



中国中煤能源股份有限公司

CHINA COAL ENERGY COMPANY LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock Code: 1898



Interim Report 2007

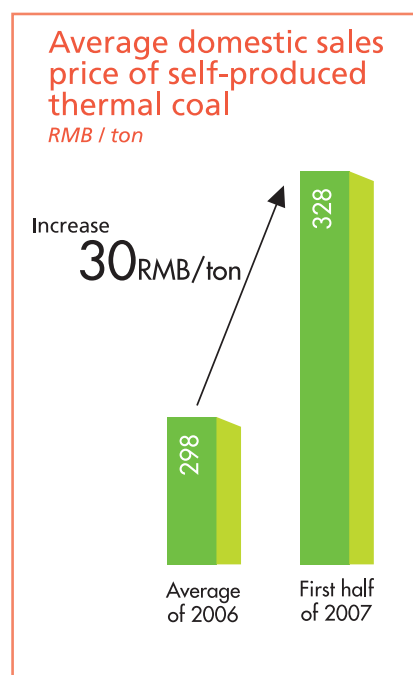
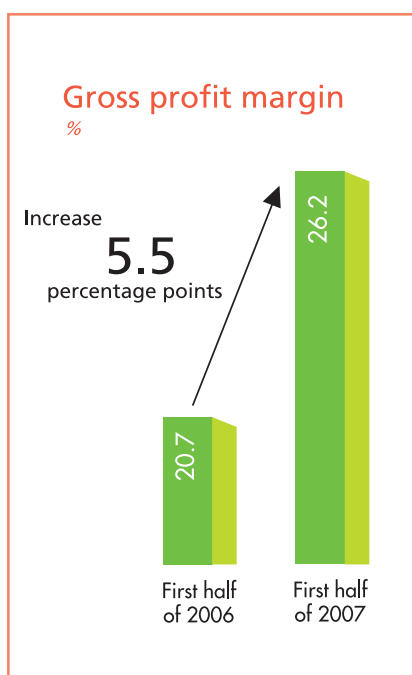
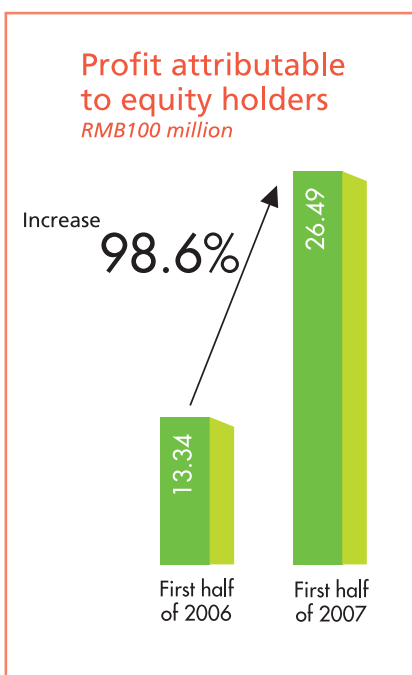
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Results Highlights

OPERATING RESULTS

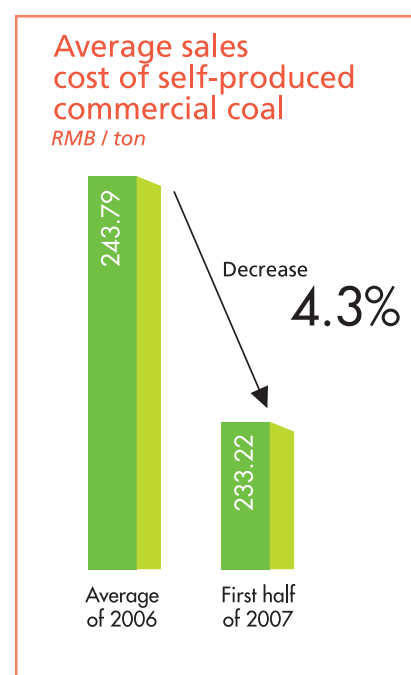
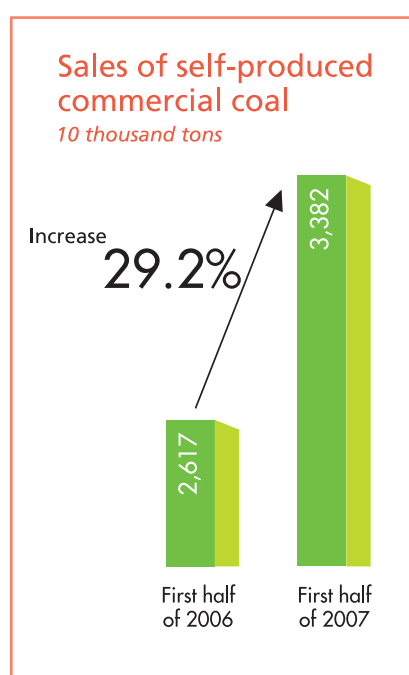
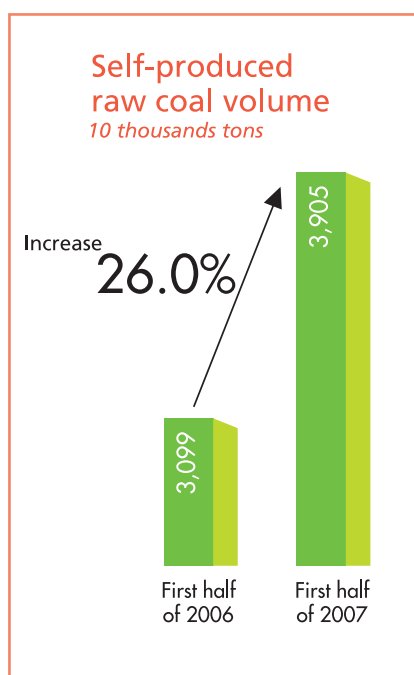
Consolidated (RMB100 million)	For the six months ended 30 June		
	2007	2006	Percentage change %
Revenue	167.16	146.80	13.9
Of which: Coal operations	119.90	117.61	2.0
Coking operations	21.23	10.12	109.8
Coal mining equipment manufacturing operations	14.34	9.72	47.5
Other operations	11.69	9.34	25.2
Cost of sales	123.39	116.36	6.0
Profit from operations	39.59	24.03	64.8
Profit before income tax	36.40	21.10	72.5
Profit attributable to equity holders	26.49	13.34	98.6



Results Highlights

BUSINESS HIGHLIGHTS

Items	For the six months ended 30 June		
	2007	2006	Percentage change %
Coal production and trading operations (10 thousand tons)			
Raw coal production volume	4,339	3,683	17.8
Of which: Self-produced raw coal	3,905	3,099	26.0
Sales of commercial coal	4,167	4,355	-4.3
Of which: Sales of self-produced commercial coal	3,382	2,617	29.2
Coking operations (10 thousand tons)			
Coke production volume	125	79	58.2
Sales of coke	189	108	75.0
Of which: Sales of self-produced coke	135	71	90.1
Coal mining equipment manufacturing operations (10 thousand tons)			
Coal mining equipment production volume	9.7	8.1	19.8
Sales of coal mining equipment	10.2	6.9	47.9



Chairman's Statement



Dear Shareholders,

In the first half of 2007, the economy of China continued to maintain a rapid momentum, with a stable growth of energy supply and demand. China Coal Energy Company Limited ("China Coal Energy") firmly seized the opportunity of the continued growth of demand in the coal market, striving to increase the coal production volume, devoting great efforts to promoting refined management and continuously improving the growth quality, as a result of which, there has been a significant improvement of operating results and steadily increase of market capitalization. As at 30 June 2007, the market capitalization of the Company amounted to HK\$137.515 billion, an increase of HK\$78.262 billion compared with 31 December 2006 and far exceeding the growth rate of the Hang Seng China Enterprises Index for the same period. On behalf of the Board of Directors, I am pleased to present the interim report for the six months ended 30 June 2007 of China Coal Energy and report the results of the Company for the period to all shareholders.

REVIEW OF THE REPORTING PERIOD

Rapid Growth of Core Businesses

Rapid growth of coal production. China Coal Energy has utilized its existing mining capacity in full, rationalized its organization and layout and achieved scientific production, resulting in the continued rapid growth of raw coal production. During the reporting period, raw coal production was 43.39 million tons, representing an increase of 6.56 million tons or 17.8% over the same period in 2006, of which, self-produced raw coal of the Company was 39.05 million tons, representing an increase of 8.06 million tons or 26% over the same period in 2006.

Continued optimization of the sales structure of coal. During the reporting period, the Company's aggregated commercial coal sales was 41.67 million tons, representing a decrease of 1.88 million tons or 4.3% over the same period in 2006, of which, sales of self-produced commercial coal was 33.82 million tons, representing an increase of 7.65 million tons or 29.2% compared with the same period in 2006. Proprietary third-party coal trading amounted to 1.23 million tons, representing a decrease of 6.07 million tons or 83.2% over the same period of 2006; agency sales amounted to 6.62 million tons, representing a decrease of 3.46 million tons or 34.3% over the same period of 2006, of which, the export coal on agency basis decreased by 3.55 million tons over the same period of 2006. With a sharp increase of the self-produced raw coal, the commercial coal sales structure of the Company achieved further optimization. The sales of self-produced commercial coal accounted for 81.2% of the total coal sales, representing an increase of 21.1 percentage points over the same period in 2006.

Chairman's Statement

A domestic leader in high-end coal mining equipment products. The coal mining equipment manufacturing enterprises of the Company achieved 97,000 tons in the production volume of coal mining equipment, representing an increase of 16,000 tons or 19.8% compared with the same period in 2006, thereby continuously maintaining the leading position in the PRC. Sales of coal mining equipment products amounted to 102,000 tons, representing an increase of 33,000 tons or 47.9% compared with the same period in 2006, of which, sales of high-end products such as curved armored face conveyors and hydraulic roof supports amounted to 93,300 tons, representing an increase of 32,200 tons or 52.7% over the same period in 2006. Heavy duty curved armored face conveyors occupied a domestic market share of 41% while hydraulic roof supports occupied a domestic market share of 28%. Fully capitalizing on the advantages of the chain manufacturing technology acquired from Parsons of the United Kingdom, the Company has emerged to be one of the largest heavy-duty mining chain producer and supplier in the world.

A historical level attained in the production and sales of coke. The Company firmly seized the favorable opportunity of a considerable turnaround in the coke market to fully utilize the existing coking capacity and firmly facilitate the activities of increasing production and efficiency. For the first half of 2007, the Company produced 1.25 million tons of coke, representing an increase of 460,000 tons or 58.2% over the same period in 2006. Sales of coke reached 1.89 million tons, representing an increase of 810,000 tons or 75.0% over the same period in 2006, of which, sales of self-produced coke was 1.35 million tons, representing an increase of 90.1% over the same period in 2006.

Remarkable Performance in Operating Results

Steady growth of operating revenue. During the reporting period, the operating revenue of the Company was RMB16.716 billion, representing an increase of RMB2.036 billion or 13.9% over the same period last year, of which, revenue from coal production and trading operations was RMB11.990 billion, accounting for 71.7% of the total revenue. Revenue from the sales of self-produced commercial coal was RMB11.431 billion, representing an increase of 29.9% over the same period last year. Revenue from coking operations was RMB2.123 billion, representing an increase of 109.8% over the same period last year. Revenue from coal mining equipment manufacturing operations was RMB1.434 billion, representing an increase of 47.5% over the same period last year. Revenue from coal mine design services and other operations was RMB1.169 billion, representing an increase of 25.2% over the same period last year.

Effective cost control. The Company has made great efforts to expand the raw coal production, promote refined management, increase operating efficiency, with a view to further achieving economies of scale. Notwithstanding the additional policy-related expenditure amounting to RMB327 million of Shanxi Coal Sustainable Development Fund in the first half of 2007, the cost of coal sales was still brought under effective control. During the reporting period, the aggregated cost of sales of the Company was RMB12.339 billion, representing an increase of RMB703 million over the same period in 2006 and the increment growth was 7.9 percentage points lower than that of sales revenue. The average sales cost of self-produced commercial coal was RMB233.22/ton, representing a decrease of RMB10.57 or 4.3% over the same period in 2006.

Chairman's Statement

Achievement of considerable growth in profits. With the gradual expansion of the production volume, steady increase of product prices and further optimization of the sales structure and effective cost control, the Company achieved outstanding operating results. During the reporting period, gross profit was RMB4.377 billion, representing an increase of 43.8% over the same period last year, of which, gross profit from coal production and trading operations amounted to RMB3.672 billion, representing an increase of 45.4% over the same period last year. Earnings before interest, tax, depreciation and amortization (EBITDA) was RMB4.635 billion, representing an increase of 56.4% over the same period last year. Profit attributable to equity holders of the Company amounted to RMB2.649 billion, representing an increase of 98.6% over the same period last year. Basic earnings per share was RMB0.23 while the rate of return on the shareholders' equity was 11.4%.

Substantial increase in the level of gross profit margin. During the reporting period, consolidated gross profit margin of the Company was 26.2%, representing an increase of 5.5 percentage points over the same period last year, of which, gross profit margin for coal production and trading operations was 30.4%, representing an increase of 9.1 percentage points over the same period last year. Gross profit margin for Coking operations was 10.2%, representing an increase of 4.2 percentage points over the same period last year. Because of the rising steel prices, consolidated gross profit margin for coal mining equipment manufacturing operations was 17.0%, representing a decrease of 4 percentage points over the same period last year.

Strengthening and Enhancement of Development Potential

Concentrating on developing three core businesses. The vigorous development of core businesses represents the need of the Company for sustainable development and is also the foundation for generating excellent returns for shareholders. The Company has specified its focus on developing the three core businesses of coal production, coal chemical and coal mining equipment manufacturing. In the next few years, the Company will strive to continually achieve an average annual production increase of 15 million tons for self-produced raw coal, with the growth rate continuing to be in the leading position at the national level. The coal chemical industry has persisted in the two paths of developing coal-based methanol-dimethyl ether and coal and coke refined chemical so as to realize the rapid development of the coal chemical industry at a high standard. Coal mining equipment manufacturing operations will aim at the strategic objective of "The top in China, A leader in the world", capture the high-end product market, strengthen the capability for manufacturing complete sets of equipment, and continually increase the standard of the coal mining equipment manufacturing industry in China. As for the development model, the Company will pursue the organic growth and external expansions simultaneously and realize the upgrading of corporate management as well as industries.

Focusing on expanding the resource and reserves of the Company. In accordance with the JORC standard, as at 30 June 2007, the proved and probable coal reserves owned by the Company amount to 3.471 billion tons. Total coal resources reach 9.397 billion tons. In addition, the Company has initiated a coal chemical project in Erdos, Inner Mongolia with SINOPEC and some other partners and has newly acquired ancillary coal resources of around 4.4 billion tons. Furthermore, the Company will construct new coal chemical projects in Jixi, Heilongjiang Province and will acquire ancillary coal resources of around 1.4 billion tons.

Chairman's Statement

After obtaining coal resources of approximately 4 billion tons from Shuonan Mining Area, China Coal Group, the controlling shareholder of the Company, will jointly develop Zhungeer East Zhangnandong mining area together with our strategic partner, Xinjiang Production and Construction Company and will acquire ancillary coal resources of around 10 billion tons. The above coal resources may be developed directly by China Coal Energy or injected into China Coal Energy after new production capacities are established.

Making preparations for the issuance of A shares in the PRC. The Chinese Government actively encourages H shares enterprises listed overseas to return to the A share market. The Board of Directors of the Company has firmly grasped this opportunity and decided to proceed with the initial public offering of RMB ordinary shares (A shares) and will choose a suitable time for listing, which aims to expedite the construction of new projects, implement the industrial upgrade, realize the development and construction of a large energy conglomerate with international competitiveness in a more effective and efficient way. The proceeds from the successful issue is intended to be used for investing in the projects of 25 million tons/year coal mine, 4.2 million tons/year methanol, 3 million tons/year dimethyl ether and ancillary engineering works comprising large scale pit mouth power plant in Erdos, Inner Mongolia; the projects of 10 million tons/year coal mine, 1.8 million tons/year methanol and 600,000 tons/year alkene and ancillary engineering works comprising large scale pit mouth power plant in Jixi, Heilongjiang; the phase II Engineering Project of China Coal and Coke Xuyang Limited with 2 million tons/year coke; Shanxi Lingshi project with 300,000 tons/year methanol produced from coke oven gas and China Coal Shuozhou Great Power Project with 2 x 135MW coal gangue comprehensive utilization of electricity generation. The above investment projects have relatively good market prospects and profitability and will be expected to become new profit growth points of the Company upon completion.

Steady implementation of projects in progress. During the reporting period, the Company achieved investments of RMB2.107 billion, of which the amount of infrastructure projects was RMB1.029 billion, the amount of fixed assets purchase was RMB826 million; the amount of equity investment was RMB252 million. As at 30 June, 2007, the Company had a total of 17 projects in progress with total investments of RMB8.319 billion and the aggregate completed investments amounted to RMB2.693 billion. Preliminary preparation works have been initiated with respect to constructing Pingshuo East Open Pit Mine and the construction of Antaibao underground coal mine is proceeding in an orderly way. Construction work on the Wangjialing Mine of Huajin has commenced. The construction of these projects will create additional coal production capacity of 32 million tons, thereby laying a solid foundation for the continued growth of coal production of the Company in the future. In the second half of the year, the progress of the above key construction projects will be expedited.

Safety record continuing to maintain a leading position in the industry. China Coal Energy vigorously promotes the building of an enterprise that is of inherent safe, the establishment of a long-term mechanism for safe production, thus putting an end to gas and major casualty accidents. The fatality rate per million tons of raw coal production in the first half of 2007 was 0.046, which was much lower than the average fatality rate per million tons of raw coal production for state-owned key coal mines of 0.436. Besides, the Company places significant emphasis on the social responsibility of environmental protection, emphasizes the ecological construction of the mining areas, vigorously develops the recycling economy, and promotes the coordinated development of the enterprise, the society and the environment.

Chairman's Statement

MAJOR TASKS IN THE SECOND HALF OF THE YEAR

Strengthen Production Operation and Management, Strive to Achieve the Annual Operating Target

- To increase the equipment utilization rate, fully explore the production potential of the Company, strengthen production dispatching and strive to outperform the operating targets set by the board of directors.
- To optimize the layout of coal production and organizing production in a reasonable way; and enhance the products quality management and improve the sales structure of commercial coal.
- To actively implement activities to increase income and reduce expenses as well as minimizing costs and increasing efficiency, further increase the input-output ratio and strive to expand the business results.

Speed up the Progress in Project Development and Construction, Lay a Solid Foundation for Sustainable Development

- Focus on the development and construction of the projects relating to the three core businesses comprising coal production, coal mining equipment manufacturing and coal chemical so as to enhance the enterprise's capability for sustainable development.
- Speed up the progress in the construction of Pingshuo Antaibao Underground Mine, Wangjialing Coal Mine of Huajin Company and finalise the preliminary preparations of Pingshuo East Open Pit Mine prior to its commencement of construction.
- Facilitate the technology upgrade in the coal mining equipment sector, increase the processing and manufacturing standard of coal mining equipment enterprises; actively seek new opportunities of acquiring domestic large scale coal mining equipment enterprises, strengthen the capability of manufacturing full sets of coal mining equipment.
- Speed up the progress in the construction of 250,000 tons/year methanol and 600,000 tons/year oil shale projects so as to strive to be put into operation by the end of 2008.

Facilitate Refined Management, Strengthen Sales Cost Control

- Actively communicate and negotiate with the relevant state authorities and key customers and control the policy-related expenditure increase.
- Strengthen fixed quota management and total cost management, devote great efforts to process control, increase operating efficiency and strive to control unit level of consumption.

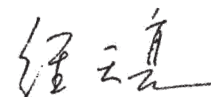
Chairman's Statement

- Implement scientific innovations and technological reforms, rely on technological advancement, increase the recovery rate of coal resource, the coal processing and recovery rate and the comprehensive utilization ratio of by-products.
- Strengthen the transformation in the production flow process, determine the labor costs rationally and reduce costs and expenditures.

Place Great Emphasis on Energy Conservation and Discharge Reduction, Create a Saving and Clean Production Operation Model

- Strengthen the management body with dedicated personnel, establish and strictly implement the target responsibility system and the management system of energy conservation and discharge reduction; scientifically formulate the energy conservation and discharge reduction planning and the annual rolling plan, decompose and implement the targets and tasks at every level.
- Rely on technological advancements to increase the effectiveness of energy conservation and discharge reduction; expedite the promotion and application of new environmental protection equipments, techniques and technologies in energy conservation and discharge reduction, eliminate outdated techniques, technologies and equipments with high energy consumption.
- Step up efforts in energy conservation and discharge reduction fundamental work; seriously conduct energy statistical analysis and comprehensive investigations into sources of energy consumption and pollution, improve the energy conservation and discharge reduction statistical system, refine the statistical method, provide guidance to the Company on energy conservation and discharge reduction.

Being the super-large coal conglomerate in the PRC, China Coal Energy will capitalize on its own strengths to focus on the three core businesses of coal production, coal chemical and coal mining equipment manufacturing so as to strive to perfect the extension with coal as the major industry chain and the extension from organic growth to external expansions, facilitate the upgrade of industry structure and the management standard and fully implement the production and operation target for 2007, thereby creating excellent returns for shareholders.



JING Tianliang
Chairman

Beijing, the PRC
September 14, 2007

Management Discussion and Analysis of Financial Conditions and Operating Results

The following discussions and analysis should be read in conjunction with the Group's reviewed financial statements and the notes as set out in this report. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards.

(I) Overview

For the six months ended 30 June 2007, the Group was committed in expanding production and sales and actively implementing refined management, which led to the rapid production growth of coal and other major products and the increased proportion of the sales of self-produced coal. As a result, the cost was brought under effective control and profitability was further strengthened, demonstrating solid business performance and development potential. For the six months ended 30 June 2007, the Group's total revenues (after elimination of inter-segment sales) was RMB16.716 billion, an increase of 13.9% over the same period last year; the Group's profit before income tax was RMB3.640 billion, an increase of 72.5% over the same period last year; profit attributable to equity holders of the Company was RMB2.649 billion, representing an increase of 98.6% over the same period last year. Basic earnings per share of the Company was RMB0.23.

For the six months ended 30 June 2007, each of the Group's main business segments saw an overall improvement on its profitability, realizing rapid and coordinated development. A record operating profit of RMB2.977 billion from the coal operations was generated for the six months ended 30 June 2007, an increase of 41% compared with that of RMB2.112 billion over the same period last year; operating profits from the coking operations increased significantly by 167.6% from RMB34 million to RMB91 million; operating profits from the coal mining equipment manufacturing operations also hit a historical high, which increased from RMB79 million to RMB135 million, representing an increase of 70.9%.

In addition, the Group's EBITDA increased from RMB2.964 billion for the six months ended 30 June 2006 to RMB4.635 billion for the same period in 2007, representing an increase of 56.4%. Our gearing ratio (total interest bearing debts/(total interest bearing debts + shareholders' equity interest)) was 31.6%.

(II) Consolidated Operating Results

Revenues

The Group's total revenues after elimination of inter-segment sales increased from RMB14.680 billion for the six months ended 30 June 2006 to RMB16.716 billion for the same period in 2007, representing an increase of 13.9%. The increase was mainly attributable to the Group's substantial growth on revenue from the sales of domestic self-produced commercial coal, the coking operations and the coal mining equipment manufacturing operations, while part of the growth was set off by the Group's decrease in sales of coal export and the lower-margined proprietary third party coal trading.

Management Discussion and Analysis of Financial Conditions and Operating Results

(II) Consolidated Operating Results *(continued)*

Revenues (continued)

The revenues of the Group's four business segments, namely coal, coking, coal mining equipment manufacturing, and other operations and respective proportion occupying the total revenue of the Group for the six months ended 30 June 2007 and six months ended 30 June 2006 are stated as below:

	Revenue (inter-segment eliminations) for the six months ended 30 June 2007 RMB100 million	Proportion %	Revenue (inter-segment eliminations) for the six months ended 30 June 2006 RMB100 million	Proportion %
Coal operations	119.90	71.7	117.61	80.1
Coking operations	21.23	12.7	10.12	6.9
Coal mining equipment manufacturing operations	14.34	8.6	9.72	6.6
Other operations	11.69	7.0	9.34	6.4
Total	167.16	100.0	146.80	100.0

Cost of sales

The Group's cost of sales increased from RMB11.636 billion for the six months ended 30 June 2006 to RMB12.339 billion for the same period in 2007, representing an increase of 6.0%. The main reasons for the change are as follows:

The cost of materials decreased from RMB7.134 billion for the six months ended 30 June 2006 to RMB5.929 billion for the same period in 2007, representing a decrease of 16.9%. The decrease was mainly attributable to a reduction in the volume of coal purchased by the Group from third parties.

Staff costs increased from RMB689 million for the six months ended 30 June 2006 to RMB877 million for the same period in 2007, representing an increase of 27.3%. The increase was mainly attributable to the expansion of the Group's production and operation, which resulted in the corresponding increase of staff costs.

Depreciation and amortization expenses increased from RMB525 million for the six months ended 30 June 2006 to RMB566 million for the same period in 2007, representing an increase of 7.8%.

Repairs and maintenance costs increased from RMB97 million for the six months ended 30 June 2006 to RMB344 million for the same period in 2007, representing an increase of 254.6%. The increase was mainly attributable to the Group's expansion of production and dedicated repairs and maintenance to main production facilities.

Management Discussion and Analysis of Financial Conditions and Operating Results

(II) Consolidated Operating Results *(continued)*

Cost of sales (continued)

Transportation costs increased from RMB2.266 billion for the six months ended 30 June 2006 to RMB3.019 billion for the same period in 2007, representing an increase of 33.2%. The increase was mainly attributable to an increase in the Group's coal sales volume and the adjustment of settlement methods.

Sales taxes and surcharges increased from RMB175 million for the six months ended 30 June 2006 to RMB281 million for the same period in 2007, representing an increase of 60.6%. The increase was mainly attributable to an increase in the Group's sales volume.

Other costs increased from RMB750 million for the six months ended 30 June 2006 to RMB1.323 billion for the same period in 2007, representing an increase of 76.4%, of which the cost increase of RMB327 million was attributable to the fact that the Shanxi provincial government commenced to levy coal sustainable development fund on coal production enterprises effective from March 2007. Moreover, the Group's coal production was increased, leading to a corresponding increase in related expenses.

Gross profit

The Group's gross profit increased from RMB3.044 billion for the six months ended 30 June 2006 to RMB4.377 billion for the same period in 2007, representing an increase of 43.8%. Gross profit margin increased from 20.7% for the six months ended 30 June 2006 to 26.2% for the same period in 2007, representing an increase of 5.5 percentage points.

The Group's gross profit and gross profit margin for the four business segments, namely coal, coking, coal mining equipment manufacturing and other operations for the six months ended 30 June 2007 and six months ended 30 June 2006 are stated as below.

	For the six months ended 30 June 2007		For the six months ended 30 June 2006	
	Gross Profit RMB100 million	Gross Profit Margin %	Gross Profit RMB100 million	Gross Profit Margin %
Coal operations	36.72	30.4	25.26	21.3
Coking operations	2.16	10.2	0.61	6.0
Coal mining equipment manufacturing operations	2.78	17.0	2.31	21.0
Other operations	2.34	15.9	1.93	18.1

Selling, general and administrative expenses

The Group's selling, general and administrative expenses increased from RMB836 million for the six months ended 30 June 2006 to RMB1.127 billion for the same period in 2007, representing an increase of 34.8%. The increase was mainly attributable to the corresponding increase in marketing and administrative expenses as a result of the expansion of the Group's production and operation.

Management Discussion and Analysis of Financial Conditions and Operating Results

(II) Consolidated Operating Results *(continued)*

Other revenue

The Group's other revenue increased from RMB87 million for the six months ended 30 June 2006 to RMB299 million for the same period in 2007, representing an increase of 243.7%. The increase was mainly attributable to the increase of interest revenue of deposits.

Profit from operations

The Group's profit from operations increased from RMB2.403 billion for the six months ended 30 June 2006 to RMB3.959 billion for the same period in 2007, representing an increase of 64.8%.

Net finance costs

The Group's net finance costs increased from RMB292 million for the six months ended 30 June 2006 to RMB325 million for the same period in 2007, representing an increase of 11.3%. The change was mainly attributable to the net exchange loss of RMB215 million due to the fluctuation of Renminbi exchange rate, and the gain of RMB209 million from foreign currency forward contract relating to Hong Kong dollars proceeds from the offering of H shares.

Profit before income tax

The Group's profit before income tax increased from RMB2.110 billion for the six months ended 30 June 2006 to RMB3.640 billion for the same period in 2007, representing an increase of 72.5%.

Income tax expense

The Group's income tax expense increased from RMB628 million for the six months ended 30 June 2006 to RMB755 million for the same period in 2007, representing an increase of 20.2%. The consolidated income tax rate decreased from 29.8% for the six months ended 30 June 2006 to 20.7% for the same period in 2007, representing a decrease of 9.1 percentage points.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company increased from RMB1.334 billion for the six months ended 30 June 2006 to RMB2.649 billion for the same period in 2007, representing an increase of 98.6%.

Management Discussion and Analysis of Financial Conditions and Operating Results

(III) Operating Results of Principal Business Segments

Coal Operations

1. Revenues

The total revenues from the coal operations increased from RMB11.870 billion for the six months ended 30 June 2006 to RMB12.080 billion for the same period in 2007, representing an increase of 1.8% (of which the revenue after elimination of other inter-segment sales increased from RMB11.761 billion for the six months ended 30 June 2006 to RMB11.990 billion for the same period in 2007, representing an increase of 2.0%). The change was mainly due to the increase in the domestic sales volume of the Group's self-produced coal and the increase in sales prices. At the same time, the growth rate was partially set off by the Group's decrease in sales of coal export and the lower-margined proprietary third party coal trading.

The Group's coal sales volume for the six months ended 30 June 2007 was 41.67 million tons, representing a decrease of 1.88 million tons or 4.3% over the same period last year, of which, the sales volume of self-produced coal was 33.82 million tons, representing an increase of 7.65 million tons or 29.2% over the same period last year; the sales volume of proprietary third party coal trading was 1.23 million tons, representing a decrease of 6.07 million tons or 83.2% over the same period last year; the sales volume of export coal on agency basis was 5.04 million tons, representing a decrease of 3.55 million tons or 41.3% over the same period last year; the sales volume of import coal on agency basis was 1.58 million tons, representing an increase of 0.09 million tons or 6.0% over the same period last year.

Management Discussion and Analysis of Financial Conditions and Operating Results

(III) Operating Results of Principal Business Segments (continued)

Coal Operations (continued)

1. Revenues (continued)

The comparison between the Group's coal sales prices for the six months ended 30 June 2007 and the year ended 31 December 2006 is showed as below:

	Unit	For the six months ended 30 June 2007	For the year ended 31 December 2006	Change
Average sales price of self-produced commercial coal				
Average export sales price of thermal coal	RMB/ton	465	394	71
Of which: Average sales price of long-term contracts	RMB/ton	465	395	70
Average sales price of spot contracts	RMB/ton	*	385	
Average domestic sales price of thermal coal	RMB/ton	328	298	30
Of which: Average sales price of long-term contracts	RMB/ton	319	291	28
Average sales price of spot contracts	RMB/ton	361	340	21
Average export sales price of coking coal	RMB/ton	792	847	-55
Average domestic sales price of coking coal	RMB/ton	627	564	63
Average sales price of third party coal trading				
Average sales price of domestic proprietary coal trading	RMB/ton	414	373	41
Of which: Average sales price of long-term contracts	RMB/ton	508	381	127
Average sales price of spot contracts	RMB/ton	410	357	53
Average sales price of self-arranged export coal	RMB/ton	686	505	181
Of which: Average sales price of long-term contracts	RMB/ton	*	487	
Average sales price of spot contracts	RMB/ton	686	943	-257
Import on agency basis	RMB/ton	6	7	-1
Export on agency basis	RMB/ton	7	10	-3

* no sales occurred during the reporting period

Management Discussion and Analysis of Financial Conditions and Operating Results

(III) Operating Results of Principal Business Segments *(continued)*

Coal Operations (continued)

1. Revenues *(continued)*

The Group's sales revenue of self-produced commercial coal for the six months ended 30 June 2007 was RMB11.431 billion, representing an increase of RMB2.629 billion over the same period last year, of which the domestic sales revenue was RMB10.207 billion, representing an increase of RMB3.269 billion over the same period last year; the export sales revenue was RMB1.224 billion, representing a decrease of RMB640 million over the same period last year.

In the same period, the Group's sales revenue from proprietary third party coal trading and revenue from coal import & export agency services was RMB559 million, representing a decrease of RMB2.400 billion over the same period last year.

2. Cost of sales

Cost of sales for the coal operations decreased from RMB9.344 billion for the six months ended 30 June 2006 to RMB8.408 billion for the same period in 2007, representing a decrease of 10.0%. The decrease was mainly due to a decline in the sales of proprietary third party coal trading and the effective cost control of self-produced coal.

The comparison between the main items of the Group's coal sales cost for the six months ended 30 June 2007 and the six months ended 30 June 2006 is showed as below:

	For the six months ended 30 June 2007 RMB100 million	For the six months ended 30 June 2006 RMB100 million	Change RMB100 million	%
Material	27.63	53.69	-26.06	-48.5
Staff cost	6.98	5.39	1.59	29.5
Depreciation & amortization	4.13	4.07	0.06	1.5
Repairs & maintenance	3.09	0.64	2.45	382.8
Transportation cost	28.82	22.08	6.74	30.5
Other expenses	13.43	7.57	5.86	77.4
Coal sales cost	84.08	93.44	-9.36	-10.0

For the six months ended 30 June 2007, the sales cost of the Group's self-produced commercial coal was RMB7.888 billion, representing an increase of RMB1.299 billion over the same period last year.

Management Discussion and Analysis of Financial Conditions and Operating Results

(III) Operating Results of Principal Business Segments (continued)

Coal Operations (continued)

2. Cost of sales (continued)

Facing the expenditure increases comprising the sustainable development fund levied by the Shanxi provincial government to coal production enterprises; the increasing repairs and maintenance cost to main production facilities; the added transportation cost due to the increasing adoption of FOB sales, the Group increased the production volume of self-produced coal, implemented refined management and further enhanced the economies of scale. In the meantime, the Group decreased the external purchase volume of raw coal for washing purpose, dramatically lowered the material costs and brought the sales costs of self-produced commercial coal under effective control. For the six months ended 30 June 2007, the Group's unit sales cost of self-produced commercial coal was RMB233.22/ton, representing a decrease of RMB10.57 than that of 2006.

The comparison between the Group's unit sales cost of self-produced commercial coal for the six months ended 30 June 2007 and the year ended 31 December 2006 is showed as below:

	For the six months ended 30 June 2007 RMB/ton	For the year ended 31 December 2006 RMB/ton	Change RMB/ton
Production cost	150.52	173.09	-22.57
Material	68.80	93.17	-24.37
Staff cost	20.65	18.93	1.72
Depreciation & amortization	12.22	13.46	-1.24
Repairs & maintenance cost	9.14	5.13	4.01
Other	39.71	42.40	-2.69
Transportation cost	82.70	70.70	12.00
Sales cost of self-produced commercial coal	233.22	243.79	-10.57

The Group's sales cost of proprietary third party coal trading and coal import & export agency services for the six months ended 30 June 2007 was RMB520 million, representing a decrease of RMB2.235 billion over the same period last year.

Management Discussion and Analysis of Financial Conditions and Operating Results

(III) Operating Results of Principal Business Segments *(continued)*

Coal Operations (continued)

3. Gross Profit

The gross profit of coal operations increased from RMB2.526 billion for the six months ended 30 June 2006 to RMB3.672 billion for the same period in 2007, representing an increase of 45.4%; the gross profit margin increased from 21.3% for the six months ended 30 June 2006 to 30.4% for the same period in 2007, representing an increase of 9.1 percentage points.

The gross profit margin of self-produced commercial coal sales increased from 25.1% for the six months ended 30 June 2006 to 31.0% for the same period in 2007, representing an increase of 5.9 percentage points; the gross profit margin of sales of proprietary third party coal trading and coal import & export agency services increased from 6.9% for the six months ended 30 June 2006 to 7.1% for the same period in 2007, representing an increase of 0.2 percentage point.

4. Selling, general and administrative expenses

Selling, general and administrative expenses of coal operations increased from RMB598 million for the six months ended 30 June 2006 to RMB748 million for the same period in 2007, representing an increase of 25.1%. The increase was mainly due to the expansion of business operation, which led to the increase in the expenses of marketing, sales and staff.

5. Profit from operations

Profit from coal operations increased from RMB2.112 billion for the six months ended 30 June 2006 to RMB2.977 billion for the same period in 2007, representing an increase of 41.0%.

Coking Operations

1. Revenues

Revenue from coking operations increased from RMB1.012 billion for the six months ended 30 June 2006 to RMB2.123 billion for the same period in 2007, representing an increase of 109.8%. The increase was mainly attributable to a corresponding increase in the sales volume of self-produced coke as a result of the increase in the production volume of the coking plants owned by the Group and the rise of the sales price.

Sales of coke for the six months ended 30 June 2007 amounted to 1.89 million tons, an increase of 0.81 million tons or 75.0% over the same period last year, of which self-produced coke amounted to 1.35 million tons, representing an increase of 0.64 million tons or 90.1% over the same period last year.

For the six months ended 30 June 2007, the average sales price of coke was RMB1,065/ton, an increase of RMB139 compared with that of 2006, of which the average domestic sales price of coke was RMB945/ton, an increase of RMB138 compared with that of 2006; the average export sales price of coke was RMB1,409/ton, an increase of RMB163 compared with that of 2006.

Management Discussion and Analysis of Financial Conditions and Operating Results

(III) Operating Results of Principal Business Segments *(continued)*

Coking Operations (continued)

2. Cost of sales

The cost of sales of coking operations increased from RMB952 million for the six months ended 30 June 2006 to RMB1.907 billion for the same period in 2007, representing an increase of 100.3%. The unit cost of sales was RMB902.61/ton, representing an increase of RMB41.66 than that of last year. The cost increase was mainly attributable to the increase in the sales volume of coke and the soaring price of raw materials.

3. Gross profit

The gross profit from coking operations increased from RMB61 million for the six months ended 30 June 2006 to RMB216 million for the same period in 2007, representing an increase of 254.1%; the gross profit margin increased from 6.0% for the six months ended 30 June 2006 to 10.2% for the same period in 2007, representing an increase of 4.2 percentage points.

4. Selling, general and administrative expenses

Selling, general and administrative expenses for coking operations increased from RMB36 million for the six months ended 30 June 2006 to RMB136 million or 277.8% for the same period in 2007, which was mainly due to the increase in marketing and sales expenditure as a result of the expansion of operation volume of the coke enterprises.

5. Profit from operations

Profit from operations increased from RMB34 million for the six months ended 30 June 2006 to RMB91 million for the same period in 2007, representing an increase of 167.6%.

Coal mining equipment manufacturing operations

1. Revenues

Revenue from the coal mining equipment manufacturing operations increased from RMB1.098 billion for the six months ended 30 June 2006 to RMB1.635 billion for the same period in 2007, representing an increase of 48.9%, of which revenue after elimination of other inter-segment sales increased from RMB972 million for the six months ended 30 June 2006 to RMB1.434 billion for the same period in 2007, representing an increase of 47.5%. The increase was mainly attributable to an increase in production and sales volume, and an increase in the proportion of the high-end products.

Management Discussion and Analysis of Financial Conditions and Operating Results

(III) Operating Results of Principal Business Segments *(continued)*

Coal mining equipment manufacturing operations (continued)

2. Cost of sales

Cost of sales for the coal mining equipment manufacturing operations increased from RMB868 million for the six months ended 30 June 2006 to RMB1.357 billion for the same period in 2007, representing an increase of 56.3%. The increase was mainly attributable to an increase in the production and sales volume, and an increase in prices for the procurement of raw materials such as steel.

3. Gross profit

The gross profit of coal mining equipment manufacturing operations increased from RMB231 million for the six months ended 30 June 2006 to RMB278 million for the same period in 2007; representing an increase of 20.3%; the gross profit margin decreased from 21.0% for the six months ended 30 June 2006 to 17.0% for the same period in 2007, representing a decrease of 4 percentage points.

4. Selling, general and administrative expenses

Selling, general and administrative expenses of the coal mining equipment operations decreased from RMB161 million for the six months ended 30 June 2006 to RMB153 million for the same period in 2007, representing a decrease of 5.0%.

5. Profit from operations

Profit from operations from the coal mining equipment manufacturing operations increased from RMB79 million for the six months ended 30 June 2006 to RMB135 million for the same period in 2007, representing an increase of 70.9%.

Other Operations

During the first half of 2007, the Group has also achieved much better results in other operations comprising the sales of primary aluminum, power and the supply of coal mine design services. The aggregate revenue from the above operations increased from RMB1.065 billion for the six months ended 30 June 2006 to RMB1.475 billion for the same period in 2007, representing an increase of 38.5%, of which revenue after eliminations of other inter-segment sales increased from RMB934 million for the six months ended 30 June 2006 to RMB1.169 billion, representing an increase of 25.2%.

The profit from these operations was RMB783 million for the six months ended 30 June 2007, representing an increase of 401.9% over the same period last year.

Management Discussion and Analysis of Financial Conditions and Operating Results

(IV) Cash flow

As at 30 June 2007, the Group had cash and cash equivalents amounting to RMB4.232 billion, a net decrease of RMB13.992 billion compared with cash and cash equivalents of RMB18.224 billion as at 1 January 2007.

Net cash generated from operating activities increased from RMB1.143 billion for the six months ended 30 June 2006 to RMB1.195 billion for the same period in 2007, representing an increase of 4.5%. This was mainly attributable to an increase of cash inflow from operating activities.

Net cash used for investing activities increased from RMB1.963 billion for the six months ended 30 June 2006 to RMB13.147 billion for the same period in 2007. This was mainly attributable to an increase in the capital expenditures and an increase of term deposits with initial terms of over three months.

Net cash used for financing activities increased from RMB26 million for the six months ended 30 June 2006 to RMB1.716 billion for the same period in 2007. This was mainly attributable to an increase of cash outflow with respect to repayment of short-term and long-term bank borrowings, distribution to Parent Company, and a decrease in newly drawdown of bank borrowings.

(V) Liquidity and Sources of Capital

For the six months ended 30 June 2007, the main sources of capital for the Group were the net funds generated from operations, bank borrowings and the net proceeds from the initial public offering of the Company. Capital of the Group was mainly applied in the investment of production facilities and equipments for coal, coking and coal mining equipment manufacturing operations, repayment of the Group's debts, and as working capital and general operating expenses of the Group.

The Group's cash flow generated from business operations, the net proceeds from the Global Offering by the Company, and the credit facilities acquired from relevant banks are sufficient to guarantee the availability of funds to finance production activities and project constructions in the future.

(VI) Assets and Liabilities

Property, plant and equipment

The net value of property, plant and equipment of the Group increased from RMB15.955 billion as at 1 January 2007 to RMB18.557 billion as at 30 June 2007, representing an increase of 16.3%.

Trade receivable and notes receivable

As at 30 June 2007, the balance of trade receivable and notes receivable of the Group amounted to RMB4.513 billion, representing an increase of RMB1.761 billion or 64.0% compared with the balance of RMB2.752 billion as at 31 December 2006. This was mainly attributable to the expansion of the Group's sales volume and the increase of the outstanding sales proceeds as at the end of the reporting period.

Management Discussion and Analysis of Financial Conditions and Operating Results

(VI) Assets and Liabilities *(continued)*

Borrowings

As at 30 June 2007, the borrowings of the Group amounted to RMB11.448 billion, representing an increase of RMB818 million when compared with RMB10.630 billion as at 31 December 2006. Due to the change of consolidation scope, the borrowings were increased by RMB1.334 billion, drawdown of the bank borrowings increased by RMB1.680 billion and the repayment of the bank borrowings decreased by RMB2.087 billion.

With respect to the above borrowings, the balance of the long-term borrowings was RMB9.393 billion, an increase of RMB1.123 billion compared with the balance of RMB8.270 billion as at 31 December 2006. The balance of the short-term borrowings as well as the current portion of long-term borrowings was RMB2.056 billion, a decrease of RMB304 million compared with the balance of RMB2.360 billion as at 31 December 2006.

(VII) Significant Investment

For the six months ended 30 June 2007, the Group had no new significant investment.

(VIII) Material Acquisition and Disposal

For the six months ended 30 June 2007, the Group did not make any material acquisition and disposal.

(IX) Exchange Rate Risks

The business operations of the Group are affected by changes in the exchange rate of Renminbi as the Group accepts the United States dollar payments for most of its export sales, with liabilities denominated in foreign currencies, including Japanese Yen and the United States dollar. At the same time, the Group also has to make payments for equipment and spare parts imported in foreign currencies, and in most cases, in the United States dollar. Therefore exchange rate fluctuation of foreign currencies vs RMB may have favorable or adverse impact on the operating results of the Group. The appreciation of Renminbi will lead to a decline in the revenue derived by the Group from exports, but will also lower the cost of equipment and spare parts imported by the Group, as well as lowering the costs for the repayment of foreign debts.

In addition, the Company has adopted measures such as foreign currency forward contract relating to remaining Hong Kong dollars proceeds from the offering of H shares that are yet to be converted to RMB and has brought the exchange rate risks under control.

(X) Commodity Price Risks

The Group is also subject to commodity price risks arising from movements in the prices of its products and materials.

Management Discussion and Analysis of Financial Conditions and Operating Results

(XI) Industry Risks

Like other coal companies and coking companies in China, the Group's operational activities are subject to regulations by the Chinese government in aspects such as industry policies, project approval, granting of permits, industry special tax and levy, environmental protection and safety standards. Therefore the Group may be restricted in its efforts to expand businesses or increase earnings. Future policies adopted by the Chinese government in industries relevant to the Group's businesses such as coal and chemical may have impact on the Group's operations.

(XII) Contingent Liabilities

Bank guarantees

For the six months ended 30 June 2007, the Group did not have any guarantee in favor of third parties.

Environmental protection responsibilities

Environmental protection laws and regulations are in full force in China. However, the management of the Group is of the opinion that other than that accounted for in the financial statements, there does not currently exist any other liability in relation to environmental protection that may have major negative impact on the financial position of the Group.

Contingent legal liability

As at 30 June 2007, the Group was not involved in any material litigation or arbitration, and as far as the Group is aware, there are no material litigations or claims pending threatened or occurring against the Group.

Business Performance

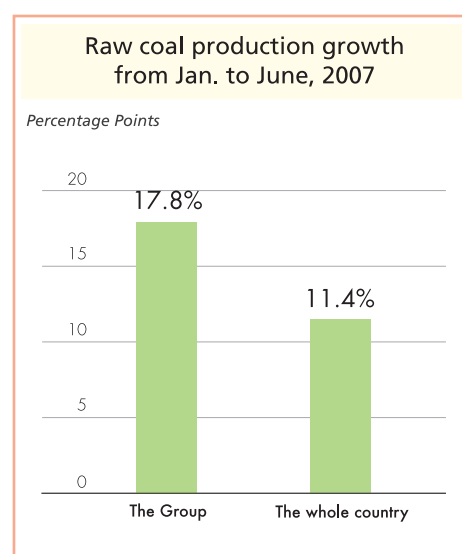
1. COAL PRODUCTION AND SALES OPERATIONS

In the first half of 2007, the production of raw coal of the Group continued to increase while the cost was brought to effective control, and sales structure has further been optimised. The market position and competitiveness were continually reinforced.

(1) Coal production

Continued rapid growth of production

In the first half of 2007, the Group's raw coal production was 43.39 million tons, representing an increase of 6.56 million tons or 17.8% over the same period last year. The growth rate was 6.4 percentage points higher than that of domestic raw coal production for the same period. The Company's raw coal production accounted for 3.95% of the total production in China, up 0.46 percentage point over the same period last year.

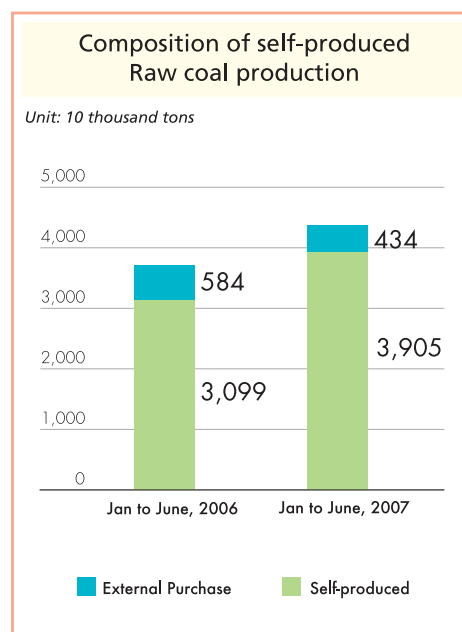


	January to June, 2007	January to June, 2006	Change %
Self-produced Raw Coal Production (10 thousand tons)			
PingShuo Mining Area	3,341	2,520	32.6
including: Antaibao Open Pit Mine	1,089	941	15.7
Anjialing Open Pit Mine	858	922	-6.9
Anjialing Underground Mine	1,394	657	112.2
Datun Mining Area	407	404	0.7
including: Longdong	61	65	-6.2
Yaoqiao	200	193	3.6
Xuzhuang	80	82	-2.4
Kongzhuang	66	64	3.1
Liliu Mining Area	107	125	-14.4
Nanliang Mining Area	50	50	0.0
Total	3,905	3,099	26.0

1. COAL PRODUCTION AND SALES OPERATIONS

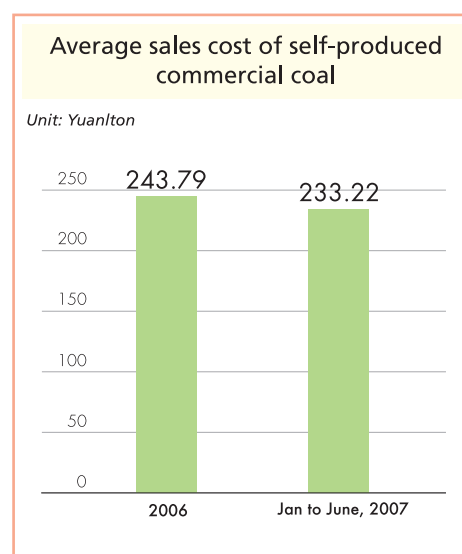
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In the first half of 2007, the Group's self-produced raw coal was 39.05 million tons, representing an increase of 8.06 million tons or 26.0% over the same period last year. The production of self-produced raw coal from Pingshuo Mining Area was 33.41 million tons, representing an increase of 8.21 million tons or 32.6% over the same period last year.



Cost under effective control

In the first half of 2007, sales cost for the coal production and trading operations was RMB8.408 billion, representing a decrease of 10.0% over the same period last year and 11.8 percentage points lower than that of the sales revenue growth. The average sales cost of self-produced commercial coal was RMB233.22/ton, representing a decrease of RMB10.57/ton or 4.3% over the same period last year. The average sales cost of commercial coal in Pingshuo Mining Area was RMB203.52/ton, representing a decrease of RMB1.82/ton from RMB193.27/ton of 2006 if excluding the impact of sustainable development fund RMB12.07/ton, of which the average transportation cost of Pingshuo Mining Area increased by RMB6.90/ton as a result of the change of settlement. The average production cost of commercial coal in Pingshuo Mining Area decreased by RMB8.72/ton than that of 2006 if excluding the impact of freight factor.

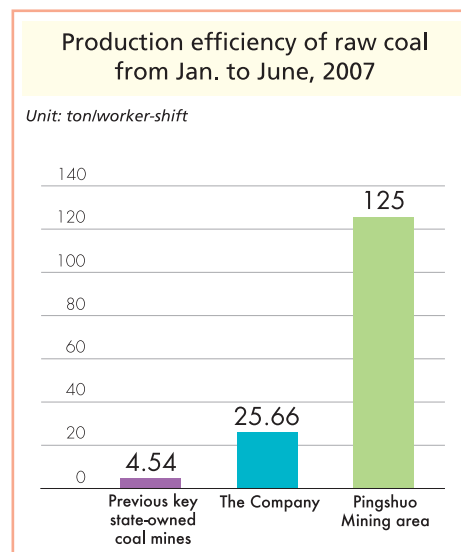


1. COAL PRODUCTION AND SALES OPERATIONS

(continued)

Increasing production efficiency

In the first half of 2007, production efficiency of raw coal was 25.66 tons/worker-shift, representing an increase of 8.73 tons/worker-shift or 51.6% over the same period last year, far higher than production efficiency for raw coal of 4.54 tons/worker-shift of the previous key state-owned coal mines, of which production efficiency for raw coal of Pingshuo Mining Area was 125 tons/worker-shift, representing an increase of 31 tons/worker-shift or 33% over the same period last year.

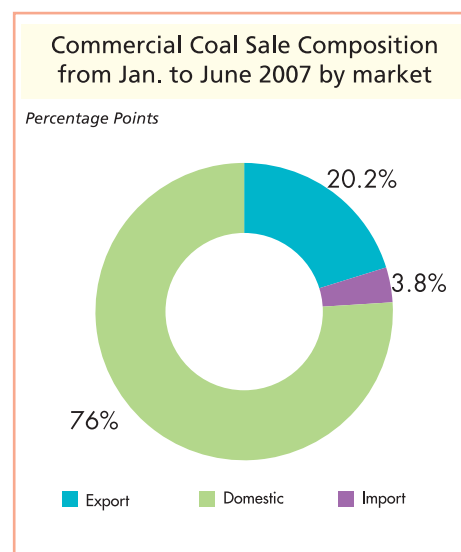


(2) Sales of coal

In the first half of 2007, coal sales of the Group was 41.67 million tons, of which domestic sales accounted for 31.65 million tons, export sales accounted for 8.44 million tons and import sales on agency basis accounted for 1.58 million tons.

For the domestic market sales, long-term contract sales accounted for 28.07 million tons, representing 88.7% of total domestic sales. Sales to the domestic five largest external customers reached 13.61 million tons, representing 43.0% of total domestic sales; sales to the largest external customer were 4.24 million tons, representing 13.4% of total domestic sales. With respect to the domestic sales of self-produced coal, long-term contract sales accounted for 28.02 million tons, representing 92.0% of the domestic self-produced coal sales.

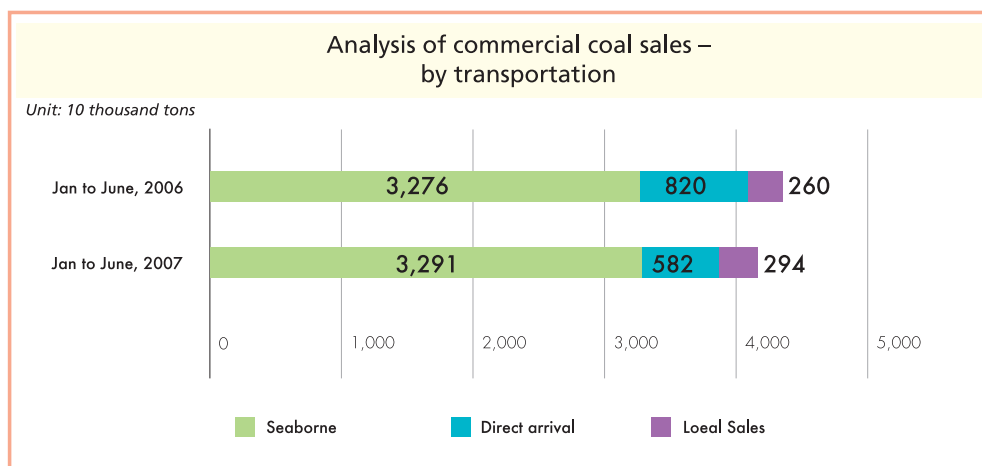
Export sales accounted for 34.0% of the total coal export volume of the country, of which export of self-produced and self-arranged commercial coal were 3.4 million tons and the volume of export coal on agency basis was 5.04 million tons. For the export sales, long-term contract sales accounted for 7.72 million tons, representing 91.5% of the coal export sales; Spot sales accounted for 0.72 million tons, representing 8.5% of the coal export sales.



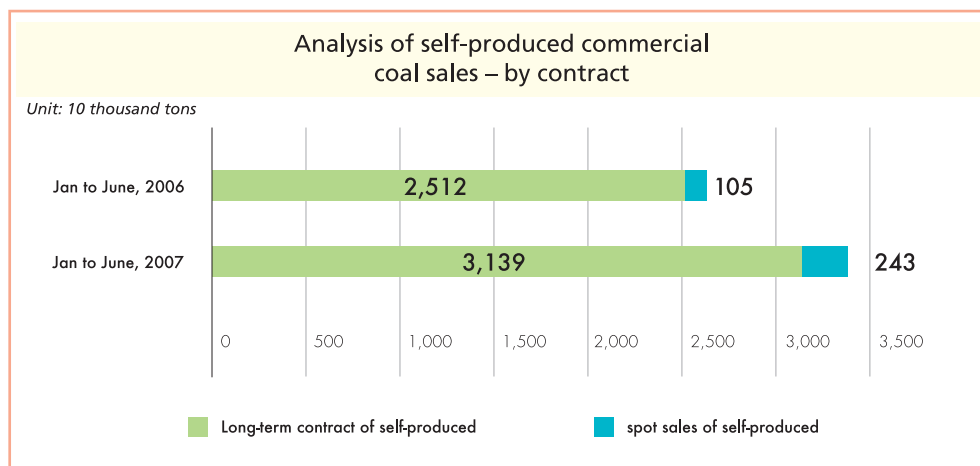
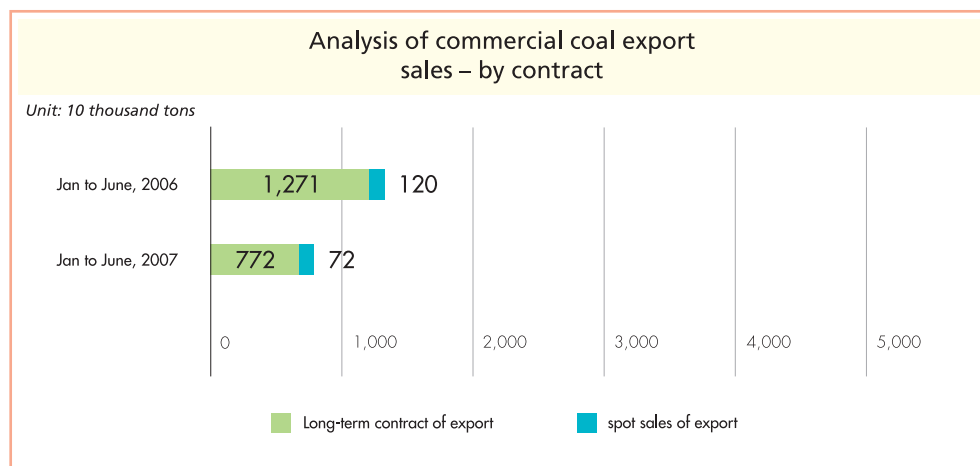
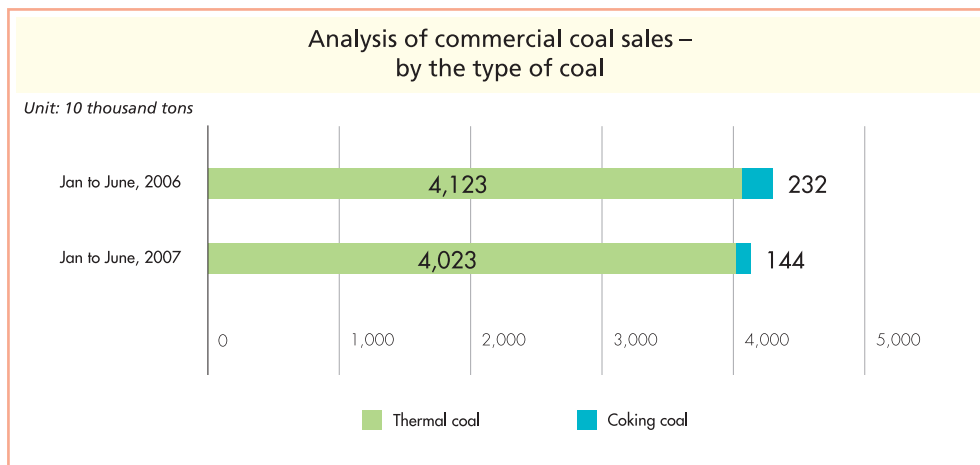
Business Performance

1. COAL PRODUCTION AND SALES OPERATIONS (continued)

Sales of commercial coal (10 thousand tons)	January to June, 2007	January to June, 2006	Change %	Percentage of total sales from January to June, 2007
By sales market	4,167	4,355	-4.3	100.0
Domestic sales	3,165	2,814	12.4	76.0
including: self-produced	3,046	2,172	40.2	73.1
Export sales	844	1,391	-39.3	20.2
including: self-produced and self-arranged sales	340	532	-36.1	8.2
Import sales	158	149	6.0	3.8
By product source	4,167	4,355	-4.3	100.0
Self-produced	3,382	2,617	29.2	81.2
Non self-produced	785	1,738	-54.8	18.8
including: Proprietary third party coal trading	123	730	-83.2	3.0
Agency Sales	662	1,008	-34.3	15.9
– Export	504	859	-41.3	12.1
– Import	158	149	6.0	3.8



1. COAL PRODUCTION AND SALES OPERATIONS (continued)



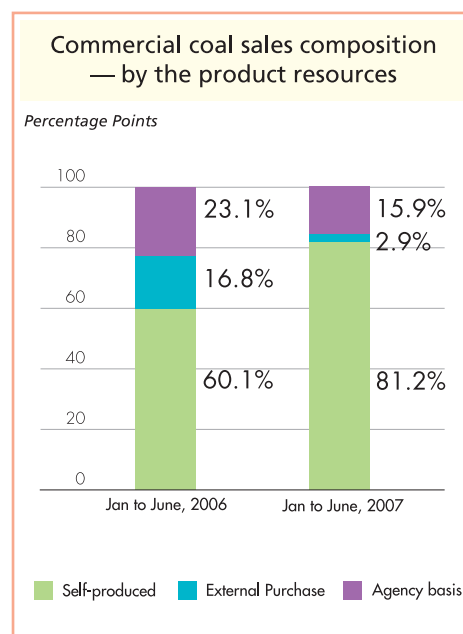
1. COAL PRODUCTION AND SALES OPERATIONS

(continued)

Further optimization of sales structure

The proportion of domestic market sales increased. Domestic market sales accounted for 76.0% of total sales of commercial coal, representing an increase of 11.3 percentage points over the same period last year; the volume of export accounted for 20.2% of total sales of commercial coal, representing a decrease of 11.7 percentage points over the same period last year; the volume of import accounted for 3.8% of total sales of commercial coal, representing an increase of 0.4 percentage point over the same period last year.

The sales proportion of self-produced coal increased. Sales of self-produced commercial coal was 33.82 million tons, representing 81.2% of total sales, up 21.1 percentage points over the same period last year; sales of non self-produced coal was 7.85 million tons, representing 18.8% of the total sales volume, down 21.1 percentage points over the same period last year.



Coal prices continue to increase

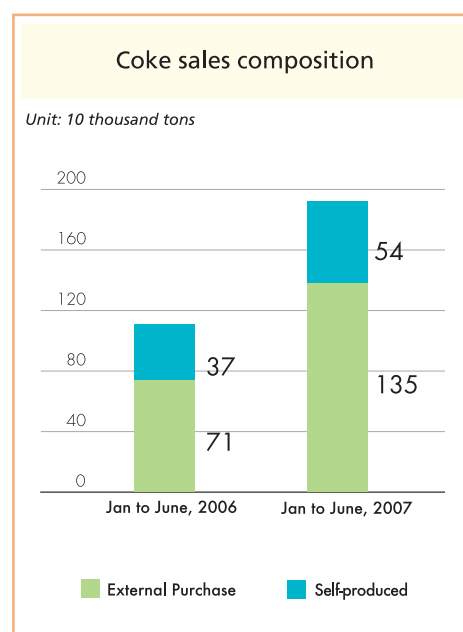
In the first half of 2007, the average domestic sales price of self-produced thermal coal was RMB328/ton, representing an increase of RMB30/ton or 10.1% over that of 2006; the average domestic sales price of self-produced coking coal was RMB627/ton, representing an increase of RMB63/ton or 11.2% over that of 2006.

2. COKING OPERATIONS

In the first half of 2007, the domestic coke market began to recover from the downturn. The coking operations of the Group achieved remarkable performance. The production capacity was fully utilized, the production and sales volumes increased substantially, and profits increased in exponential growth.

Substantial growth in production

China Coal & Coke Holdings Limited, a subsidiary of the Group, is one of the largest independent coke manufacturing enterprises in China. The No.3 coke oven of China Coal Jiuxin Company was successfully commissioned in May with further release of production capacity. In the first half of 2007, the production of coke reached 1.25 million tons, representing an increase of 0.46 million tons or 58.2% over the same period last year.



2. COKING OPERATIONS (continued)

Simultaneous growth in sales

The Group strengthened communication with key customers, enhanced logistics management, closely monitored changes in the market and adjusted its marketing strategy in a timely manner. The accumulated sales of coke amounted to 1.89 million tons, representing an increase of 75.0% over the same period last year, of which domestic sales was 1.4 million tons, representing an increase of 97.2% over the same period last year; the export volume was 0.49 million tons, representing an increase of 32.4% over the same period of last year. Of all sales, self-produced coke accounted for 1.35 million tons, representing an increase of 90.1% over the same period last year.

More increase in sales prices

The average sales price for domestic coke was RMB945/ton, representing an increase of 17.1% over that of 2006; the average sales price for export coke was RMB1,409/ton, representing an increase of 13.1% over that of 2006.

3. COAL MINING EQUIPMENT OPERATIONS

The Group seizes market opportunities with the aim of creating a coal mining equipment enterprise that realizes its motto of "The Top in China, A leader in the World". In the first half of 2007, further progress has been made in market exploration, technology research and development and scale expansion.

Expansion of both production and sales with increased production capacity for high-end products

In the first half of 2007, an aggregate of 97,000 tons of coal mining equipment was produced, representing an increase of 16,000 tons or 20.4% over the same period last year, of which, hydraulic roof supports accounted for 44,000 tons, representing an increase of 35% over the same period last year; armored face conveyors accounted for 29,000 tons, representing an increase of 6.9% over the same period last year. Sales of coal mining equipment products was 102,000 tons, representing an increase of 33,000 tons or 47.9% compared with the same period in 2006, of which, sales of high-end products such as armored face conveyors and hydraulic roof supports amounted to 93,300 tons, representing an increase of 32,200 tons or 52.7% over the same period in 2006.

With the completion and successful implementation of the technical improvement program for gearbox manufacture and the technical improvement program using state loan for the localization of heavy duty armored face conveyors undertaken by the Company's subsidiary, China Coal Zhangjiakou Coal Mining Machinery Company Limited, an annual production capacities of 770 units of various types of gearboxes and 15 sets of heavy duty armored face conveyors has been established. In the first half of 2007, heavy duty armored face conveyors occupied a domestic market share of 41% while high-end hydraulic roof supports occupied a domestic market share of 28%.

3. COAL MINING EQUIPMENT OPERATIONS (continued)

After the Group successfully purchased the chain manufacturing technology from Parsons UK, the Company has generated an annual production capacity of 2,203 tons for chains with the specification of \varnothing 34–48mm, and has become one of the global largest heavy duty mining chain manufacturers and suppliers.

A new breakthrough in research and development of high technology products

The Company developed YBSD-855/430-4/8 Dual Speed Motors for armored face conveyors and YBUS-300 Motors for road headers which currently boast the greatest power in China, increasing the capability of the main engine and successfully replacing the imported products.

The Company developed supports with heights of 6.2 meters and 6.3 meters, which enabled it to successfully penetrate the market of supports with a height of above 6 meters. The Company also successfully developed ZY4800/06/16.5D Hydraulic Roof Support with Electro-Hydraulic Control Unit for extreme thin coal seam which is currently a pioneer support with the lowest height at home and abroad and will have demonstration and driving effects on the domestic production of thin coal seam mining equipments in China.

Step up efforts in acquisitions and reorganizations to increase core competitiveness

The Company has actively sought to proceed with acquisitions and reorganizations of domestic and overseas enterprises that complement respective advantages. Currently, it has completed the strategic reorganization of Fushun Coal Mining Motor Plant and achieved the extension from organic growth to external expansions focusing on capital operation. The mining motors produced by Fushun Coal Mining Motor Plant has the largest market share and the highest technological standard in the domestic market. The reorganization has provided technological support for the Group to grasp the controlling force for critical components of three major mining machines and is of significance to realizing the production of full sets of coal mining equipment.

4. DESIGN OF COAL MINES AND OTHER OPERATIONS

From January to June, 2007, the Group's subsidiary who are engaged in the design of coal mines signed 194 coal mine prospecting and design contracts with total contract volume of RMB582 million, representing an increase of 75.5% over the same period last year. The production volume of primary aluminum was 48,000 tons, representing an increase of 22,000 tons or 83.9% over the same period last year. Electricity generated was 1.16 billion kwh, representing an increase of 90 million kwh or 8% over the same period last year.

(I) INVESTOR RELATIONS

The Company has been placing great emphasis on investor relations work and established the Investor Relations Department to assume responsibilities of collecting information, disclosing information to external parties and maintaining investor relations. Pursuant to the laws and regulations and the relevant regulatory requirements of the place of listing, the Company has stipulated "Information Disclosure Management System". The company emphasizes on frank two-way communication with investors and analysts, and is committed to disclosing the development strategy and operating conditions of the Company to the public and investors through diversified channels so as to convey the latest information of the Company.

Ensuring the transparency and openness of information: In the first half of 2007, the Company made extensive contacts and effective communication with people from different circles such as fund managers, analysts and financial media. At present, the Company has established extensive links with 500 investment institutions worldwide. Some institutions engaged in securities analysis such as CICC, Citigroup, Morgan Stanley, CLSA, Credit Suisse and Deutsche Bank have included the Company in their studies and maintained close contact with the Company. In the first half of the year, the management team together with the Investor Relations Department of the Company received 82 visitors and analysts in 39 groups, and communicated with 22 investors through 15 teleconferences. The above activities have helped enhance investors' understanding of the Company and also facilitated the Company in understanding the key issues that attract investors' attention as well as obtaining valuable opinions and suggestions from investors and analysts. An investor relations column has been established on the web site of the Company to deliver the latest information on developments and progress of the Company to investors in a timely manner.

Organizing activities of results announcement and road shows: In April 2007, the Company organized the first results announcement and institutional investors seminar since its listing. The senior management attended the above events. Through organizing activities such as one-to-one interview, investor breakfast, luncheon and teleconference, the Company carried out in-depth exchanges with fund managers and analysts from 150 investment institutions worldwide.

Attending investment forum: In May 2007, the Company participated in the CLSA 2007 China Investment Forum held in Shanghai. The Chairman, Mr. Jing Tianliang, on behalf of the Company, presented a detailed introduction to fund managers and analysts about China's macro-economic evolutions, coal industry's situations, and the Company's investment highlights and future development strategies. During the investment forum, the Chairman, Mr. Jing Tianliang held one-to-one interviews with managers from 18 fund houses, and provided detailed replies to the issues of concern of the fund managers.

(I) INVESTOR RELATIONS (continued)

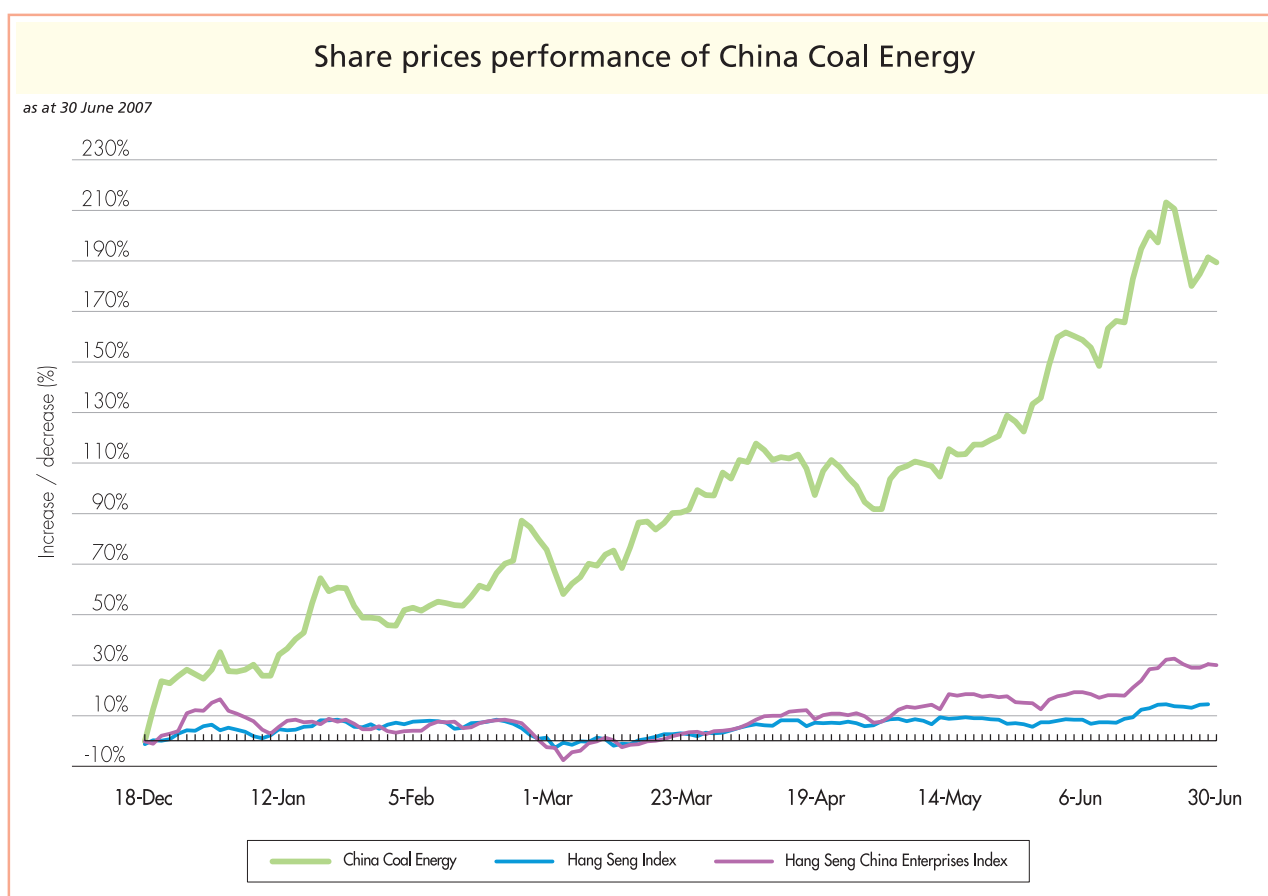
Conducting the first reverse road show since the listing of the Company: At the end of May 2007, the Company successfully organized the first investor reverse road show since its listing. At the briefing session of the reverse road show, senior management members of the Company introduced the situations of the coal industry in China and the operating results of the Company to 41 fund managers and analysts from 35 investment banks and fund houses worldwide; they forecasted the development prospect of the Company and answered the questions raised by investors and analysts. Following the session, investors and analysts paid on-site visits to the modern production workshop of China Coal Zhangjiakou Coal Mining Machinery Co., Ltd., Antaibao Open Pit Mine, Anjialing Open Pit Mine, Anjiajing Underground Mine and relevant ancillary coal processing facilities, heavy duty truck assembling plants and railway loading stations of Pingshuo Branch. Through on-site visits, investors and analysts have strengthened their understanding and awareness about the Company's production operating results, business operations, and future development strategies.

The convening of the annual general meeting of the Company: Following the listing of the Company, the 2006 annual general meeting was held at China Coal Building in Beijing on 15 June, 2007. The Chairman of the Company, Mr. Jing Tianliang, presided the meeting as the chairperson and made frank exchanges with representatives of shareholders of the Company. The meeting considered and approved all resolutions by casting the votes. During the reporting period, the shareholder structure of the Company was further optimized, the number of registered shareholders changed from 84,647 on the date of the listing of the Company to 21,893 as on 30 June 2007.

The Company will maintain smooth communication channels with different sectors and continue to provide investors with truthful, accurate, and complete information about production and operation on the principles of transparency, integrity, fairness and openness in a timely manner; and to listen to proposals and suggestions of the investors readily and answer any questions from investors earnestly; to gradually improve the standard of corporate governance of the Company so as to support the sustainable and rapid development of the Company. We strongly believe good investor relations will be conducive to the enterprise to demonstrate its intrinsic value, enhance the understanding and recognition of the Company by the capital market, which will lead to the maximization of shareholders' value.

(II) PERFORMANCE OF SHARE PRICE

Since the Company's listing on the Stock Exchange of Hong Kong LTD on 19 December 2006, the share price of the Company has been increasing and the Company's shares have been trading actively. As at 30 June 2007, the Company's share price rose by 189.4%, accumulatively outperforming the Hang Seng China Enterprise Index in the same period by 159.5 percentage points. The Company's total market capitalization was HK\$137.515 billion on 30 June 2007, representing an increase of HK\$89.995 billion compared with that at the time of listing, while the Hang Seng Index rose by 14.6% and the Hang Seng China Enterprises Index rose by 29.9% for the same period. The Company's share price has remarkably outperformed the market.



(I) IMPROVEMENT OF THE CORPORATE GOVERNANCE STRUCTURE AND ESTABLISHMENT OF THE FUNDAMENTAL MANAGEMENT SYSTEM

During the period under review, by rigorously implementing the Listing Rules, the Company Law of the PRC and other laws and regulations, the Company reasonably defined the responsibilities of and relationships among the shareholders' general meeting, the board of directors, the supervisory committee and the senior management to establish a mutually balanced and supportive corporate governance structure.

Subsequent to listing, the Company has established 8 fundamental management systems including "Rules and Procedures of Shareholders' General Meeting", "Rules and Procedures of Meetings of the Board of Directors", "Rules and Procedures of Senior Management", "Information Disclosure Management System", "Internal Control Auditing System" which were approved at the First Meeting for 2007 of the First Session of the Board of Directors. "Rules and Procedures of Meetings of the Supervisory Committee" was approved at the First Meeting for 2007 of the First Session of the Meetings of the Supervisory Committee, of which "Rules and Procedures of Shareholders' General Meeting", "Rules and Procedures of Meetings of the Board of Directors" and "Rules and Procedures of Meetings of the Supervisory Committee" were approved by way of special resolution at the Annual General Meeting held on 15 June 2007. Each of the above-mentioned rules and procedures and fundamental management systems defined the mutually balanced and supportive mechanism of three powers, namely decision-making power, executive power and supervision power, ensuring the establishment of a scientific and highly effective corporate governance structure.

(II) COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has always attached great importance to corporate governance. We dedicated our efforts in improving our corporate governance transparency, and will continuously perfect our internal control system to attain standardized and efficient operations in accordance with the requirements of the regulatory bodies to corporate governance, ensuring maximum return could be obtained by Shareholders from good corporate governance.

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the six months ended 30 June 2007.

(III) MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 of the Listing Rules. After making specific enquiries, the Company confirmed that each director had complied with the Model Code throughout the first half year of 2007.

(IV) BOARD MEETINGS

As at 30 June 2007, the Board of the Company convened two meetings on 17 April 2007 and 15 June 2007 respectively. The first meeting considered and approved the following resolutions:

1. "Resolution on Final Accounts for 2006";
2. "Resolution on Profit Distribution for 2006";
3. "Resolution on Annual Report for 2006" and Results Announcement;
4. "Resolution on Operating Plans for 2007";
5. "Resolution on Investment Plans for 2007";
6. "Resolution on Financial Plans for 2007";
7. "Resolution on General Mandates to Issue Shares";
8. "Resolution on Remuneration of Directors and Supervisors";
9. "Resolution on Rules and Procedures of Shareholder's General Meetings, Meetings of the Board of Directors and Management Meetings";
10. "Resolution on Fundamental Management System of the Company";
11. "Resolution on Recruitment of Auditors to Review Interim Financial Report and Audit Annual Financial Report for 2007";
12. "Resolution on Convening the Annual General Meeting for 2006";

The second meeting considered and approved the "Resolution on Responsibilities for Operation Result of China Coal Energy Company Limited for 2007" and briefed reports regarding "Production and Operation Conditions of China Coal Energy Company Limited between January 2007 and May 2007", "Implementation of Capital Expenditure Plan of China Coal Energy Company Limited between January 2007 and May 2007", "Works on Internal Audit of China Coal Energy Company Limited between January 2007 and May 2007 and Work Arrangement in the Second Half Year" and "Safety Production Conditions between January 2007 and May 2007 and Work Arrangement in the Second Half Year of China Coal Energy Company Limited".

(V) AUDIT COMMITTEE

The Company has set up the audit committee in compliance with the requirements of the Listing Rules and the Articles of Association, which will be responsible for appointing auditors and supervising their work. The audit committee comprises three independent non-executive directors and one non-executive director, namely Zhang Ke, Gao Shangquan, Peng Ru Chuan, Zhang Baoshan, with Mr. Zhang Ke, an independent non-executive director, as the chairman. As at 30 June 2007, the audit committee convened two meetings on 16 April 2007 and 15 June 2007 respectively. The meetings considered the Company's resolutions on "Final Accounts for 2006", "Profit Distribution for 2006", "Operating Plans for 2007", "Financial Plans for 2007", "Recruitment of Auditors to Review the Interim Financial Report and Audit Annual Financial Report for 2007", and "Annual Report for 2006", and briefed reports of "Works on Internal Audit between January 2007 and May 2007 and Work Arrangement in the Second Half Year of China Coal Energy Company Limited".

The audit committee has reviewed the Company's interim report. In addition, the Company's external auditor, PricewaterhouseCoopers, has performed an independent review of the unaudited condensed consolidated interim financial information for the six months ended 30 June 2007 in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. On the basis of their review, which does not constitute an audit, PricewaterhouseCoopers confirmed in writing that nothing has come to their attention which would cause them to believe that the interim financial information has not been properly prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" in all material aspects.

(VI) REMUNERATION COMMITTEE

The Company has set up the remuneration committee in compliance with the requirements of the Listing Rules and the Articles of Association, which will be responsible for formulating, supervising and verifying Company's remuneration policy for senior management. The remuneration committee comprises three independent non-executive directors and one executive director, namely Peng Ru Chuan, Zhang Ke, Li Yanmeng, Peng Yi, with Mr. Peng Ru Chuan, an independent non-executive director, as the chairman. As at 30 June 2007, the remuneration committee convened two meetings on 16 April 2007 and 15 June 2007 respectively. The meetings considered the Company's resolutions on "Remuneration of Directors and Supervisors", "Annual Report for 2006" and "Responsibilities for Operation Result for 2007".

(VII) STRATEGIC PLANNING COMMITTEE

The Company has set up the strategic planning committee in compliance with the requirements of the Listing Rules and the Articles of Association, which will be responsible for conducting researches and making recommendations on and overseeing the Company's medium-to-long term development strategies and significant investment financing decisions, capital expenditure, asset disposal projects. The strategic planning committee comprises two executive directors, one non-executive director and three independent non-executive directors, namely Jing Tianliang, Zhang Baoshan, Yang Lieke, Gao Shangquan, Wu Rongkang and Li Yanmeng, with Mr. Jing Tianliang, the chairman of the Board and an executive director, as the chairman. As at 30 June 2007, the strategic planning committee convened two meetings on 16 April 2007 and 15 June 2007 respectively. The meetings considered the Company's resolutions on "Investment Plan for 2007" and "Annual Report for 2006", and briefed reports regarding "Implementation of Capital Expenditure Plan between January 2007 and May 2007 of China Coal Energy Company Limited."

(VIII) SAFETY, HEALTH AND ENVIRONMENTAL PROTECTION COMMITTEE

The Company has established the safety, health and environmental protection committee in compliance with the requirements of the Listing Rules and the Articles of Association, which will be responsible for implementing the safety, health and environmental protection plans of the Company, and monitoring the potential liabilities of the Company in safety, health and environmental protection related problems, changes in regulations and technical reforms. The safety, health and environmental protection committee comprises one independent non-executive director, one non-executive director and one executive director, namely Wu Rongkang, Zhang Baoshan, Yang Lieke, with Mr. Wu Rongkang, an independent non-executive director, as the chairman. As at 30 June 2007, the safety, health and environmental protection

committee convened two meetings on 16 April 2007 and 15 June 2007 respectively. The meetings considered the resolution on "Annual Report for 2006", and briefed reports regarding "Safety Production Conditions between January 2007 and May 2007 and Work Arrangement in the Second Half Year of China Coal Energy Company Limited".

(IX) SUPERVISORY COMMITTEE MEETING

As at 30 June 2007, Supervisory Committee of the Company convened one meeting on 17 April 2007. The meeting considered and approved resolutions on "Supervisory Committee Report for 2006", "Audited Financial Report for 2006 prepared in accordance with International Accounting Standards", "Annual Report for 2006", "Annual Profit Distribution for 2006", "Rules and Procedures of Meetings of the Supervisory Committee of China Coal Energy Company Limited" of the Company.

(X) MANAGEMENT OF CONNECTED TRANSACTIONS

In order to protect the interests of majority of medium and minority shareholders, the Company has entered into a "Non-competition agreement" with China Coal Group, and has set up a strategic mechanism to avoid conflict of interests. At the same time, the Group has also entered into nine Continuing Connected Transaction Framework Agreements. On the basis of the connected transaction agreements already disclosed, the subsidiaries of the Company have sorted out the scopes and projects of connected transactions. Each of the related enterprises has set up special departments to monitor the implementation of the connected transactions, ensuring that each connected transaction is clear and under regularised operation.

In order to set up an effective management mechanism on connected transactions, the Company held connected transaction trainings after the listing, attended by the major personnel in charge and management of the Company, subsidiaries and branches, so as to fully understand the importance of the requirements in respect of connected transactions, horizontal competitions and continuing information disclosures under the Listing Rules, and to systematically study the relevant requirements.

The Company has specifically set up a connected transaction management team directly led by the secretary to the Board, made specific requirements on the identifications, reviews, statistics, disclosures and cap controls on the Company's connected transactions, and set up a daily monitoring and cap alarming mechanism on the connected transactions. In respect of the continuing connected transactions, the Company shall make monthly statistics on the amounts incurred in the continuing connected transactions of its subsidiaries, at the same time making comparisons on the differences between the aggregated amounts in the year and the annual cap, ensuring that the amounts of connected transactions during the year shall not exceed the cap, and once nearing the cap, shall issue an alarm in a timely manner. In respect of material non-continuing connected transactions, relevant reviewing procedures shall be made as required, and announcement relating with the relevant connected transactions shall be made on the Stock Exchange, meanwhile, approval shall also be arranged in shareholders' general meetings in accordance with relevant requirements.

Disclosure of Major Events

(I) SHARE CAPITAL STRUCTURE

As at 30 June 2007, the Company's share capital structure is as follows:

Type of shares	Number of shares	Percentage (%)
Domestic shares	7,626,667,000	65.00
H shares	4,106,663,000	35.00
Total	11,733,330,000	100.00

There has been no change in the share capital of the Company during the reporting period.

(II) INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

On 14 September 2007, pursuant to the requirements of the relevant laws and regulations of the PRC, the Board of Directors recommended that the Company's interim distributable profits of RMB1,048,784,318 for 2007 determined in accordance with the PRC Accounting Standard for Business Enterprises shall be paid in full to the existing shareholders of the Company. The dividend distribution will be made based on the Company's entire issued share capital of 11,733,330,000 shares with a dividend of RMB0.0894 per share. The proposed distribution of dividend is subject to approval of shareholders at the extraordinary general meeting to be held on 9 November 2007. The dividend will be paid to shareholders whose names appear on the register of members on 11 October 2007. The register of members of the Company will be closed from 11 October 2007 to 9 November 2007, both days inclusive, during which no share transfer will be effected. In order to qualify for the dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited at Room 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 pm on 10 October 2007.

All dividend to be distributed will be denominated and declared in Renminbi and will be paid to domestic shareholders in Renminbi and to H shareholders in Hong Kong dollars. The value of dividend payable in Hong Kong dollars shall be calculated on the basis of average exchange rate of Renminbi and Hong Kong dollars announced by the People's Bank of China five working days before 14 September 2007 (Friday), the date of dividend declaration. The above dividend will be paid before 12 December 2007.

(III) PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

As at 30 June 2007, the Company and its subsidiaries had not purchased, sold or redeemed any listed securities (the term "securities" has the meaning ascribed to it under the Listing Rules) of the Company.

Disclosure of Major Events

(M) SUBSTANTIAL INTERESTS AND SHORT POSITIONS IN THE COMPANY'S SHARES AND UNDERLYING SHARES

As at 30 June 2007, the interests or short positions of parties (not being a director or supervisor of the Company) who are entitled to exercise or control the exercise of 5% or more of the voting right at general meetings of the Company in shares or underlying shares of equity derivatives of the Company as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the Securities and Futures Ordinance, were as follows:

Name of shareholders	Number of shares	Class of shares	Nature of interests	Percentage of the issued class shares (%)	Percentage of the total issued shares (%)
China National Coal Group Corporation	7,626,667,000	Domestic Shares	Long positions	100.00	65.00
National Council for Social Security Fund	373,333,000	H Shares	Long positions	9.09	3.18
Morgan Stanley	279,106,000	H Shares	Long positions	6.80	2.38
	22,361,500	H Shares	Short positions	0.54	0.002
Davis Selected Advisers, L.P.	241,321,000	H Shares	Long positions	5.88	2.06
AMCI Capital GP Limited	239,995,000	H Shares	Long positions	5.84	2.05
AMCI Capital L.P.	239,995,000	H Shares	Long positions	5.84	2.05
AMCI H&F (Cayman) Ltd	239,995,000	H Shares	Long positions	5.84	2.05
First Reserve Corporation	239,995,000	H Shares	Long positions	5.84	2.05
FR XI Offshore AIV, L.P.	239,995,000	H Shares	Long positions	5.84	2.05
FR XI Offshore GP Limited	239,995,000	H Shares	Long positions	5.84	2.05
FR XI Offshore GP, L.P.	239,995,000	H Shares	Long positions	5.84	2.05

Notes: Information hereby disclosed is based on the information available on the Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk).

Save as disclosed above, as at 30 June 2007, there are no records of other parties who held interests or short positions in the shares or underlying shares of equity derivatives of the Company as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the Securities and Futures Ordinance.

Disclosure of Major Events

(V) DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2007, none of our directors or supervisors had any interests or short positions in shares, underlying shares of equity derivatives or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) as recorded in the register of interests required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise shall be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

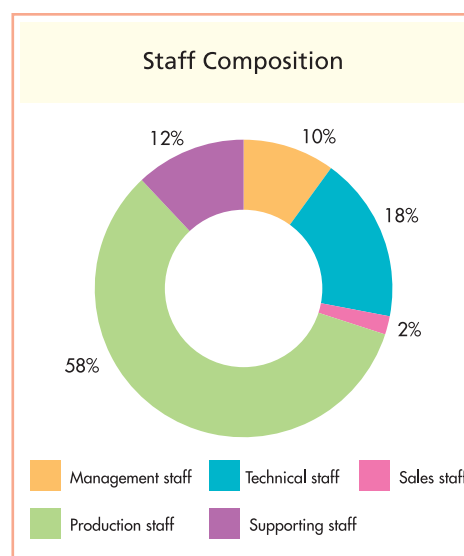
As at 30 June 2007, the Company had not granted any rights to any directors, supervisors of the Company or their spouses or children under 18 years of age to acquire shares or debentures of the Company or its associated corporations nor did they exercise any such rights to acquire the aforesaid shares or debentures.

(VI) EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2007, the Company has a total of 52,174 employees, an increase of 37 over 31 December 2006, of whom 4,963 were management staff, 9,132 were technical staff, 878 were sales staff, 30,995 were production staff and 6,206 were supporting staff.

An annual remuneration package and a corresponding appraisal and incentive scheme have been implemented for the directors and senior management of the Company. The annual remuneration for senior management consists of basic salary and benefit income: basic salary is determined according to the operational scale of the Company with reference to the prevailing market wages and the income of employees whereas benefit income is determined by the actual operational achievement of the Company. The basic salary for the directors and senior management of the Company are paid on a monthly basis whereas the benefit income are cashed after an annual assessment.

The Company proactively optimize the allocation of human resources. Through the public recruitment of multifarious talents in management and professional technical staff, the cooperation with higher institutions for training programmes to cultivate talents in need by the Company, and the innovation of human resources mechanism on recruitment, training and usage, we are determined to ensure sufficient human resources for the production, operation and sustainable development of the Company.

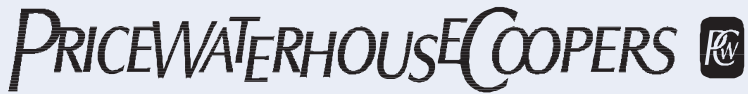


Disclosure of Major Events

(VII) FORWARD-LOOKING STATEMENTS

The Company would also like to caution readers about the forward-looking nature of certain of the above statements. These forward-looking statements are subject to risks and uncertainties and assumptions, which are beyond our control. Potential risks and uncertainties include those concerning the market conditions of the coal and coking operations in China, the development of the regulatory environment and our ability to successfully execute our business strategies. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. We do not intend to update these forward-looking statements. Actual results may differ from the information contained in the forward-looking statements as a result of a number of factors.

Report of Independent Auditor



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

TO BOARD OF DIRECTORS OF CHINA COAL ENERGY COMPANY LIMITED
(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 44 to 75, which comprises the consolidated condensed balance sheet of China Coal Energy Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2007 and the related condensed consolidated income statement, changes in equity and cash flows for the six-month period then ended, and the explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited requires the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 14 September 2007

Condensed Consolidated Interim Balance Sheet

As at 30 June 2007
(Amounts expressed in thousands of RMB)

	Note	30 June 2007 Unaudited	31 December 2006 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	5	18,557,488	15,954,832
Land use rights		217,261	142,005
Mining rights	6	2,821,029	70,087
Intangible assets		18,971	15,389
Investments in associates		676,468	589,590
Available-for-sale financial assets		368,513	136,554
Deferred tax assets	13	1,877,012	2,397,087
Long-term receivables		392,023	374,507
Total non-current assets		24,928,765	19,680,051
Current assets			
Inventories	7	2,922,073	2,480,157
Trade and notes receivable	8	4,512,623	2,751,922
Prepayments and other receivables	9	2,265,499	1,805,502
Financial assets at fair value through profit or loss	10	976,826	8,014
Restricted bank deposits	11	35,894	27,280
Term deposits with initial terms of over three months	11	9,766,235	136,562
Cash and cash equivalents	11	4,232,345	18,224,249
Total current assets		24,711,495	25,433,686
TOTAL ASSETS		49,640,260	45,113,737
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		11,733,330	11,733,330
Reserves		10,692,002	9,789,902
Retained earnings		2,413,994	50,156
		24,839,326	21,573,388
Minority interests		2,555,997	1,064,365
Total equity		27,395,323	22,637,753

Condensed Consolidated Interim Balance Sheet

As at 30 June 2007
(Amounts expressed in thousands of RMB)

	Note	30 June 2007 Unaudited	31 December 2006 Audited
LIABILITIES			
Non-current liabilities			
Long-term borrowings	12	9,392,789	8,269,591
Deferred tax liabilities	13	1,356,832	495,816
Provision for employee benefits		24,450	23,179
Provision for close down, restoration and environmental costs	16	628,336	583,952
Total non-current liabilities		11,402,407	9,372,538
Current liabilities			
Trade and notes payable	14	4,235,828	3,752,812
Accruals and other payables	15	3,786,602	5,684,512
Taxes payable		738,729	1,239,366
Short-term borrowings	12	1,671,167	1,859,827
Current portion of long-term borrowings	12	384,532	500,539
Current portion of provision for close down, restoration and environmental costs	16	25,672	66,390
Total current liabilities		10,842,530	13,103,446
Total liabilities		22,244,937	22,475,984
TOTAL EQUITY AND LIABILITIES		49,640,260	45,113,737
NET CURRENT ASSETS		13,868,965	12,330,240
TOTAL ASSETS LESS CURRENT LIABILITIES		38,797,730	32,010,291

These financial statements have been approved for issue by the Board of Directors on 14 September 2007.

Jing Tianliang
Chairman of the Board
Executive Director

Peng Yi
Executive Director

The accompanying notes are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2007
(Amounts expressed in thousands of RMB, except per share data)

	Note	Six months ended 30 June 2007 Unaudited	2006 Audited
Revenue	4	16,716,369	14,679,701
Cost of sales			
Materials		(5,929,489)	(7,134,029)
Staff costs		(877,022)	(689,442)
Depreciation and amortisation		(566,373)	(524,659)
Repairs and maintenance		(343,762)	(97,464)
Transportation cost		(3,018,615)	(2,265,609)
Sales taxes and surcharges		(280,695)	(174,913)
Others		(1,323,385)	(749,736)
Cost of sales		(12,339,341)	(11,635,852)
Gross profit		4,377,028	3,043,849
Selling, general and administrative expenses		(1,127,051)	(835,810)
Gain from fair value changes of financial assets	10	391,200	—
Other income	19	298,685	87,452
Other gains, net		19,561	107,469
Profit from operations		3,959,423	2,402,960
Finance costs, net	18	(324,822)	(291,539)
Share of profits/(losses) of associates		4,958	(1,155)
Profit before income tax		3,639,559	2,110,266
Income tax expense	20	(754,940)	(627,873)
Profit for the period		2,884,619	1,482,393
Attributable to:			
Equity holders of the Company		2,648,631	1,334,388
Minority interests		235,988	148,005
		2,884,619	1,482,393
Basic and diluted earnings per share for the profit attributable to the equity holders of the Company (RMB)	21	0.23	0.17
Interim dividends proposed after the balance sheet date	22	1,048,784	—

The accompanying notes are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2007
(Amounts expressed in thousands of RMB)

	Attributable to equity holders of the Company				Minority interests	Total equity
	Share capital	Reserves	Retained Earnings/ Shareholders' equity	Subtotal		
Balance at 1 January 2006	—	—	3,929,503	3,929,503	664,414	4,593,917
Profit for the period	—	—	1,334,388	1,334,388	148,005	1,482,393
Contributions	—	—	50,000	50,000	8,838	58,838
Net cash outflow in funding certain Retained Businesses	—	—	(19,372)	(19,372)	—	(19,372)
Transfer of equity to minority shareholders	—	—	(159,004)	(159,004)	159,004	—
Dividends	—	—	(100,265)	(100,265)	(60,339)	(160,604)
Balance at 30 June 2006	—	—	5,035,250	5,035,250	919,922	5,955,172
Unaudited						
Balance at 1 January 2007	11,733,330	9,789,902	50,156	21,573,388	1,064,365	22,637,753
Profit for the period	—	—	2,648,631	2,648,631	235,988	2,884,619
Deferred tax charged directly to equity for change of income tax rate (Note 13)	—	(440,857)	—	(440,857)	—	(440,857)
Adjustments on the assumption of control/joint control of certain subsidiaries and a jointly-controlled entity, including fair value adjustments (Note 2(b))	—	1,056,196	—	1,056,196	1,309,949	2,366,145
Fair value change in available-for-sale financial assets	—	5,440	—	5,440	—	5,440
Exchange differences	—	(3,472)	—	(3,472)	—	(3,472)
Appropriations	—	239,060	(239,060)	—	—	—
Dividends declared by a subsidiary	—	—	—	—	(54,305)	(54,305)
Balance at 30 June 2007	11,733,330	10,646,269	2,459,727	24,839,326	2,555,997	27,395,323

The accompanying notes are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30 June 2007
(Amounts expressed in thousands of RMB)

	Note	Six months ended 30 June 2007 Unaudited	2006 Audited
Cash flows from operating activities			
Cash generated from operations	23	2,218,963	1,806,990
Interest paid		(280,813)	(284,652)
Interest received		266,285	35,682
Income tax paid		(1,009,471)	(415,039)
Net cash generated from operating activities		1,194,964	1,142,981
Cash flows from investing activities			
Purchases of property, plant and equipment		(2,115,805)	(1,666,755)
Proceeds from disposal of property, plant and equipment		131,169	23,588
Purchase of land use rights, mining rights and intangible assets		(31,644)	(505)
Proceeds from disposal of land use rights, mining rights and intangible assets		—	9,057
Purchases of financial assets at fair value through profit and loss		(368,780)	—
Proceeds from disposal of financial assets at fair value through profit or loss		—	16,533
Purchase of available-for-sale financial assets		(115,758)	(46,340)
Proceeds from disposal of available-for-sale financial assets		—	7,046
Cash received from assumption of control/joint control of certain subsidiaries and a jointly-controlled entity		320,638	—
Amount paid to a former joint venture partner		(1,252,005)	—
Increase in investments in associates		(81,920)	(377,669)
Proceeds from disposal of associates		—	7,294
Dividends received		5,289	11,995
(Increase)/decrease in restricted bank deposits		(8,614)	15,949
(Increase)/decrease in term deposits with initial terms of over three months		(9,629,673)	36,377
Net cash used in investing activities		(13,147,103)	(1,963,430)

Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30 June 2007
(Amounts expressed in thousands of RMB)

	Note	Six months ended 30 June 2007 Unaudited	2006 Audited
Cash flows from financing activities			
Proceeds from short-term borrowings		1,508,406	1,471,000
Repayments of short-term borrowings		(1,846,776)	(1,095,080)
Proceeds from long-term borrowings		171,560	876,546
Repayments of long-term borrowings		(240,127)	(357,021)
Contributions from minority interests		—	8,837
Distributions to Parent Company		—	(19,372)
Dividends paid to Parent Company		(1,072,151)	(850,433)
Dividends paid to minority interests		(54,305)	(60,339)
Payment of share issuance expenses		(182,701)	—
Net cash used in financing activities		(1,716,094)	(25,862)
Net decrease in cash and cash equivalents		(13,668,233)	(846,311)
Net foreign exchange losses		(323,671)	—
Cash and cash equivalents, at beginning of the period		18,224,249	3,140,317
Cash and cash equivalents at end of the period		4,232,345	2,294,006

The accompanying notes are an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

1 ORGANISATION AND PRINCIPAL ACTIVITIES

China Coal Energy Company Limited (the "Company") was established in the People's Republic of China (the "PRC") on 22 August 2006 as a joint stock company with limited liability under the Company Law of the PRC as a result of a group restructuring of China National Coal Group Corporation ("China Coal Group" or the "Parent Company") in preparation of the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Restructuring"). The Company and its subsidiaries (collectively the "Group") is principally engaged in mining and processing of coal, sales of coal and coke products and manufacturing and sales of coal mining machinery. The address of the Company's registered office is 1 Huang Si Da Jie, Chaoyang District, Beijing, the PRC.

The H shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited in December 2006.

China Coal Group is a state-owned enterprise established in the PRC in December 1981. Prior to the establishment of the Company, the Group's principal activities were carried out by companies wholly owned or controlled by China Coal Group (the "Predecessor Operations").

Pursuant to the Restructuring, the Company issued 8 billion domestic ordinary shares of RMB1.00 per share to China Coal Group in exchange for all subsidiaries now comprising the Group as well as certain assets, liabilities and operations (collectively referred to as the "Transferred Businesses") previously owned by China Coal Group. The Transferred Businesses comprised mainly operations in relation to:

- (i) Coal and coke production, including the operating mines and planned mines as well as China Coal Group's equity interest in certain mining companies and coking companies;
- (ii) Trading of coal and coke to customers in the PRC and overseas;
- (iii) Manufacturing and sales of coal mining machinery; and
- (iv) Others (including, among others, power plants, a primary aluminium factory and coal mine design institutes).

In connection with the Restructuring, certain assets, liabilities and interests historically associated with the Predecessor Operations were not transferred to the Company and were retained by China Coal Group. These assets, liabilities and interests are principally related to: (i) coal business of certain overseas trading companies; (ii) non-coal related businesses; (iii) ownership of certain assets and liabilities including schools, hospitals, office buildings, staff quarters, bank balances, investments in securities and tax liabilities, and (iv) provisions of other social welfare and the operations that provided ancillary support services.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

2 BASIS OF PRESENTATION

(a) The Restructuring of China Coal Group

Prior to and following the Restructuring, the businesses transferred to the Company ("Transferred Businesses") were and are directly or indirectly controlled by China Coal Group. Accordingly, the Restructuring has been accounted for as a reorganisation of businesses under common control in a manner similar to a uniting of interests.

The condensed consolidated financial statements of the company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2006 was prepared on the merger basis as if the Company had been the holding company of those companies comprising the Group throughout the six months ended 30 June 2006.

In addition to the Transferred Businesses, the condensed financial statements for the six months ended 30 June 2006 also include results of operations of the Retained Businesses that are relevant to the operations of the Transferred Businesses (the "Retained Businesses"). Although these Retained Businesses were not transferred to the Company, the results of these Retained Businesses are combined with the Transferred Businesses up to the date of Restructuring. This is because the Retained Businesses and the Transferred Businesses are under common control and management of China Coal Group and their businesses together with the assets and liabilities are closely related to those of the Group.

The following are the combined results of operations of these Retained Businesses that are included in the condensed consolidated income statement for the six months ended 30 June 2006.

	Six months ended 30 June 2006
Revenue	3,115,301
Others losses	(1,488)
Profit from operations	74,293
Finance costs	(4,883)
Income tax expense	(10,284)
Profit for the period	59,126

As a result of the segregation and separate management of the Retained Businesses by China Coal Group effective on 22 August 2006, the above assets and liabilities retained by China Coal Group were reflected as a distribution to the Parent Company in the consolidated statement of changes in equity for the year ended 31 December 2006.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

2 BASIS OF PRESENTATION (continued)

(b) The assumption of control or joint control of certain subsidiaries and a jointly-controlled entity and an acquisition of new subsidiary

Effective from 1 January 2007, the Company obtained effective control over certain formerly jointly controlled entities, and such entities became subsidiaries of the Company. Accordingly, those entities, which were previously proportionately consolidated, were fully consolidated in the Group's consolidated financial statements, from 1 January 2007.

Effective from 1 January 2007, the Company obtained joint control over a former associate. This entity, which was previously accounted for using the equity method of accounting in the Group's consolidated financial statements, was proportionately consolidated in the Group's consolidated financial statements, from 1 January 2007.

The assets and liabilities of the above mentioned subsidiaries and a jointly controlled entity were adjusted to their provisional fair values according to the management's best estimate, and such assets and liabilities will be valued by a qualified valuer in late 2007 and the assets and liabilities of those entities will be adjusted based on the final valuation reports.

On 6 April 2007, the Company acquired 50% of the shares of Fushun Mining Machinery Manufacturing Company Limited ("Fushun Machinery"), for a total consideration of RMB158,000,000. As at 30 June 2007, RMB31,600,000 was paid, and the remaining balance will be paid by end of 2007.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

2 BASIS OF PRESENTATION (continued)

(b) The assumption of control or joint control of certain subsidiaries and a jointly-controlled entity and an acquisition of new subsidiary (continued)

The summary of the additional consolidated assets, liabilities and net assets at the date of assuming the control/joint control are set below:

	Assumption of control/joint control of certain subsidiaries and a jointly-controlled entity		Acquisition of Fushun machinery	Total Unaudited
	Book value Unaudited	Fair value adjustment Unaudited	Book value and fair value Unaudited	
Cash and cash equivalent	302,214	—	50,024	352,238
Accounts and other receivables	353,723	—	303,570	657,293
Inventories	147,608	—	124,740	272,348
Available-for-sale financial assets	116,201	—	—	116,201
Property, plant and equipments	1,258,533	—	57,602	1,316,135
Mining rights	—	2,772,132	—	2,772,132
Land use rights	1,179	52,114	—	53,293
Deferred tax assets	24,520	—	—	24,520
Short-term loan	(90,583)	—	(59,128)	(149,711)
Accounts and other payables	(930,776)	—	(162,594)	(1,093,370)
Long-term borrowings	(1,135,713)	—	(48,440)	(1,184,153)
Deferred tax liabilities	(18,900)	(710,501)	(9,780)	(739,181)
Net assets acquired	28,006	2,113,745	255,994	2,397,745
Attributable to the minorities interests	28,006	1,057,549	224,394	1,309,949
Attributable to the equity holders of Company	—	1,056,196	—	1,056,196
Cash paid for the acquisition	—	—	31,600	31,600
	28,006	2,113,745	255,994	2,397,745
Cash paid for the acquisition	—	—	(31,600)	(31,600)
Cash received from the assumption of control/joint control of certain subsidiaries and a jointly-controlled entity, and the acquisition	302,214	—	50,024	352,238
Net cash received from the assumption of control/joint control of certain subsidiaries and a jointly-controlled entity, and the acquisition	302,214	—	18,424	320,638

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

2 BASIS OF PRESENTATION (continued)

- (c) This condensed consolidated interim financial information for the six months ended 30 June 2007 has been prepared in accordance with International Accounting Standard (“IAS”) 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

3 PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted are consistent with those applied in the annual financial statements for the year ended 31 December 2006, as described in the annual financial statements for the year ended 31 December 2006.

The following new standards, interpretations and amendments to existing standards are mandatory for annual period beginning on or after 1 January 2007:

- IFRS 7, Financial Instruments: Disclosures, and the complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective from annual periods beginning on or after 1 January 2007). IFRS 7 introduces new disclosures relating to financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity’s capital and how it manages capital. The Group will comply with the disclosure requirement of IFRS 7 and the amendment to IAS 1 in the annual financial statements for the year ending 31 December 2007.
- IFRIC Interpretation 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 prohibits impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. Management considered there was no significant impact from adopting IFRIC Interpretation 10 on the consolidated financial statements of the Group.

4 REVENUE AND SEGMENT INFORMATION

(a) Primary reporting format – business segments

The Group organises its business into four main business segments:

- Coal – Production and sales of coal;
- Coke – Production and sales of coke;
- Machinery – Manufacturing and sales of mining machinery; and
- Others, including design of mining structures, trading of other products, generation and sales of electric power, production and sale of primary aluminium, transportation services and agency services. None of these constitutes a separately reportable segment.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

4 REVENUE AND SEGMENT INFORMATION (continued)

(a) Primary reporting format – business segments (continued)

	Six months ended 30 June 2007 (Unaudited)					Total
	Coal	Coke	Coal Mining Equipment	Others	Inter-segment elimination	
Segment results						
Revenue						
– External	11,990,450	2,123,153	1,433,551	1,169,215	—	16,716,369
– Inter-segment	89,917	—	201,139	305,461	(596,517)	—
	12,080,367	2,123,153	1,634,690	1,474,676	(596,517)	16,716,369
Profit from operations	2,977,421	90,997	134,539	782,556	(26,090)	3,959,423
Finance costs (Note 18)						(324,822)
Share of profits of associates						4,958
Profit before income tax						3,639,559
Income tax expense						(754,940)
Profit for the period						2,884,619

	Six months ended 30 June 2006 (Audited)					Total
	Coal	Coke	Coal Mining Equipment	Others	Inter-segment eliminations	
Segment results						
Revenue						
– External	11,761,015	1,012,392	971,920	934,374	—	14,679,701
– Inter-segment	109,411	—	126,446	130,384	(366,241)	—
	11,870,426	1,012,392	1,098,366	1,064,758	(366,241)	14,679,701
Profit from operations	2,111,804	34,092	79,338	155,608	22,118	2,402,960
Finance costs (Note 18)						(291,539)
Share of losses of associates						(1,155)
Profit before income tax						2,110,266
Income tax expense						(627,873)
Profit for the period						1,482,393

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

4 REVENUE AND SEGMENT INFORMATION (continued)

(b) Secondary reporting format – geographical segments

The Group's three geographical segments by location of customers are as follows:

- Domestic markets – Customers who are located in the PRC.
- Asia Pacific markets – Export sales to customers who are located outside the PRC, principally in Korea, Japan and Taiwan.
- Other markets – Export sales to customers who are located outside the PRC and the Asia Pacific region.

The Group's production or service facilities and other assets are principally located in the PRC. Accordingly, only geographical analysis of revenue is presented.

Revenue is based on the country in which the customer is located.

Analysis of revenue by geographical segment	Six months ended	
	30 June 2007 Unaudited	30 June 2006 Audited
Domestic markets	14,172,211	11,766,309
Export sales – Asia Pacific markets	2,276,036	2,812,768
Export sales – other markets	268,122	100,624
	16,716,369	14,679,701

Analysis of revenue by category	Six months ended	
	30 June 2007 Unaudited	30 June 2006 Audited
Sales of goods	16,454,861	14,302,271
Revenue from services	261,508	377,430
	16,716,369	14,679,701

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

5 PROPERTY, PLANT AND EQUIPMENT

	30 June 2007 Unaudited	31 December 2006 Audited
Opening net book amount	15,954,832	13,618,506
Assumption of control/joint control of certain subsidiaries and a jointly-controlled entity	1,316,135	—
Acquisition of 20% shares of Antaibao	—	235,918
Additions	2,005,594	3,801,397
Disposals	(76,101)	(148,159)
Distribution to Parent Company in connection with the Restructuring	—	(420,765)
Depreciation	(642,972)	(1,132,065)
Closing net book amount	18,557,488	15,954,832

As at 30 June 2007, bank borrowings of the Group were secured by certain property, plant and equipment with a net book value of RMB156 million (31 December 2006: RMB157 million).

6 MINING RIGHTS

	30 June 2007 Unaudited	31 December 2006 Audited
Opening net book amount	70,087	73,245
Assumption of control of certain subsidiaries (Note (a))	2,772,132	—
Amortisation charge	(21,190)	(3,158)
Closing net book amount	2,821,029	70,087

Note:

(a) This amount represents the provisional fair value of the mining rights of the newly acquired subsidiaries (Note 2(b)).

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

7 INVENTORIES

	30 June 2007 Unaudited	31 December 2006 Audited
Coal	765,875	614,506
Coke	210,403	239,757
Machinery for sale	850,625	530,788
Auxiliary materials, spare parts and tools	1,095,170	1,095,106
	2,922,073	2,480,157

8 TRADE AND NOTES RECEIVABLE

	30 June 2007 Unaudited	31 December 2006 Audited
Trade receivables, net (note(a))	3,918,745	2,393,402
Notes receivable (note(b))	593,878	358,520
	4,512,623	2,751,922

Notes:

(a) Ageing analysis of trade receivables on each balance sheet date is as follows:

	30 June 2007 Unaudited	31 December 2006 Audited
1-6 months	3,515,389	1,996,423
7-12 months	249,202	202,096
1-2 years	177,807	147,149
2-3 years	35,053	70,202
Over 3 years	149,053	153,236
Trade receivables, gross	4,126,504	2,569,106
Less: Impairment of receivables	(207,759)	(175,704)
Trade receivables, net	3,918,745	2,393,402

The credit period of trade receivables is generally from 3 months to 6 months.

(b) Notes receivable are bills of exchange with maturity of less than one year.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

9 PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2007 Unaudited	31 December 2006 Audited
Advances to suppliers	1,430,722	1,234,394
Amounts due from related parties	333,069	128,844
Loan to associates	—	149,500
Other receivables	501,708	292,764
	2,265,499	1,805,502

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Investments in listed securities in the PRC (Note (a))	Forward foreign exchange contracts (Note (b))	Others	Total
Six months ended 30 June 2007				
Opening balance at 1 January 2007	—	—	8,014	8,014
Additions	339,200	—	24,887	364,087
Increase in fair value through profit or loss	391,200	208,832	4,693	604,725
Closing balance at 30 June 2007	730,400	208,832	37,594	976,826

Notes:

- (a) In May 2007, the Company subscribed 40 million shares, as a strategic investor, of China COSCO Holdings Company Limited ("COSCO") prior to COSCO's A share public offering, at the cost of RMB8.48 per share and the total cost of approximately RMB339,200,000. According to the subscription agreement, there is a lock-up period starting from COSCO listing date on Shanghai Stock Exchange for the Company to sell those shares. The Company designated the investment as financial assets at fair value through profit or loss at the date of the transaction, and the change in the fair value of the shares are recorded in the income statement.
- (b) The Company raised a net listing proceeds of approximately HKD14.5 billion through its initial public offering in The Stock Exchange of Hong Kong Limited in December 2006. In early 2007, in order to manage the foreign exchange risk related to its bank deposit denominated in HKD, management entered into several forward foreign exchange contracts with various banks in PRC, which enable the Company to exchange certain amount of HKD deposit into RMB at a fixed rate at the maturity date. The total principal under the contract amounted to approximately HKD10.1 billion, and the maturity period ranges from 6 months to 12 months. The Company designated those contracts as financial assets at fair value through profit or loss at the date of the transaction, and the change in the fair value of the contracts are recorded in the income statement.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

11 BANK DEPOSITS

	30 June 2007 Unaudited	31 December 2006 Audited
Restricted bank deposits (note(a))	35,894	27,280
Term deposits with initial terms of over three months	9,766,235	136,562
Cash and cash equivalents		
– Cash on hand	1,594	1,864
– Deposits with banks and other financial institutions	4,230,751	18,222,385
	14,034,474	18,388,091

Notes:

- (a) Restricted bank deposits mainly include deposits held as security for the letters of credit issued by the Group.
- (b) For the six months ended 30 June 2007, the weighted average effective interest rate range on deposits was 0.72% to 4.00% (for the six months ended 30 June 2006: 0.71% to 2.25%) per annum.

12 BORROWINGS AND BANKING FACILITIES

	30 June 2007 Unaudited	31 December 2006 Audited
Long-term borrowings		
Banks loans and loans from other financial institutions		
– Secured	940,755	456,628
– Unsecured	8,836,566	8,313,502
	9,777,321	8,770,130
Less: Amount due within one year under current liabilities	(384,532)	(500,539)
	9,392,789	8,269,591
Short-term borrowings		
Bank loans		
– Secured	—	173,842
– Unsecured	1,635,772	1,646,533
	1,635,772	1,820,375
Other unsecured loans from		
– Minority shareholders of certain subsidiaries	35,395	39,452
	1,671,167	1,859,827

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

12 BORROWINGS AND BANKING FACILITIES (continued)

Notes:

(a) The movements in borrowings are analysed as follows:

	Six months ended 30 June 2007 Unaudited
Opening balance at 1 January 2007	10,629,957
Assumption of control/joint control of certain subsidiaries and a jointly-controlled equity	1,333,864
Proceeds from borrowings	1,679,966
Repayment	(2,086,903)
Foreign Exchange gain	(108,396)
Ending balance at 30 June 2007	11,448,488

(b) Maturities of the Group's long-term borrowings are analysed below:

	30 June 2007 Unaudited	31 December 2006 Audited
Banks loans and loans from other financial institutions		
– Within one year	384,532	500,539
– In the second year	498,032	319,539
– In the third to fifth year	1,737,738	2,019,904
– After the fifth year	7,157,019	5,930,148
	9,777,321	8,770,130

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

13 DEFERRED INCOME TAX

	Deferred tax assets	Deferred tax liabilities	Total
Unaudited			
Opening balance at 1 January 2007	2,397,087	(495,816)	1,901,271
Assumption of control/joint control of certain subsidiaries and a jointly-controlled equity	24,520	(28,680)	(4,160)
Charged to income statement	(105,865)	(119,708)	(225,573)
Charged to equity due to change of tax rate (note(a))	(438,730)	(2,127)	(440,857)
Charged to equity recognised for fair value adjustment (note(b))	—	(710,501)	(710,501)
Ending balance at 30 June 2007	1,877,012	(1,356,832)	520,180
Audited			
Opening balance at 1 January 2006	399,307	(232,510)	166,797
Credited/(charged) to income statement	23,811	(107,501)	(83,690)
Credited/(charged) to equity	1,973,969	(155,805)	1,818,164
Ending balance at 31 December 2006	2,397,087	(495,816)	1,901,271

Notes:

- (a) This amount represents the adjustment made to the deferred tax assets generated from the valuation surplus of certain assets in connection with the restructuring of the Company. The original deferred tax assets were recognised based on the income tax rate effective at 31 December 2006 and was recorded in shareholders' equity. Upon the release of the Unified Corporate Income Tax Law of the PRC on 16 March 2007, those deferred tax balances were adjusted based on the new tax rate and the differences were charged to shareholders' equity.
- (b) The deferred tax liability credited to equity is associated with the provisional fair values surplus recognised for the assets of those newly controlled subsidiaries and a joint controlled entity (Note 2(b)), which are not tax deductible.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

14 TRADE AND NOTES PAYABLE

	30 June 2007 Unaudited	31 December 2006 Audited
Trade payables (note(a))	3,931,800	3,403,255
Notes payable	304,028	349,557
	4,235,828	3,752,812

Note:

(a) Ageing analysis of trade payables on each balance sheet date is as follows:

	30 June 2007 Unaudited	31 December 2006 Audited
Less than 1 year	3,464,102	2,996,748
1 - 2 years	249,231	254,774
2 - 3 years	87,903	57,202
Over 3 years	130,564	94,531
	3,931,800	3,403,255

15 ACCRUALS AND OTHER PAYABLES

	30 June 2007 Unaudited	31 December 2006 Audited
Customer deposits and receipts in advance	910,772	791,811
Amounts due to related parties	807,259	1,096,322
Amount due to a former joint venture partner (note (a))	—	1,252,005
Dividends payable	15,315	1,087,466
Payable for site restoration	109,396	172,038
Coal mine resource compensation payable	199,864	136,492
Salaries and staff welfare payable	480,462	211,711
Payables for share issue expenses	—	182,701
Interest payable	268,564	122,339
Others	994,970	631,627
	3,786,602	5,684,512

Notes:

(a) This amount represented the consideration payable to a former joint venture partner in respect of an acquisition of a 52.49% interest in a coal mine. The balance was denominated in US Dollars and bore interest at the London Inter-Bank Offered Rate. This amount has been fully settled in 2007.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

16 PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	30 June 2007 Unaudited	31 December 2006 Audited
Opening balance	650,342	711,283
Acquisition of 20% shares of Antaibao	—	28,409
Interest charge on unwinding of discount on provision	18,723	36,464
Movement in required provision	—	(66,959)
Payments	(15,057)	(58,855)
Ending balance	654,008	650,342
Less: current portion	(25,672)	(66,390)
	628,336	583,952

17 EXPENSE BY NATURE

Expenses included in cost of sales and selling, general and administrative expenses are analysed as follows:

	Six months ended 30 June 2007 Unaudited	2006 Audited
Depreciation	642,972	556,050
Amortisation	32,149	5,393
Cost of inventories sold	5,929,489	7,134,029
Transportation costs	3,018,615	2,265,609
Sales tax and surcharges	280,695	174,913
Auditors' remuneration	12,848	6,527
(Gains)/losses on disposal of property, plant and equipment	(2,675)	144
Repairs and maintenance	397,095	97,464
Operating lease rentals	26,108	21,391
Provision for impairment of receivables	55,255	8,093
Staff costs (including directors' emoluments)	1,254,494	1,121,672
Resource compensation fees	112,324	70,966
Sustainable development charge (note (a))	327,308	—
Other expenses	1,379,715	1,009,441
Total cost of sales, selling, general and administrative expenses	13,466,392	12,471,662

(a) Effective from March 2007, mining companies in Shanxi Province are required by the local government of Shanxi Province to pay a "Sustainable development charge" based on the volume of the raw coal mined. The rates applicable to the Company's mining subsidiaries range from RMB14 to RMB20 per tonne.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

18 FINANCE COSTS, NET

	Six months ended 30 June	
	2007	2006
	Unaudited	Audited
Interest expense	315,433	269,045
Less: Amounts capitalised in construction in progress	(21,748)	(30,405)
	293,685	238,640
Interest charge on unwinding of discounts	18,723	19,743
Net foreign exchange losses	215,275	27,997
Less: Gains from forward foreign exchange contracts	(208,832)	—
Other incidental borrowing costs and charges	5,971	5,159
	324,822	291,539

19 OTHER INCOME

	Six months ended 30 June	
	2007	2006
	Unaudited	Audited
Dividend income – unlisted investments	—	20,205
Gains on disposal of investments	661	7,079
Interest income	266,285	35,682
Government grants and subsidies	31,739	24,486
	298,685	87,452

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

20 INCOME TAX EXPENSE

	Six months ended 30 June	
	2007	2006
	Unaudited	Audited
PRC enterprise income tax (note (a))	526,899	534,464
Hong Kong profits tax (note (b))	2,468	7,876
Overseas taxation (note (c))	—	1,843
Deferred income tax (note (d))	225,573	83,690
	754,940	627,873

Notes:

- (a) The provision for PRC enterprise income tax ("EIT") is calculated based on the statutory income tax rate of 33% of the assessable income of each of the companies now comprising the Group determined in accordance with the relevant PRC income tax rules and regulations, except for certain subsidiaries and jointly controlled entities which are taxed at preferential tax rates ranging from 0% to 30% based on the relevant PRC tax laws and regulations.
- (b) During the six months ended 30 June 2007 and 2006, Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit derived from or arising in Hong Kong.
- (c) Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.
- (d) The National People's Congress of the PRC approved the Unified Corporate Income Tax Law on 16 March 2007. Effective from 1 January 2008, the tax rate subject to the Group will be 25%, with certain grandfathering provisions and preferential provisions. The change in the carrying amount of the deferred tax assets and liabilities, as a result of the change in tax rate, has been reflected in the financial information of the Group for the six months ended 30 June 2007.

21 EARNINGS PER SHARE

Basic earnings per share for the six months ended 30 June 2007 is calculated by dividing the profit attributable to the equity holders of the Company of approximately RMB2,649 million and the weighted average number of approximately 11,733 million outstanding ordinary shares in issue during the period.

The comparative basic earnings per share is calculated based on the profit attributable to the equity holders of the Company of approximately RMB1,334 million and on the assumption that 8 billion Domestic shares issued upon the incorporation of the Company in connection with the Restructuring were deemed to have been in issue since 1 January 2006.

As the Company had no dilutive instruments for the six months ended 30 June 2007, no diluted earnings per share is presented.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

22 DIVIDENDS

	Six months ended 30 June	
	2007	2006
	Unaudited	Audited
Interim dividends proposed after the balance sheet date	1,048,784	—
	1,048,784	—

The Board of Directors, in a meeting held on 14 September 2007, proposed to distribute an interim dividend of 2007 attributable to equity holders of the Company of RMB1,048,784,318 (RMB0.0894 per share). Such dividend distribution is still subject to the approval of shareholders' meeting. These financial statements do not reflect this dividend payable.

	Six months ended 30 June	
	2007	2006
	Unaudited	Audited
Dividends		
– interim, proposed	—	63,684
– final, paid	—	96,920
	—	160,604

The dividends recorded in the six months ended 30 June 2006 were declared by or proposed by the subsidiaries of the Group to their then shareholders prior to the completion of the Restructuring.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

23 NOTES TO THE CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

(a) Reconciliation of profit for the six months to net cash inflows generated from operations

	Six months ended 30 June	
	2007	2006
	Unaudited	Audited
Profit for the period	2,884,619	1,482,393
Adjustments for:		
Property, plant and equipment		
– depreciation charge	642,972	556,050
– net (gains)/losses on disposals	(2,675)	144
Land use rights, mining rights and intangible assets		
– amortisation charge	32,149	5,393
Provision for impairment of receivables	55,255	8,093
Share of (profits)/losses of associates	(4,958)	1,155
Net foreign exchange transaction losses	215,275	27,997
Gain from forward foreign exchange contracts	(208,832)	—
Fair value gains on other financial assets at fair value through profit or loss	(391,200)	(7,079)
Interest income	(266,285)	(35,682)
Interest expense	312,408	258,383
Dividend income	—	(20,205)
Income tax expense	754,940	627,873
Changes in working capital:		
Inventories	(169,568)	(110,237)
Trade receivables	(1,452,900)	(884,665)
Prepayments and other receivables	(360,326)	(37,664)
Trade payables	47,292	(157,661)
Accruals and other payables	144,583	99,230
Increase/(decrease) in provision for employee benefits	1,271	(1,786)
Decrease in provision for close down, restoration, and environmental costs	(15,057)	(4,742)
NET CASH INFLOWS GENERATED FROM OPERATIONS	2,218,963	1,806,990

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

23 NOTES TO THE CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

(continued)

(b) Major non-cash transactions

- (i) During the six months ended 30 June 2006, a loan from China Coal Group amounting to RMB50 million was waived and recorded as a capital contribution.
- (ii) During the six months ended 30 June 2007, the Company took control or joint control of certain subsidiaries and a joint controlled entity, and acquired a new subsidiary (note 2(b)).

24 CONTINGENT LIABILITIES

The Group is a defendant in certain lawsuits as well as the plaintiff in other proceedings arising in the ordinary course of business. While the outcomes of such lawsuits or other proceedings cannot be determined at present, management believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group.

25 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	30 June 2007 Unaudited	31 December 2006 Audited
Property, plant and equipment	2,547,872	1,399,962
Others	414,490	755,612

(b) Operating lease commitments – where the Group is the lessee

The Group has commitments to make the following future minimum lease payments under non-cancelable operating leases:

	30 June 2007 Unaudited	31 December 2006 Audited
Land and buildings:		
– Within 1 year	27,609	95,963
– From 1 year to 5 years	40,722	6,786
– Over 5 years	94,675	29,178
	163,006	131,927

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

25 COMMITMENTS (continued)

(b) Operating lease commitments – where the Group is the lessee (continued)

	30 June 2007 Unaudited	31 December 2006 Audited
Plant and machinery:		
– Within 1 year	3,600	3,600
– From 1 year to 5 years	14,400	18,000
– Over 5 years	45,000	45,000
	63,000	66,600

26 SIGNIFICANT RELATED PARTY TRANSACTIONS

China Coal Group, the immediate parent of the Company, is controlled by the PRC government. The PRC government is the Company's ultimate controlling party. In accordance with IAS 24 (revised 2003), "Related Party Disclosures", enterprises directly or indirectly controlled by the PRC government ("state-owned enterprises") and their subsidiaries, together with China Coal Group companies, are all related parties of the Group. Neither China Coal Group nor the PRC government publishes financial statements available for public use.

The Group has extensive transactions with China Coal Group and other state-owned enterprises. For the purpose of disclosures of related party transactions, to the extent possible, the Group has in place procedures to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structures and the ownership structures change over time as a result of transfers or privatisation programs. However, management believes that all material related party transactions and balances, of which it is aware, have been adequately disclosed.

Sales of goods and provision of services to state-owned enterprises are at state-prescribed prices or prices which are also available to other customers. The Group considers that these sales are activities in the ordinary course of business.

In addition to the related party transactions undertaken in connection with the Restructuring described in Note 1 above, the Group enters into various other related party transactions. Set out below is a summary of significant related party transactions in the six months ended 30 June 2007 and 2006 and balances as at 30 June 2007 and 31 December 2006.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

26 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Related party transactions

	Six months ended 30 June	
	2007	2006
	Unaudited	Audited
Transactions with the Parent Company and fellow subsidiaries		
<i>Coal Export and Sales (i)</i>		
Charges paid for agency services of coal export	18,524	—
<i>Integrated Material and Services Mutual Provision (ii)</i>		
Charges paid for production material and ancillary services	251,052	83,713
Charges paid for social and support services	31,209	24,356
Revenue received from supply of production material and ancillary services	27,143	11,332
Revenue received from provision of coal export-related service	10,247	25,247
<i>Mine Construction and Design (iii)</i>		
Charges paid for construction services	216,972	35,342
<i>Property Leasing (iv)</i>		
Rental charge paid	22,195	31,710
<i>Land Use Right(v)</i>		
Rental charge paid	4,345	—
Guarantees from Parent Company and fellow subsidiaries	—	6,009,684

Notes:

- (i) Under PRC law and regulations, coal exports shall only be made through four authorised PRC enterprises including China Coal Group. The Company appointed China Coal Group as its coal export sales agent under a Coal Export and Sales Agency Framework Agreement entered into on 5 September 2006. Pursuant to the agreement, the agency fee for coal exports to countries and territories other than the China Taiwan market is 0.7% of the FOB price in respect of each ton of coal products exported; and the agency fee for the coal exports and sales to the China Taiwan market is 0.7% of the FOB price, plus USD0.5 per ton of coal products sold. The agency fees are payable on a monthly basis, effective from 22 August 2006.
- (ii) The Company and China Coal Group entered into Integrated Materials and Services Mutual Provision Framework Agreement on 5 September 2006, under which the Company provides to China Coal Group and China Coal Group provides to the Company production material supplies and ancillary services, and the Company also provides to China Coal Group export-related services.
- (iii) The Company and China Coal Group entered into a Mine Construction and Design Framework Agreement on 5 September 2006, under which the Company provides coal mine design services to China Coal Group and China Coal Group provides construction services to the Company.
- (iv) The Company and China Coal Group entered into a Property Leasing Framework Agreement on 5 September 2006, under which the Company leases from China Coal Group certain buildings and properties in the PRC for general business and ancillary purposes.
- (v) The Company and China Coal Group entered into a Land Use Rights Leasing Framework Agreement on 5 September 2006, under which the Company leases certain land use rights in the PRC from China Coal Group for general business and ancillary purposes.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

26 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Related party transactions (continued)

	Six months ended 30 June	
	2007	2006
	Unaudited	Audited
Transactions with jointly controlled entities (after elimination of the Group's proportionate interest in those jointly controlled entities)		
<i>Sales and services provided:</i>		
Sales of materials and spare parts	—	9,394
Agency income	—	8,800
<i>Purchases of goods and services:</i>		
Purchases of coal	10,010	881,045
Transactions with associates:		
<i>Sales and services provided:</i>		
Income from renting property, plant and equipment	55,887	43,034
<i>Purchases of goods and services:</i>		
Purchases of coal	—	9,018
Transportation services	157,135	114,756
Transactions with minority shareholders of subsidiaries:		
<i>Sales and services provided:</i>		
Sales of coal	7,628	40,773
<i>Purchase of goods and services:</i>		
Purchases of coal	6,333	—
Transactions with joint venture partners in jointly controlled entities (attributable to the Group's interest in those jointly controlled entities):		
<i>Sales:</i>		
Sales of coal	1,055,643	1,189,703
<i>Purchases of goods</i>		
Purchases of coal	37,765	659,358

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

26 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Related party transactions (continued)

	Six months ended 30 June	
	2007	2006
	Unaudited	Audited
Transactions with other state-owned enterprises		
<i>Sales and services provided:</i>		
Sales of coal	6,322,406	6,211,175
Sales of machinery and equipment	874,381	705,900
Sales of materials and spare parts	103,246	14,799
Design services income	114,409	89,600
Railway transportation services income	63,173	21,233
Income from construction and technical services	55,522	51,596
Public utilities and facilities income	51,084	138,958
Agency income	138,237	52,101
Interest income	259,243	14,782
<i>Purchases of goods and services:</i>		
Purchases of coal	111,241	681,474
Purchases of machinery and equipment	38,429	119,336
Purchases of labour services	5,975	36,869
Purchases of materials and spare parts	467,722	552,909
Construction and technical services	84,331	14,724
Ancillary and social services	48,442	49,036
Transportation services	1,653,815	1,321,892
Interest expense	271,005	217,838
<i>Key management compensation</i>		
Salary, allowances and other benefits		
– Directors and supervisors	1,120	83
– Other key management	637	—
Pension costs-defined contribution plans		
– Directors and supervisors	31	9
– Other key management	52	—

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

26 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related party balances

	30 June 2007 Unaudited	31 December 2006 Audited
Balances with Parent Company and fellow subsidiaries		
Trade and notes receivables	662,010	—
Prepayments and other receivables	33,842	—
Trade payables	314,741	—
Accruals and other payables	461,148	719,876
Balances with jointly controlled entity of the Group (after elimination of the Group's proportionate interest in those jointly controlled entities)		
Trade payables	—	5,911
Long-term receivables	128,579	172,600
Balances with Associate		
Trade and notes receivables	8,256	6,088
Prepayments and other receivables	47,404	27,636
Trade payables	17,133	7,990
Accruals and other payables	46,552	6,317
Balances with minority shareholders of Subsidiaries		
Prepayments and other receivables	58,031	23,540
Accruals and other payables	10,385	9,380
Balances with joint venture partners in jointly controlled entities (attributable to the Group's interest in those jointly controlled entities):		
Trade and notes receivables	103,355	133,426
Prepayments and other receivables	8,045	3,377
Trade payables	668	133,652
Balances with state-owned enterprises:		
Trade and notes receivables	2,095,784	1,370,982
Prepayments and other receivables	735,905	601,308
Trade payables	1,068,486	961,125
Accruals and other payables	706,747	516,344
Deposits placed with banks and non-bank financial institutions	13,796,729	18,233,730
Loans from banks and non-bank financial institutions	11,413,093	10,590,504

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

26 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related party balances (continued)

Movements on loans from state-owned banks or non-bank financial institutions:

	30 June 2007 Unaudited	31 December 2006 Audited
Opening balance	10,590,504	7,529,311
Assumption of control/joint control of certain subsidiaries and a jointly-controlled equity	1,331,690	59,800
Additions	1,748,700	7,150,953
Payments	(2,141,567)	(3,988,242)
Exchange gains	(116,234)	(94,245)
Interest expense paid	—	(67,073)
Ending balance	11,413,093	10,590,504

The above related party balances, other than deposits placed with, and loans from, banks and non-bank financial institutions, are unsecured, interest free and generally settled within one year.

27 SUBSEQUENT EVENTS

On 30 August 2007, two subsidiaries of the Company signed agreements with their respective local government for the re-location of local villagers for the new open-pit coal mines. According to the agreements, the two subsidiaries will pay approximately RMB1.7 billion for the re-location compensation to the local government, out of which RMB500 million will be paid by 31 December 2007, and the remaining balance will be paid by 30 June 2008.

Corporate Information

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REGISTERED NAME IN ENGLISH

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Listing Date: 19 December 2006



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