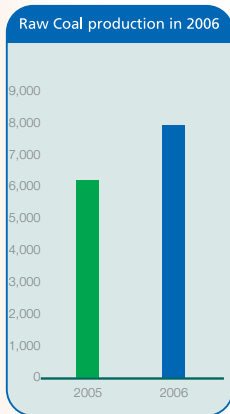


Business Performance

Coal production and sales

(I) Coal production



- There was substantial increase in the volume of raw coal from the Group's own mines. The volume of raw coal produced by the Group reached 79.04 million tons in 2006, of which self-produced coal accounted for 66.49 million tons, representing an increase of 16.37 million tons, or 32.7% compared to last year.
- The structure of commercial coal improved markedly. In 2006, the volume of commercial coal sold by the Group was 88.45 million tons, representing a decrease of 3.75 million tons, of which self-produced commercial coal accounted for 57.15 million tons, representing an increase of 6.16 million tons, or 12.1% as compared to last year. The volume of commercial coal purchased from third party for resale decreased by 8.64 million tons.
- The earnings power of the Group has further improved. With the substantial increase in self-produced coal and the marked improvement in the structure of commercial coal, the Group's earnings power improved significantly. The gross profit margin of the coal segment increased from 19.6% for the year 2005 to 23.1% for the year 2006, representing an increase of 350 basis points. The EBITDA ratio of the Group also increased from 18.1% for the year 2005 to 20.7% for the year 2006, representing an increase of 260 basis points.

(II) Sales of coal

1 Domestic sales

In 2006, domestic sales of coal by the Group was 59.30 million tons, representing 67.0% of the Group's total sales of commercial coal, of which long term contract sales accounted for 56.33 million tons, representing 95% of domestic sales; spot sales was 2.96 million tons, representing 5% of domestic sales.

Sales to the five largest external customers reached 20.39 million tons, representing 34.4% of the Group's total domestic sales, of which sales to the largest external customer was 6.12 million tons, representing 10.3% of the Group's total domestic sales.

2 Export sales

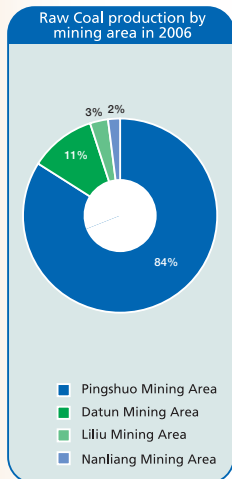
The export volume of coal on a proprietary trading basis of the Group decreased in 2006 due to the abolition of export tax rebate by the PRC government, the levy of 5% customs duties on coking coal and the appreciation in the value of Renminbi. Coal export for the full year was 27.07 million tons, representing 42.8% of 63.30 million tons of the total volume of export from the country, and a decrease of 5.41 million tons year on year, representing a decrease of 16.7%. Exported coal accounted for 30.6% of the Group's sales of commercial coal, of which approximately 96% of the export sales was derived from long term sales contracts.

3 Sales agents

In 2006, proprietary import and export sales by the Group amounted to 18.86 million tons, representing a decrease of 6.2% from last year, of which import coal was 2.08 million tons, representing an increase of 0.53 million tons or 34.2% from last year, while the volume of export coal on an agency basis was 16.78 million tons, representing a decrease of 1.77 million tons or 9.5% from last year.

(III) Transportation of coal

Sales of coal by the Group in 2006 were distributed in various forms comprising seaborne, direct arrival and local sales, of which sales by seaborne was 61.71 million tons, representing 69.8% of total sales; direct arrival along rail lines was 19.80 million tons, representing 22.4% of total sales; local sales was 6.94 million tons, representing 7.8% of total sales.



Pingshuo Company, one of the subsidiaries of the Company, relies on Daqin line to transport the bulk of coal products. The cargo volume of Daqin line exceeded 250 million tons in 2006, representing an increase of 50 million tons over last year, while Pingshuo Company had effected transportation of 46.59 million tons via the Daqin line during the year. The capacity of the Daqin line will be further increased in the future and the capacity of the Daqin line is expected to reach 400 million tons in 2010. The future expansion of freight capacity of the Daqin line shall be in line with the expected increase in production volume of the Company's mines in the Pingshuo mining area.

Coking business sector

China Coal & Coke Holdings Limited, a subsidiary of the Company possessing coking production capacity of 4.50 million tons, is the single largest coke manufacturing enterprise in China. By entering into further strategic alliances with key metallurgical enterprises, the Company has succeeded in building up a customer base with stable and long term customer relationships, which enabled the Company to achieve sales in coke of 2.20 million tons in 2006, representing an increase of 0.90 million tons, or 69.2% over last year, of which self-produced coke was 1.65 million tons, representing an increase of 0.98 million tons, or 146.3% over last year; export of coke was 0.6 million tons, representing a decrease of 60,000 tons, or 9.1% from last year; domestic sales of coke was 1.6 million tons, representing an increase of 0.96 million tons, or 150% over last year.

Coal mining equipment manufacturing segment

In 2006, an aggregate of 160,000 tons of coal mining equipment was produced by the Group, representing an increase of 20,000 tons, or 14.3% over last year.

In 2006, China Coal Zhangjiakou Mining Machinery Co., Ltd. (中煤張家口煤炭機械有限公司), a member of the Group, had succeeded in the development and manufacturing of heavy duty armored face conveyor for coal mines of 3x700Kw and 3x855Kw, 3x1000Kw, being the highest power capacity so far developed within the country. The volume of coal transported by the 3x1000Kw heavy duty curved armored face conveyor was 4,500 tons per hour, which is the conveyor of the highest power in the world. The successful development and manufacture of the fully automatic coal ploughs for thin coal filled a market vacuum of such products produced in China which then reduces reliance on the import of such machinery.

The Group imported, assimilated and adopted the advanced chain manufacturing techniques of Parsons (帕森斯公司) in 2006, and it emerged to set a benchmark of international standards of mining chains and to be the world's largest mining chain manufacturer with internationally well-known brands, and thus maintaining a leading position in the international market.

The Group actively developed its overseas market in 2006. The Group succeeded in exporting coal shearers, curved armored face conveyors and hydraulic roof supports to Russia, and became the pioneer in exporting integrated sets of fully mechanized top caving equipment and technology from the PRC.

Design of coal mines and other businesses

The Group signed 375 coal prospecting and design agreements in relation to its core businesses in 2006. Its designs have won 16 awards for quality design at the provincial level and for project consultancy.

The production volume of primary aluminium in 2006 was 66,600 tons, representing an increase of 21,300 tons over last year, or 47.1%; electricity generated was 2,260 million kwh, representing an increase of 210 million kwh, or 10.3% than that of 2005.

In 2006, revenues from the above businesses amounted to RMB2,014 million, representing an increase of 40.7%, accounting for 6.7% of the Group's total revenue.

