

# Capital Expenditure

Capital expenditure of the Company amounted to RMB3.812 billion in 2006, of which RMB3.151 billion was invested in the coal production, sales and trading segment, RMB208 million was invested in coking segment, RMB319 million was invested in coal mining equipment manufacturing segment while RMB134 million was invested in other segments.

Unit: RMB100 million

No.	Business Segment	Amount invested in 2006	% to Total
1	Coal production, sales and trading	31.51	82.7
2	Coking	2.08	5.4
3	Coal mining equipment manufacturing	3.19	8.4
4	Other segments	1.34	3.5
	<b>Total</b>	<b>38.12</b>	<b>100</b>

The amount of capital expenditure on the coal production, sales and trading segment in 2006 amounted to RMB3.151 billion, which was mainly used for the purchase of sets of equipment and technological upgrade for projects at Antaibao Underground Mine and Anjialing Underground Mine of Pingshuo Company and Wangjialing Mine of Huajin Coking Coal Company Limited. The amount of capital expenditure on the coking segment in 2006 amounted to RMB208 million, which was mainly used on the 1 million tons coking project of Phase I of China Coal and Coke Jiuxin Limited at Lingshi County and coke oven ancillary project at Xuyang. The amount of capital expenditure on the coal mining equipment manufacturing segment in 2006 amounted to RMB319 million, which was mainly used for the technological improvement on hydraulic roof supports and the acquisition of equipment and technology of Parsons of the UK. The amount of capital expenditure on other segments in 2006 amounted to RMB134 million.

The amount of capital expenditure budgeted for 2007 will be RMB10.216 billion, of which the amount of infrastructure projects budgeted is RMB6.578 billion, the amount of purchase of fixed asset budgeted is RMB2.650 billion and the amount of equity investment budgeted is RMB988 million. The amount of capital expenditures projected by each business segment are:

Unit: RMB100 million

Number	Business Segment	Amount invested in 2007	% to Total
1	Coal production, coal processing and relevant ancillary facilities	59.11	57.9
2	Coal chemical projects	28.35	27.8
3	Coal mining equipment manufacturing	4.40	4.3
4	Pit-mouth power generation, coal mine design and others	10.30	10.0
	<b>Total</b>	<b>102.16</b>	<b>100.0</b>



## I Arrangement for capital expenditure on infrastructure projects

The amount of infrastructure projects scheduled for 2007 will be RMB6.578 billion. This will be devoted to a total of 50 projects, of which 10 projects had already commenced construction in previous years and will continue in 2007. These include construction in progress of mines of 6.3 million tons/year, construction in progress of the installed power generation capacity of 164,000 kilowatt/year etc. and the amount of investment will reach RMB1.209 billion. Out of these 50 projects, the approval procedures for 13 of them have been completed, and their construction is due to start in 2007, and these include coal mine construction capacity totalling 6.75 million tons/year and comprehensive utilization projects comprising 250,000 tons/year gas-based methanol and 600,000 tons/year oil shale. The amount of investment scheduled for these 13 projects for the year is RMB1.671 billion. Out of the 50 projects, the approval procedures for 27 of them are still pending and their constructions are due to commence in 2007. These projects include construction of mines totalling 22.7 million tons/year (Eastern Open Pit Mine being 20.0 million ton/year, Panjiayao Mine being 1.5 million tons/year, Jing Ping Coal Mine being 1.2 million ton/year), coal processing plants with washing capacity of 23.0 million tons/year, coke being 1.1 million tons/year, methanol being 300,000 tons/year, pit-mouth power generation reaching 288,000 kilowatt/year and coal mine equipment technological upgrade projects for improving the existing technical performance, reliability and production capacity for heavy duty hydraulic roof supports, and heavy duty curved armored face conveyors. For the above 27 projects, the amount of capital expenditure arranged for the year is RMB3.698 billion.

## II Arrangement for the purchase of fixed assets

The amount of fixed assets purchase and repair expenditure planned will mainly be used in maintaining the simple reproduction and expansion of reproduction. In 2007 a total of RMB2.65 billion will be budgeted for this.

## III Arrangement for equity investment

The amount of equity investment scheduled for 2007 will be RMB988 million, of which RMB485 million will be devoted to investment decisions made in previous years but scheduled to be completed in 2007. These investments are primarily the Zhoushan coal transshipment base, to establish Shanghai Energy Technology Co., Ltd., reorganize Fushun Coal Mining Motor plant, and Xi'an Coal Mining Machinery plant and acquire the equity interest in China Coal Longquan Limited. The remaining RMB503 million expected to be expended in 2007 will be mainly devoted to projects including number 7-10 docks at Tianjin Port, the increase of equity investment in Tianjin Tanjin Energy Technology Company, reorganising Pingdingshan Coal Mining Machinery Factory and Pingshuo Gangue-fired Power Plant (Phase II); these projects are currently undergoing feasibility studies.

The above capital expenditure plan is subject to decision made by independent non-executive directors if it involves the pre-emptive rights of new business opportunities.