administrative expenses .....	(439,234)	(350,832)	(444,136)	(341,756)
Financial expenses, net .....	(49,234)	(22,702)	(26,145)	(12,414)
<b>Operating profit</b> .....	473,090	460,868	430,784	465,829
Investment gain/ (loss) .....	3,744	(273)	26,779	(11,702)
Subsidy income .....	6,384	7,142	6,384	7,142
Non-operating income .....	522	130	522	130
Non-operating expenses .....	(9,590)	(4,432)	(9,590)	(4,432)
<b>Total profit</b> .....	474,150	463,435	454,879	456,967
Income taxes .....	(133,368)	(137,063)	(133,368)	(137,063)
Minority interests .....	(2,942)	4,518	—	—
<b>Net profit</b> .....	<u>337,840</u>	<u>330,890</u>	<u>321,511</u>	<u>319,904</u>

## (c) Unaudited cash flow statements

*(prepared in accordance with PRC GAAP)*

	Note	Group		Company	
		Nine months ended 30 September 2006	Nine months ended 30 September 2005	Nine months ended 30 September 2006	Nine months ended 30 September 2005
		RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
<b>Cash flows from operating activities</b>					
Cash receipts from sales of goods or rendering of services . . . . .		3,358,425	3,033,169	2,761,251	2,708,257
Refund of taxes and levies . . . . .		—	7,142	—	7,142
Other cash receipts relating to operating activities . . . . .		117,292	8,973	80,915	8,973
<b>Sub-total of cash inflows</b> . . . . .		<u>3,475,717</u>	<u>3,049,284</u>	<u>2,842,166</u>	<u>2,724,372</u>
Cash payments for goods and services . .		(1,467,381)	(1,280,551)	(1,026,894)	(1,012,021)
Cash payments to and on behalf of employees . . . . .		(635,598)	(540,659)	(626,573)	(537,216)
Payment of taxes and levies . . . . .		(465,141)	(332,368)	(453,141)	(326,921)
Other cash payments relating to operating activities . . . . .		(146,725)	(131,760)	(140,372)	(131,760)
<b>Sub-total of cash outflows</b> . . . . .		<u>(2,714,845)</u>	<u>(2,285,338)</u>	<u>(2,246,980)</u>	<u>(2,007,918)</u>
<b>Net cash flows from operating activities</b> . .	(a)	<u>760,872</u>	<u>763,946</u>	<u>595,186</u>	<u>716,454</u>
<b>Cash flows from investment activities</b>					
Cash receipts from disposal of investments . . . . .		12,642	—	12,642	—
Cash receipts from returns on investments . . . . .		—	—	14,209	2,128
<b>Sub-total of cash inflows</b> . . . . .		<u>12,642</u>	<u>—</u>	<u>26,851</u>	<u>2,128</u>
Payments to acquire fixed assets . . . . .		(494,641)	(434,430)	(475,022)	(352,712)
Payments to acquire investments . . . . .		—	—	—	(80,000)
<b>Sub-total of cash outflows</b> . . . . .		<u>(494,641)</u>	<u>(434,430)</u>	<u>(475,022)</u>	<u>(432,712)</u>
<b>Net cash flows from investing activities</b> . .		<u>(481,999)</u>	<u>(434,430)</u>	<u>(448,171)</u>	<u>(430,584)</u>
<b>Cash flows from finance activities</b>					
Cash receipts from borrowings . . . . .		50,000	77,000	50,000	—
<b>Sub-total of cash inflows</b> . . . . .		<u>50,000</u>	<u>77,000</u>	<u>50,000</u>	<u>—</u>
Repayments of amounts borrowed . . . . .		(190,000)	(167,000)	(100,000)	(130,000)
Cash payments for interest expense and distribution of dividends or profits . . .		(154,011)	(251,738)	(130,306)	(240,906)
<b>Sub-total of cash outflows</b> . . . . .		<u>(344,011)</u>	<u>(418,738)</u>	<u>(230,306)</u>	<u>(370,906)</u>
<b>Net cash flows from financing activities</b> . .		<u>(294,011)</u>	<u>(341,738)</u>	<u>(180,306)</u>	<u>(370,906)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENT</b> . . . . .	(b)	<u>(15,138)</u>	<u>(12,222)</u>	<u>(33,291)</u>	<u>(85,036)</u>

## (c) Unaudited cash flow statements — additional information

*(prepared in accordance with PRC GAAP)*

	Group		Company	
	Nine months ended 30 September 2006 RMB'000 (unaudited)	Nine months ended 30 September 2005 RMB'000 (unaudited)	Nine months ended 30 September 2006 RMB'000 (unaudited)	Nine months ended 30 September 2005 RMB'000 (unaudited)
<b>(i) Reconciliation of net profit to net cash flows from operating activities</b>				
Net profit .....	337,840	330,890	321,511	319,904
Add/ (Less):				
Minority interests .....	2,942	(4,519)	—	—
Provision for asset impairments .....	(813)	6,369	15,368	16,004
Depreciation of fixed assets .....	252,058	129,954	221,361	115,685
Amortisation of intangible assets .....	1,867	1,245	1,867	1,245
Amortisation of pre-operating expense ....	—	11,707	—	—
Increase in prepaid expenses .....	(244)	—	(244)	—
Increase in accrued expenses .....	282,962	337,602	277,502	336,524
Loss on retirement of fixed assets .....	19	228	19	228
Financial expenses .....	52,646	31,157	28,541	20,702
Investment loss/ (income) .....	(3,744)	273	(26,780)	11,702
Decrease/ (increase) in inventories .....	(62,618)	42,977	(14,936)	(289)
Decrease/ (increase) in receivables .....	213,655	462,432	(146,500)	288,535
Decrease in payables .....	<u>(315,698)</u>	<u>(586,369)</u>	<u>(82,523)</u>	<u>(393,786)</u>
<b>Net cash flows from operating activities ..</b>	<u>760,872</u>	<u>763,946</u>	<u>595,186</u>	<u>716,454</u>
<b>(ii) Net decrease in cash and cash equivalents</b>				
Cash at end of the period .....	280,381	770,140	190,780	632,703
Cash at beginning of the period .....	<u>(295,519)</u>	<u>(782,362)</u>	<u>(224,072)</u>	<u>(717,739)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(15,138)</u>	<u>(12,222)</u>	<u>(33,291)</u>	<u>(85,036)</u>

**(d) Notes to the unaudited interim financial statements**

*(prepared in accordance with PRC GAAP)*

**1. Background and principal activities**

Shanghai Datun is a joint stock limited company incorporated in Shanghai, the People's Republic of China (the "PRC") on 29 December 1999 and its A shares have been listed on the Shanghai Stock Exchange of the PRC. As at the date of the interim financial report of Shanghai Datun Group for the nine months ended 30 September 2006, China Coal Energy Company Limited held 62.43% equity interests in Shanghai Datun.

Shanghai Datun Group is principally engaged in the coal mining, processing, sales and transportation of coal and its related products and as well as production and sales of aluminum and electric power.

**2. Basis of preparation and principal accounting policies****(a) Basis of preparation**

Shanghai Datun has prepared its financial statements in accordance with the accounting principles and financial regulations applicable to enterprises established in the PRC (the "PRC GAAP").

**(b) Unaudited interim financial statements**

The financial year adopted by Shanghai Datun is from 1 January to 31 December. The directors of Shanghai Datun have prepared its unaudited interim financial statements for the three months and the nine months ended 30 September 2006 in accordance with Accounting Standard for Business Enterprises "Interim Financial Reporting" issued by the Ministry of Finance of the PRC.

**(c) Principal accounting policies**

The principal accounting policies of Shanghai Datun Group used to prepare the unaudited interim financial statements are consistent with those disclosed in Shanghai Datun's 2005 annual report, which comply with PRC GAAP and was published on the internet web site of the Shanghai Stock Exchange of the PRC on 18 February 2006.

**(d) Statutory PRC auditors**

The consolidated financial statements of Shanghai Datun Group for the year ended 31 December 2005 were audited by Tian Heng Certified Public Accountants Co., Ltd., which was registered in Jiangsu province, the PRC.

## 3. Segment information

Revenues and cost from main operations based on the type of products and services are as follows:

	Group			
	Nine months ended 30 September 2006		Nine months ended 30 September 2005	
	Revenues from main operations	Cost of main operations	Revenues from main operations	Cost of main operations
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Coal .....	2,161,752	1,274,295	2,279,199	1,406,565
Aluminium .....	716,382	658,813	340,064	325,610
Electric power .....	203,286	137,817	101,039	114,764
Transportation of coal and others .....	124,205	110,366	119,233	94,884
	<u>3,205,625</u>	<u>2,181,291</u>	<u>2,839,535</u>	<u>1,941,823</u>

  

	Group			
	Three months ended 30 September 2006		Three months ended 30 September 2005	
	Revenues from main operations	Cost of main operations	Revenues from main operations	Cost of main operations
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Coal .....	651,633	406,864	685,846	468,417
Aluminium .....	308,578	288,102	168,098	160,018
Electric power .....	58,199	27,596	76,056	98,548
Transportation of coal and others .....	39,671	37,685	38,507	21,565
	<u>1,058,081</u>	<u>760,247</u>	<u>968,507</u>	<u>748,548</u>



4. Reconciliation of net profit and owners' equity of Shanghai Datun Group for the three months ended and as at 30 September 2006 as reported in the unaudited interim financial statements and the accounting policies of the Group, which comply with IFRS

	Note	Net profit for the three months ended 30 September 2006 RMB'000 (unaudited)	Shareholders' equity as at 30 September 2006 RMB'000 (unaudited)
<b>As reported in the interim financial statements</b> .....		72,027	2,299,258
Provision for close down, restoration and environmental costs as required under IFRS .....	(a)	(1,371)	(14,670)
Reversal of future development fund and safety fund expenses not yet incurred under IFRS .....	(b)	23,071	109,798
Effect of different depreciation policies adopted for mining structures ..	(c)	3,355	43,455
Recognition of deferred taxation .....	(d)	(2,988)	71,276
Reversal of revaluation surplus in connection with restructuring of the Company under relevant PRC regulations .....	(e)	4,996	(238,095)
Effect of early retirement benefits as accounted for under IFRS .....	(f)	340	(8,457)
Reversal of provision of staff related cost made in prior years .....		—	98,625
Classification of minority interests as shareholders' equity under IFRS		1,065	53,585
Others .....		<u>4,515</u>	<u>72,335</u>
<b>As reported under the accounting policies of the Group</b> .....		<u>105,010</u>	<u>2,487,110</u>

## Notes:

- (a) Under IFRS, provisions for close down, restoration and environmental costs for coal mines are capitalized when the obligations to pay are established and are depreciated over the useful lives of the coal mines using the unit-of-production method. Under PRC GAAP, such costs are charged to income statement when they are incurred.
- (b) Under IFRS, future development fund and safety fund expenses as required under relevant rules of regulations in the PRC to the extent not yet incurred are reversed.
- (c) Shanghai Datun Group has adopted a pre-determined fixed amount of depreciation per unit of raw coal produced for mining structures under PRC GAAP while the Group has adopted the unit-of-production method under IFRS. Adjustment was made to account for the different depreciation methods adopted.
- (d) Under IFRS, deferred taxation is required to be provided in full using liability method.
- (e) Under the relevant rules and regulations in the PRC, businesses acquired from Shanghai Datun's parent company are recorded in the unaudited interim financial statements based on a PRC valuation. The Group has adopted a policy of recognizing assets and liabilities acquired from its parent company at their historical cost and the PRC valuation recorded in the unaudited interim financial statements is reversed for IFRS purposes.
- (f) In the unaudited interim financial statements, early retirement benefits have been recognised on an as-incurred basis. Under IFRS, earlier retirement benefits have been recognised in full upon signing of the relevant early retirement agreements.

**B. REPORT FROM THE REPORTING ACCOUNTANTS**

*The following is the text of a report received from the reporting accountants, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong in connection with the unaudited interim financial information of Shanghai Datun Energy Resources Co., Ltd. for the three months and the nine months ended 30 September 2006 for the purposes of incorporation in this Prospectus.*



羅兵威永道會計師事務所

PricewaterhouseCoopers  
22nd Floor, Prince's Building  
Central, Hong Kong

**REVIEW REPORT ON THE UNAUDITED INTERIM FINANCIAL INFORMATION OF SHANGHAI DATUN  
TO THE DIRECTORS OF CHINA COAL ENERGY COMPANY LIMITED**

**Introduction**

We have been instructed by China Coal Energy Company Limited to review the unaudited interim financial information of Shanghai Datun Energy Resources Co., Ltd. (“Shanghai Datun”) and its subsidiaries (hereinafter collectively referred to as the “Shanghai Datun Group”) set out on pages IV-1 to IV-9 which comprises audited balance sheet as at 31 December 2005, unaudited balance sheet as at 30 September 2006, unaudited income statements for the three and the nine months ended 30 September 2005 and 2006, unaudited cash flow statements for the nine months ended 30 September 2005 and 2006 and the notes to these unaudited interim financial statements (collectively referred to as the “PRC Interim Financial Information”).

**Respective Responsibilities of Directors of Shanghai Datun and of China Coal Energy Company Limited  
and Accountants**

The PRC Interim Financial Information is prepared based on the unaudited interim financial statements of Shanghai Datun Group. The China Securities Regulatory Commission of the People’s Republic of China (the “PRC”) requires enterprises whose securities are listed on any stock exchange in the PRC to prepare interim financial statements, which comply with Accounting Standard for Business Enterprises — “Interim Financial Reporting” issued by the Ministry of Finance of the PRC and the relevant provisions thereof. The interim financial statements are the responsibility of, and have been approved by, the directors of Shanghai Datun. The PRC Interim Financial Information is the responsibility of the directors of China Coal Energy Company Limited.

It is our responsibility to form an independent conclusion, based on our review, on the PRC Interim Financial Information.

**Review Work Performed**

We conducted our review with reference to Statement of Auditing Standards 700 “Engagements to Review Interim Financial Reports” issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of management of Shanghai Datun Group and China Coal Energy Company Limited, and applying analytical procedures to the PRC Interim Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower

level of assurance than an audit. Accordingly we do not express an audit opinion on the PRC Interim Financial Information.

**Review Conclusion**

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the PRC Interim Financial Information for the three months and the nine months ended 30 September 2005 and 2006.

**PricewaterhouseCoopers***Certified Public Accountants*

Hong Kong, 6 December 2006