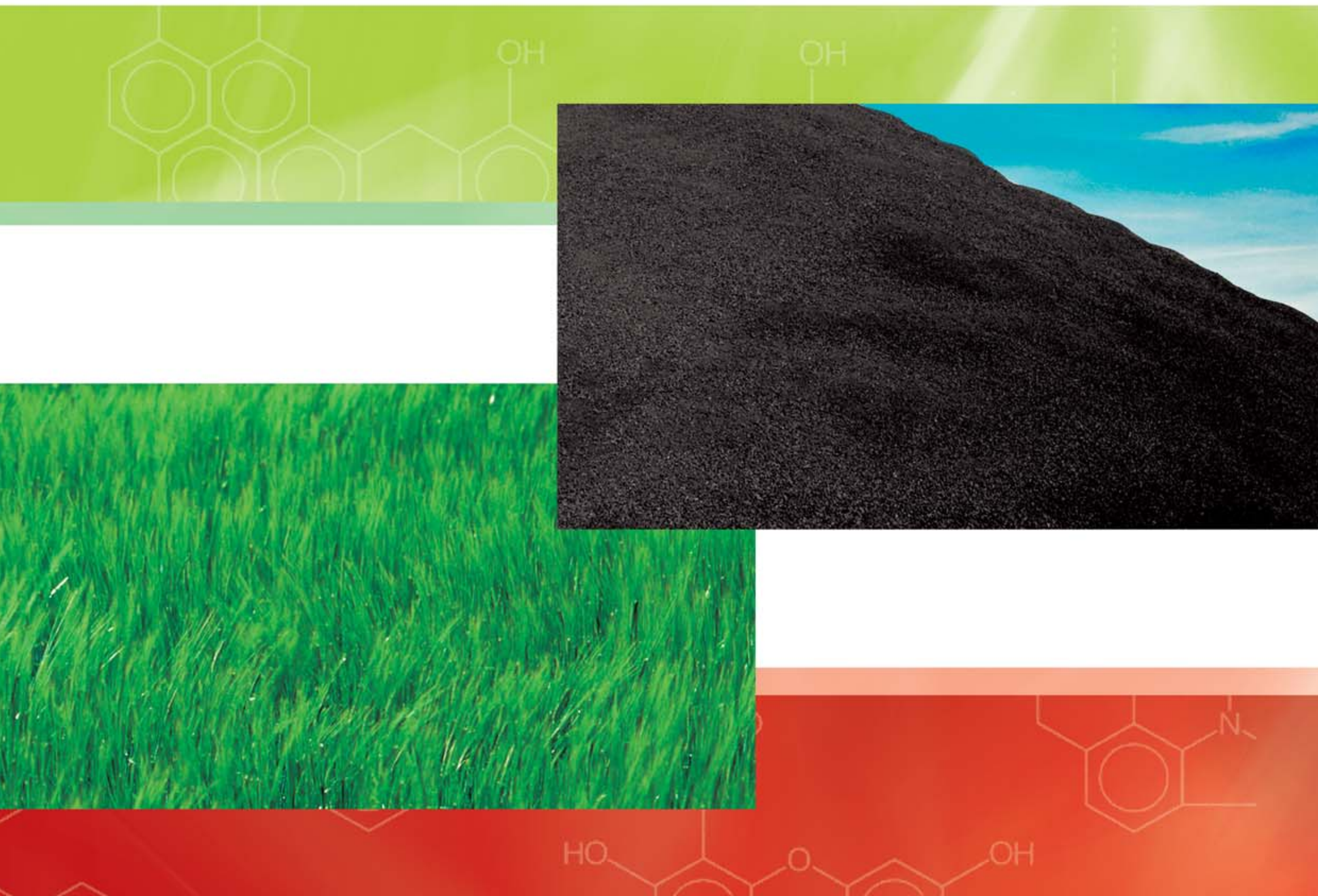
中国中煤能源股份有限公司
CHINA COAL ENERGY COMPANY LIMITED

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

Stock Code: 1898

Annual Report **2007**



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Operating Results

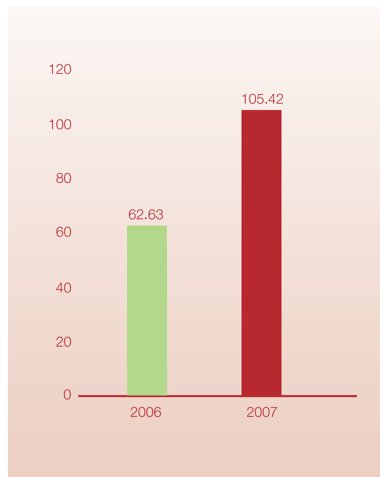
Consolidated (RMB100 million)	2007	2006	Percentage change %
Revenue	**364.28**	302.27	20.5
Of which: Coal operations	**264.51**	238.32	11.0
Coking operations	**44.37**	20.35	118.0
Coal mining equipment operations	**29.93**	23.46	27.6
Others	**25.47**	20.14	26.5
Cost of sales	**271.30**	236.81	14.6
Profit from operations	**91.01**	51.73	75.9
Profit before income tax	**83.55**	47.25	76.8
Profit attributable to equity holders of the Company	**60.20**	31.72	89.8

Gross profit

RMB 100 million

EBITDA

RMB 100 million

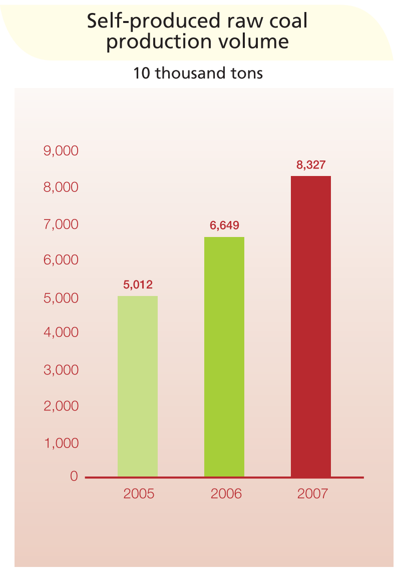


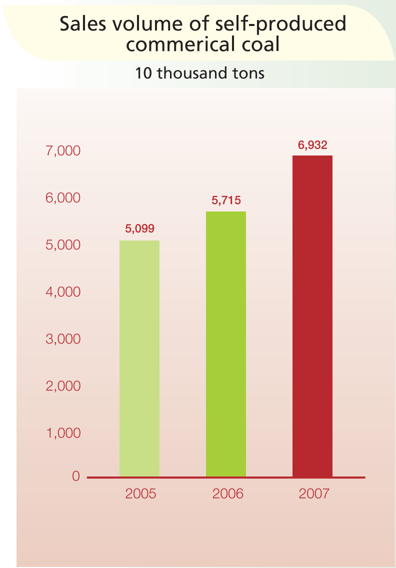
Profit attributable to equity holders of the Company

RMB 100 million

Business Highlights

Items	2007	2006	Percentage change %
1. **Coal operations (10 thousand tons)**			
Raw coal production volume	**9,052**	7,904	14.5
Of which: Self-produced raw coal	**8,327**	6,649	25.2
Sales volume of commercial coal	**8,516**	8,845	-3.7
Of which: Sales volume of self-produced commercial coal	**6,932**	5,715	21.3
2. **Coking operations (10 thousand tons)**			
Coke production volume	**337**	236	42.8
Sales volume of coke	**364**	220	65.5
3. **Coal mining equipment operations (ton)**			
Coal mining equipment production volume	**202,308**	162,613	24.4
Sales volume of coal mining equipment	**207,470**	154,633	34.2





Dear Shareholders,

In 2007, the economy of China continued to maintain stable and rapid growth, exhibiting a favourable development momentum coupled with accelerated growth, optimized structure and enhanced efficiency. Coal demand remained strong while domestic and international coal prices hovered at high levels. China Coal Energy Company Limited (the "Company" or "China Coal Energy") seized the opportunity to actively pursue rapid development in the three core businesses of coal production, coal chemical and coal mining equipment operations. Through monitoring cost by implementing refined management measures, significant growth in operating results and sustainable and healthy development of the Company were accomplished. New achievements were made in promoting harmonious corporate, social and environmental developments. On behalf of the Board, I am pleased to present the 2007 annual report of China Coal Energy to all shareholders.

1. SUMMARY REVIEW OF 2007

(1) Significant Surge in Operating Results

Steady growth of operating revenue. For the year ended 31 December 2007, the operating revenue of the Company was RMB36.428 billion, representing an increase of RMB6.201 billion or 20.5% over the previous year. Revenue from coal production and trading operations amounted to RMB26.451 billion, accounting for 72.6% of the total revenue, of which revenue from self-produced commercial coal amounted to RMB25.137 billion, representing an increase of 33.1% over the previous year; revenue from coking operations amounted to RMB4.437 billion, representing an increase of 118.0% over the previous year; revenue from coal mining equipment operations amounted to RMB2.993 billion, representing an increase of 27.6% over the previous year; revenue from coal mine design services and other operations amounted to RMB2.547 billion, representing an increase of 26.5% over the previous year.

Highly effective cost control. Affected by factors such as Coal Sustainable Development Charge levied by Shanxi province and raw material prices increase, the Company was subject to higher cost pressure in 2007. The management effectively controlled the costs of raw coal by increasing production efficiency, expanding the production volume of raw coal, strengthening refined management and reducing unit consumption of materials. The Company's cost of sales for 2007 totalled RMB27.130 billion, representing an increase of RMB3.449 billion over the previous year, which was 5.9 percentage points lower than the growth rate of operating revenue. The average production cost of raw coal was RMB90.76/ton, representing an increase of RMB8.25/ton over the previous year. If the Coal Sustainable Development Charge were excluded, the average production cost of raw coal would have decreased by RMB1.99/ton over the previous year. The average production cost of raw coal in Pingshuo Mining Area was RMB72.94/ton, representing an increase of RMB9.97/ton over the previous year. If the Coal Sustainable

Development Charge were excluded, the average production cost of raw coal in Pingshuo Mining Area would have decreased by RMB1.35/ton over the previous year. In light of the policy-related cost increases caused by some local authorities' policy such as Coal Sustainable Development Charge, Coal Mine Environmental Restoration Fund and Coal Mine Transformation Fund in Shanxi province, the Company strived to increase the selling price of coal so as to transfer and minimize the impact of policy-related cost increases.

Enhancement of growth quality. The gross profit realized in 2007 by China Coal Energy amounted to RMB9.298 billion, representing an increase of 42.0% over the previous year, of which, gross profit realized from coal production and trading operations amounted to RMB7.971 billion, representing an increase of 43.3% over the previous year. Earnings before interest, tax, depreciation and amortization (EBITDA) amounted to RMB10.542 billion, representing an increase of 68.3% over the previous year. Profit attributable to equity holders of the Company amounted to RMB6.020 billion, representing an increase of 89.8% over the previous year. Basic earnings per share was RMB0.51 and return on equity was 24.6%. The consolidated gross profit margin for 2007 was 25.5% which was 3.8 percentage points higher than that of the previous year, of which, the gross profit margin for coal production and trading operations was 29.5%, which was 6.4 percentage points higher than that of the previous year.

(2) Rapid Growth of Core Businesses

Further growth of the coal production and sales volume, and more back-up resources. In 2007, China Coal Energy optimized its production layout and organized production in a scientific manner, which resulted in the steady growth of raw coal production volume. Raw coal production volume for the full year was 90.52 million tons, representing an increase of 11.48 million tons or 14.5% over the previous year, of which, self-produced raw coal amounted to 83.27 million tons, representing an increase of 16.78 million tons or 25.2% over the previous year. Sales of commercial coal amounted to 85.16 million tons, of which sales of self-produced commercial coal amounted to 69.32 million tons, representing an increase of 21.3% over the previous year. The proportion of sales of self-produced commercial coal increased by 16.8 percentage points over the previous year as a result of the further optimization of the sales structure. In order to meet different needs of coal consumers, the Company continued to optimize the composition of coal and to strictly implement the quality denial system so as to ensure product quality. Depending on the heat value, the commercial coal in Pingshuo Mining Area was further divided into 8 categories so as to match production with sales and to increase the added value of the products. "Pingshuo Washed Clean Coal" won "2007 World Market China (Coal) Annual Brand Award."

Coal projects also achieved steady progress. The project of Pingshuo East Open Pit Mine has already obtained the approvals regarding the state assessment of environmental impact, land pre-approval and safety measures etc. and planned to commence construction in the second quarter of 2008; the construction of Wangjialing Coal Mine in Huajin Mining Area was progressing smoothly; the phase 3 renovation and expansion project for Kongzhuang Coal Mine in Datun Mining Area and the consolidation and technology reform projects for local coal mines were also actively implemented. New mining equipments purchased for Pingshuo Open Pit Mines were delivered gradually and had come into operation; Antaibao Underground Mine which was under construction in 2007 experienced hydrological and geological changes resulting in greater water inflows in the mine. Effective technological measures had been adopted in this connection to ensure safety in construction and expedite work progress with a view to commencing production within 2008. With the completion and commencement of production operations of the above projects, the continuous and stable growth of raw coal production volume of the Company will be ensured.

As at the end of 2007, pursuant to the Chinese standard, the Company possessed coal mining reserves of 6.161 billion tons and coal resources of 10.24 billion tons. Based on the raw coal production output in 2007, the ratio of coal reserves to coal production of the Company was 74. Under the JORC standard, the proved and probable coal reserves of the Company amounted to 3.425 billion tons and ranked the second place among coal enterprises in China. The coal chemical project in Erdos, Inner Mongolia was allocated with ancillary coal resources of 4.4 billion tons. The geological exploration and assessment of the project were completed. Resources transfer agreement was signed and partial payment of the transfer consideration was remitted. With respect to around 1.4 billion tons of ancillary coal resources of the Heilongjiang coal chemical project, the transfer of resources was still in progress. China Coal Group, the controlling shareholder of the Company, acquired 4 billion tons of coal resources in Shuonan Mining Area which will be injected into China Coal Energy when conditions are satisfied. The mining area has been determined and China Coal Group is undergoing precise prospecting and exploring, carrying out feasibility study and preliminary designing. Further progress made in respect of the above resources will enhance significantly the sustainable development capacity of the Company.

New breakthroughs were achieved in coal mining equipment enterprises acquisitions and technology research and development. Production capacity for full sets of mining equipments was further expanded.

China Coal Energy remained to be the top producer of coal mining equipment products in the domestic market. The market share of high-end hydraulic roof supports, heavy duty armored face conveyors and explosion-proof electric mining motors ranked the first place in the domestic market, accounting for 35%, 41% and 60% respectively. Through strategic reorganization of Shijiazhuang Coal Mining Machinery Co., Ltd., the Company further optimized its product structure and the manufacturing capacity for full sets of mining equipments was greatly enhanced. By combining production with studying and research, the explosion-proof electric mining motor with the highest power capacity in China was developed in line with the advanced international standard and the manufacturing capacity for integrated coal mining equipment was thus increased.

Coke refined chemical industry attained a new level and coal chemical industry started with high standard.

China Coal Energy fully utilized its production capacity of coke with both output and sales volume recorded historically high levels. Coke production for the year 2007 amounted to 3.37 million tons, representing an increase of 42.8% over the previous year; sales of coke amounted to 3.64 million tons, representing an increase of 65.5% over the previous year. The Company has fully utilized the existing coke business to actively develop integrated utilization programs and intensive processing of coke by-products. Solid progress was made in projects such as methanol produced from coke oven gas and residual heat power generation. Production volume of coke by-products increased continuously. The annual production of coke oven gas amounted to 140 million cubic meters, coal tar 74,000 tons and crude benzene 22,000 tons.

The project in Erdos of Inner Mongolia having an annual production capacity of 25 million tons of coal, 4.2 million tons of methanol, 3 million tons of dimethyl ether with its ancillary engineering works is the model project in the state's coal chemical development planning areas. The project in Heilongjiang having an annual production capacity of 10 million tons of coal, 1.8 million tons of methanol, 0.6 million tons of olefin with its ancillary engineering works is another model project in the state's coal chemical development planning areas. These projects are the key projects for industry structure reform in Inner Mongolia Autonomous Region and Heilongjiang Province and are also the key projects of the Company for developing new coal chemicals and promoting industry upgrading. The above two projects are currently in their preliminary stage. The project in Erdos of Inner Mongolia has obtained approval for its master mining plan and is currently in the process of obtaining approval permits; whereas the Helongjiang project is still in the process of applying for its master mining plan. The construction of methanol project with a capacity of 250,000 tons per year undertaken by Heilongjiang Coal Chemical Industry Co., Ltd. of China Coal Energy has been accelerated and implemented smoothly.

(3) Successful Listing of A Shares

China Coal Energy has strengthened its corporate governance and capital operation, improved information disclosure and maintained good investor relationship, accelerated and completed the A share issue and listing, which expands the platform for capital operation.

In July 2007, the Company initiated the procedures for the issue of A shares which were successfully listed on 1 February 2008. Around 1.525 billion A shares were issued and net proceeds of RMB25.320 billion were raised. The proceeds from the A share issue will be used mainly for two large scale coal chemical projects in Erdos and Heilongjiang. The remaining proceeds will be used as working capital of the Company for general corporate purpose or for the acquisitions of core business related assets. The issuance of A shares further optimized the capital structure of the Company and will provide solid support for the development of a large-scale energy company with international competitive edges.

(4) Active Performance of Social Responsibilities

Under its "people oriented" operation principle, China Coal Energy performed social responsibilities actively, and strived to promote the harmonious development of the enterprise, society and environment, while achieving remarkable operating results and returns for its shareholders at the same time.

During the period when most parts of southern China were affected by blizzards and extreme cold spells, China Coal Energy's thermal coal producing mines maintained their normal production during the holiday season. Coal production volume was thus increased and sales of commercial coal were expanded, ensuring the supply of thermal coal to the power plants.

The Company fully implemented the state's strategic plans of energy conservation and discharge reduction and persisted in pursuing developments with emphasis on energy conservation, clean environment and in a scientific manner. Solid results were obtained in terms of energy conservation and discharge reduction. The integrated energy consumption per RMB10,000 of production value of the Company was decreased by 4.6%, the discharge volume of sulphur dioxide was reduced by 2.3% and the discharge volume of COD was reduced by 8.6% when compared with the previous year, and the treatment rate of mine water reached 100%.

The Company vigorously promoted the concept that "safety is of vital importance and life is most valuable". The Company cared about staff development and facilitated harmonious enterprise development. In 2007, the rate of fatality per million tons of raw coal produced by the Company was 0.022, which was in line with the advanced international level. The rate of fatality, in 9 out of 10 mines in production, was zero. Nine mines were assessed to be safe and efficient mine and their production volume accounted for 98.6% of the total raw coal production of the Company. The Company has four super safe and highly efficient mines in Chinese coal industry, each with an annual production capacity of over ten million tons and accounting for one-third of the total numbers nationwide.

2. MAJOR TASKS IN 2008

(1) Maintain rapid growth in the production volume of major products and fully utilize the economy of scale

The Company shall continue to optimize the coal mine production layout, strengthen technical support, enhance the equipment standards and pursue scientific organization and refined management. Provided that safety is ensured, the Company shall endeavour to maintain the average annual increase of 15 million tons of raw coal in the following three years and strive to surpass the volume of 100 million tons in both coal production and trading volume in 2008. The Company will fully utilize current coke production capacity, improve technology and make efforts to increase the production volume of coke to 4.5 million tons in 2008 and maintain the growth rate at over 30%. Meanwhile, the Company shall also focus on the intensive processing of coke by-products to enhance the integrated efficiency of the coking operations. Coal mining equipment products will maintain an appropriate growth rate in production volume while more attention will be paid to quality enhancement and more efforts will be made to expand the proportion of high-end products in sales and production in order to further increase the added value of products. Technology advantages will be fully utilized, the pace of acquisitions will be accelerated and the proportion of high-end products will be increased so as to achieve further growth in the production volume of coal mining equipment and revenue from the principal operations of the Company in 2008.

(2) Accelerate the construction of investment projects and strengthen the capacity of sustainable development

The Company shall focus on the replacement of large-scale coal mining equipments for Pingshuo Open Pit Mines to maximize their production capacities; accelerate the construction progress of Antaibao Underground Mine in order to commence production within the year of 2008; obtain the approval for Pingshuo East Open Pit Mine so as to commence its construction within the first half of 2008; accelerate the construction progress of Wangjialing Mine in Huajin Mining Area and complete the technical reform of Kongzhuang Mine in Datun Mining Area; and complete the injections of assets such as the parent company's Dongpo Coal Mine within the year of 2008. The preliminary work of the two large-scale coal chemical projects will be accelerated in order to commence their construction as early as possible. The Company will be equipped with a strong management team to implement these tasks. The Company will fully utilize its industrial chain advantages to attain synergies, foster cooperation with both domestic and overseas large-scale chemical enterprises and research institutes, and also build up its techniques and talent pool. In accordance with the power industry development strategy that "large enterprises will lead small ones" during the 11th Five-Year Plan period, cooperation with large state-owned power enterprises will be strengthened to develop the construction plan of large-scale pit-mouth coal-fired power plants and coal gangue-fired integrated power plants. The coal logistics network will be further improved, the construction of delivery and distribution systems at the Tianjin coal terminal and the Yangtze River Delta will also be accelerated so as to develop potential customers and to expand our sales volume.

(3) Continue the development of refined management and further strengthen cost control

The Company shall strengthen the management of operating objectives, implement the hierarchical responsibility system, carry out dynamic appraisals and fully complete the production and operation tasks. Production techniques and organization management will be optimized. New technologies, new techniques and new methods will be promoted and applied in order to increase the production efficiency. More detailed budget management with breakdown in achieved indicators will be implemented. The Company shall strengthen cost audits on area teams, plants and teams of different shifts for strict control of unit consumption. Human resources will be rationally allocated. The policy of increasing production without increasing manpower will continue, and the work efficiency of all staff will be enhanced.

(4) Enhance technology innovation capacity and well perform energy conservation and discharge reduction tasks

The Company shall increase our investment into technologies and focus on significant technological research and development work for safe and highly efficient coal mining, intensified development of coal chemicals and the research and development of full sets of coal mining equipments. The Company shall also actively apply for and undertake national technology projects to improve the quality and standards of technological research and development work. All staff will be encouraged to engage in positions to implement technological innovative activities of user-friendly modification, user-friendly reform, user-friendly suggestion, user-friendly invention and user-friendly creation. The research, development and applications of energy conservation and discharge reduction technologies will be accelerated to increase the integrated utilization efficiency of resources and replace the highly energy consuming and polluting techniques and equipments to ensure energy conservation and discharge reduction.

(5) Facilitate the establishment of a long term safe production mechanism and strengthen safe production management

The Company shall promote the intrinsic safety management system and strengthen the fundamental safety management. The Company shall insist on making safety investment and continue to improve the environment for safe production. The prevention, investigation and regulation measures of potential risks will be strengthened, and a long term mechanism for safety warning will be established. Supervision of safety will be strengthened and the implementation of the safe production responsibility system will be facilitated.

(6) Strengthen information system and establish internal control mechanism to enhance risk control capability

The Company shall make great efforts to facilitate the establishment of an information system and a comprehensive and integrated platform for the centralized management of finance, coal sales and materials procurement to achieve real time supervision and control of the processes of various business operations. Macroeconomic policy studies will be strengthened to enhance the foreseeability and scientific basis of policy decisions. The Company shall strengthen overall risk management to avoid investment, financing and financial risks and to safeguard against legal risks.

Dear shareholders, coal is a major, fundamental energy resource and an important fuel in China. Under the strengthened and improved macroeconomic control policies administered by the state, the relatively fast trend of economic growth will be suppressed to a certain extent, and the economic forces will gradually slow down and return to the sustainable and stable growth model. Energy production and demand will continue to grow at a steady pace in China. The coal industry will strengthen its scale and modernization, and the strategies of developing large coal production bases and large groups will facilitate large-scale coal enterprises to strengthen and expand further. The formulation of the requirements for entering the coal industry, together

with the complete costs of coal will accelerate the exit of medium and small coal mines. Consolidation of resources and enterprises will form a major trend in the coal industry, and the concentration of the industry will be strengthened notably. Going forward in the long-term run, the coal-based energy structure will not change significantly in China. China Coal Energy, in accordance with the national industrial policies, will expedite the adjustment of the industry structure, extend the industrial chain and promote the improvement of the industry structure and the enhancement of management standards. Active participation in the consolidation of local coal mines, expansion in the reserves of coal resources, the maintenance of continuous growth in coal production volume, and the acceleration of the construction of large-scale coal chemical projects will create new sources of profit growth, enhance economic benefits and maximize the interests of the shareholders.

JING Tianliang
Chairman
Beijing, the PRC
9 April 2008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The following discussions and analysis should be read in conjunction with the Group's audited financial statements and the notes thereto. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards.

(I) Overview

For the year ended 31 December 2007, the Group had optimized its operation structure and production process, promoted refined management, which led to the steady growth of production volume of coal and other major products and its sales revenue. Cost was effectively controlled, profitability was further enhanced, and the Group had achieved remarkable operating results. During the same period, the Group's total revenues net of inter-segmental sales amounted to RMB36.428 billion, an increase of 20.5% over the previous year; profit before income tax was RMB8.355 billion, representing an increase of 76.8% over the previous year; profit attributable to equity holders of the Company was RMB6.020 billion, representing an increase of 89.8% over the previous year; the rate of return on the shareholders' equity (weighted average) was 24.6%; basic earnings per share was RMB0.51, representing an increase of 30.8% over the previous year.

The Group's remarkable operating results were demonstrated in the rapid development of its three core businesses, namely, coal operations, coking operations and coal mining equipment operations. For the year ended 31 December 2007, the operating profit of coal production increased by 45.8% from RMB4.620 billion for the year ended 31 December 2006 to RMB6.734 billion. The operating profit of coking operations increased by 263.6% from RMB77 million to RMB280 million; and operating profit of mining equipment operations increased by 40.2% from RMB214 million to RMB300 million for the year ended 31 December 2007.

For the year ended 31 December 2007, the Group's EBITDA increased by 68.3% from RMB6.263 billion for the year ended 31 December 2006 to RMB10.542 billion. The Group's gearing ratio (total interest bearing liabilities/(total interest bearing liabilities + shareholders' interests) reduced by 6.3 percentage points from 33% for the year ended 31 December 2006 to 26.7%.

(II) Consolidated Operating Results

Revenues

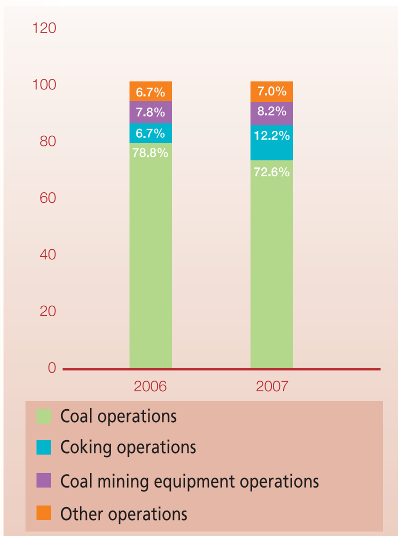
For the year ended 31 December 2007, the Group's total revenues net of inter-segmental sales increased by 20.5% from RMB30.227 billion for the year ended 31 December 2006 to RMB36.428 billion. Revenues from its coal, coking, coal mining equipment operations all recorded relatively rapid growth.

Revenues from the various business segments for the year ended 31 December 2007 and the year ended 31 December 2006 were as follows:

	Revenues net of inter-segmental sales for the year ended 31 December 2007 RMB100 million	Revenues net of inter-segmental sales for the year ended 31 December 2006 RMB100 million	Growth RMB100 million	Growth %
Coal operations	**264.51**	238.32	26.19	11.0
Coking operations	**44.37**	20.35	24.02	118.0
Coal mining equipment operations	**29.93**	23.46	6.47	27.6
Other operations	**25.47**	20.14	5.33	26.5
Total	**364.28**	302.27	62.01	20.5

The proportion of revenue of the various business segments of the Group for the year ended 31 December 2007 and the year ended 31 December 2006 were as follows:

The proportion of revenue of various business segments net of inter-segmental sales of the Group



Cost of sales

For the year ended 31 December 2007, the Group's cost of sales increased from RMB23.681 billion for the year ended 31 December 2006 to RMB27.130 billion, representing an increase of 14.6%, which was lower than the growth in revenue by 5.9 percentage points for the same period. Changes in major items of cost of sales were as follows:

Materials costs increased from RMB12.589 billion for the year ended 31 December 2006 to RMB12.928 billion, representing an increase of 2.7%. The increase was mainly attributable to the Group's continued increase in the volume of coal production, and the corresponding increase in the cost of materials consumed in production, which was partly offset by the decrease in the coal purchases from third parties.

Staff costs increased from RMB1.402 billion for the year ended 31 December 2006 to RMB1.905 billion, representing an increase of 35.9%. The increase was mainly attributable to the Group's expansion of production scale and its strengthened profitability, which resulted in the corresponding increase of staff wages.

Depreciation and amortization expenses increased from RMB1.004 billion for the year ended 31 December 2006 to RMB1.242 billion, representing an increase of 23.7%. The increase was mainly attributable to the Group's use of new machinery and equipment to expand production capacity, which resulted in the corresponding increase in depreciation expenses.

Repairs and maintenance costs increased from RMB425 million for the year ended 31 December 2006 to RMB445 million, representing an increase of 4.7%. The increase was mainly attributable to an increase in the Group's maintenance expenses for ensuring the machinery and equipment in good condition.

Transportation costs increased from RMB5.448 billion for the year ended 31 December 2006 to RMB6.545 billion, representing an increase of 20.1%. The increase was mainly attributable to an increase in the Group's sales volume of self-produced coal, and the corresponding increase in the transportation volume.

Sales taxes and surcharges increased from RMB421 million for the year ended 31 December 2006 to RMB657 million, representing an increase of 56.1%, which was mainly attributable to an increase in the Group's sales volume and sales revenue.

Other expenses increased from RMB2.392 billion for the year ended 31 December 2006 to RMB3.409 billion, representing an increase of 42.5%. The increase was mainly attributable to Coal Sustainable Development Charge levied by Shanxi province to coal production enterprises commencing from March 2007, resulting in the corresponding increase in the other expenses of the Group by RMB847 million.

Gross Profit

For the year ended 31 December 2007, the Group's gross profit increased from RMB6.546 billion for the year ended 31 December 2006 to RMB9.298 billion, representing an increase of 42.0%. The Group's gross profit margin increased from 21.7% for the year ended 31 December 2006 to 25.5%, representing an increase of 3.8 percentage points.

The increase in the Group's gross profit margin was mainly attributable to the active expansion in its production capacity, increased sale volumes of its major operations such as coal, coking and coal mining equipment and its more effective cost control.

The gross profit and gross profit margin of the Group's coal, coking, coal mining equipment and other operations for the two years ended 31 December 2007 and 31 December 2006 were as follows:

	Gross Profit			Gross Profit Margin		
	For the year ended 31 December 2007 RMB100 million	For the year ended 31 December 2006 RMB100 million	Increase/ decrease RMB100 million	**For the year ended 31 December 2007 %**	For the year ended 31 December 2006 %	Increase/ decrease in percentage points
Coal operations	**79.71**	55.64	24.07	**29.5**	23.1	6.4
Coking operations	**4.75**	1.44	3.31	**10.7**	7.1	3.6
Coal mining equipment operations	**6.49**	5.24	1.25	**18.4**	19.1	-0.7
Other operations	**2.56**	3.49	-0.93	**8.5**	15.4	-6.9

Selling, general and administrative expenses

For the year ended 31 December 2007, the Group's selling, general and administrative expenses increased from RMB1.811 billion for the year ended 31 December 2006 to RMB2.291 billion, representing an increase of 26.5%. The increase was mainly attributable to the continued increase of the Group's operation scale and the corresponding increase in the selling expenses, depreciation and amortization expenses, cost of staff and office expenses that are counted into the selling, general and administrative expenses.

Gain from fair value change of other financial assets

For the year ended 31 December 2007, the Group obtained a gain of RMB1.367 billion which derived from the change in the fair value of the A shares of China COSCO Holdings Company Limited ("COSCO") held by the Group. When A shares of COSCO were listed in May 2007, the Group purchased 40 million COSCO A shares at a price of RMB8.48/share through strategic placement. As at 28 December 2007 (the last trading day for 2007), the closing price of the shares was RMB42.66/share, whereby the Group recognized a gain of RMB1.367 billion from the change in the fair values of COSCO shares.

Other income

For the year ended 31 December 2007, the Group's other income increased from RMB229 million for the year ended 31 December 2006 to RMB551 million, representing an increase of 140.6%. The increase was mainly attributable to the increase in the Group's interest incomes derived from cash or cash equivalents after being listed on the Hong Kong Stock Exchange on 19 December 2006, the portion of which temporarily not to be used was deposited as term deposits with relevant banks in the PRC according to the plan for the use of proceeds.

Other net gains

The Group's other net gains decreased from RMB209 million for the year ended 31 December 2006 to RMB176 million for the year ended 31 December 2007.

Profit from operations

The Group's profit from operations increased from RMB5.173 billion for the year ended 31 December 2006 to RMB9.101 billion for the year ended 31 December 2007, representing an increase of 75.9%.

Net finance costs

For the year ended 31 December 2007, the Group's net finance costs increased from RMB481 million for the year ended 31 December 2006 to RMB757 million, representing an increase of 57.4%. The increase was mainly attributable to the net loss of RMB191 million in foreign exchange arising from the Group's capital denominated in foreign currencies. In 2007, the Group's capital in foreign currencies (mainly denominated in HK$ raised from the offering of H shares) continued to devaluate against RMB. In order to control exchange rate risks, the Group entered into forward foreign exchange contracts with relevant domestic banks to lock up the exchange rates and effectively controlled the exchange losses resulted from the foreign currency bank deposits. Meanwhile pursuant to the use of proceeds raised from H share issue, the Group repaid partial commercial bank loans so as to further control the financing costs.

Profit before income tax

The Group's profit before income tax increased from RMB4.725 billion for the year ended 31 December 2006 to RMB8.355 billion for the year ended 31 December 2007, representing an increase of 76.8%.

Income tax expense

For the year ended 31 December 2007, the Group's income tax expense increased from RMB1.341 billion for the year ended 31 December 2006 to RMB1.949 billion, representing an increase of 45.3%. The consolidated income tax rate decreased from 28.4% for the year ended 31 December 2006 to 23.3%, representing a decrease of 5.1 percentage points.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company increased from RMB3.172 billion for the year ended 31 December 2006 to RMB6.020 billion for the year ended 31 December 2007, representing an increase of 89.8%.

(III) Operating Results of Major Business Segments

Coal Operations

1. *Revenue*

For the year ended 31 December 2007, the total revenue from the Group's coal operations increased from RMB24.044 billion for the year ended 31 December 2006 to RMB27.059 billion, representing an increase of 12.5%. The revenue net of other inter-segmental sales increased from RMB23.832 billion for the year ended 31 December 2006 to RMB26.451 billion, representing an increase of 11.0%.

Revenue from the Group's coal operations were mainly derived from the revenue of selling coal produced from its own coal mines and coal washing plants (sales of self-produced coal) to domestic and overseas customers. In addition, the Group also purchased coal from external coal enterprises for re-sale to customers (proprietary coal trading) as well as engaged in relevant coal export and coal import agency services.

For the year ended 31 December 2007, revenue from the Group's self-produced commercial coal was RMB25.746 billion. Revenue net of inter-segmental sales was RMB25.137 billion, representing an increase of RMB6.255 billion, or 33.1% over 2006. Revenue from proprietary coal trading was RMB1.229 billion, representing a decrease of RMB3.532 billion, or 74.2% over 2006.

For the year ended 31 December 2007, revenue from the Group's coal import and export agency services was RMB85 million, representing a decrease of RMB104 million, or 55.0% over 2006. Coal import and export agency services tonnage was 13.09 million tons, representing a decrease of 5.77 million tons or 30.5% over 2006. The average agency fee decreased from RMB10/ton for the year ended 31 December 2006 to RMB6.4/ton for the year ended 31 December 2007.

The Group's coal sales volume and prices for the year ended 31 December 2007 and for the year ended 31 December 2006 were as follows:

		For the year ended 31 December 2007		For the year ended 31 December 2006		Increase/decrease	
		Sales volume (10,000T)	Selling price (RMB/T)	Sales volume (10,000T)	Selling price (RMB/T)	Sales volume (10,000T)	Selling price (RMB/T)
Self-produced commercial coal	Total	**6,932**	**363**	5,715	330	1,217	33
	Thermal coal	**6,769**	**355**	5,386	314	1,383	41
	1. Exports	**786**	**479**	904	394	-118	85
	(1) Long-term agreements	**766**	**481**	847	395	-81	86
	(2) Spot trading	**20**	**414**	57	385	-37	29
	2. Domestic sales	**5,983**	**339**	4,482	298	1,501	41
	(1) long-term agreements	**5,263**	**336**	3,892	291	1,371	45
	(2) Spot trading	**720**	**359**	590	340	130	19
	Coking coal	**163**	**674**	329	597	-166	77
	1. Exports	**9**	**775**	38	847	-29	-72
	2. Domestic sales	**154**	**668**	291	564	-137	104
Proprietary coal trading	Total	**275**	**447**	1,244	383	-969	64
	Self-operated exports	**4**	**640**	87	505	-83	135
	1. Long-term agreements	**1**	**469**	84	487	-83	-18
	2. Spot trading	**3**	**669**	3	943	—	-274
	Domestic re-sale	**271**	**444**	1,157	373	-886	71
	1. Long-term agreements	**11**	**609**	794	381	-783	228
	2. Spot trading	**260**	**437**	363	357	-103	80
Import and export agency	Total	**1,309**	**6**	1,886	10	-557	-4
	1. Import agency	**210**	**5**	208	7	2	-2
	2. Export agency	**1,099**	**7**	1,678	10	-579	-3
Total sales volume and weighted average price		**8,516**	**311**	8,845	269	-329	42

2. *Cost of sales*

Cost of sales for the Group's coal operations increased from RMB18.480 billion for the year ended 31 December 2006 to RMB19.088 billion for the year ended 31 December 2007, representing an increase of 3.3%. Changes in the major cost items were as follows:

	For the year ended 31 December 2007 RMB100 million	For the year ended 31 December 2006 RMB100 million	Increase/ decrease RMB100 million	Percentage
Materials	**68.23**	86.70	-18.47	-21.3%
Staff costs	**13.40**	10.82	2.58	23.8%
Depreciation and amortization	**9.29**	7.69	1.60	20.8%
Repairs and maintenance	**4.23**	2.93	1.30	44.4%
Transportation cost	**61.41**	52.43	8.98	17.1%
Other expenses	**34.32**	24.23	10.09	41.7%
Cost of sales of coal operations	**190.88**	184.80	6.08	3.3%

For the year ended 31 December 2007, while facing the policy-related cost increase and price increase of raw materials, the Group still achieved economy of scale and effective cost control by increasing production efficiency, expanding the coal production volume, promoting refined management and reducing unit consumption of materials.

For the year ended 31 December 2007, cost of sales of the Group's self-produced commercial coal was RMB17.923 billion, representing an increase of RMB3.990 billion, or 28.6% over 2006. Unit sales cost of self-produced commercial coal was RMB258.54/ton, representing an increase of RMB14.75, or 6.1% over 2006. The major items of unit sales cost of the Group's self-produced commercial coal between the year ended 31 December 2007 and the year ended 31 December 2006 were compared as follows:

	For the year ended 31 December 2007 Unit cost RMB/ton	For the year ended 31 December 2006 Unit cost RMB/ton	Increase/ decrease RMB/ton
Production cost	**172.84**	173.09	-0.25
Material	**81.60**	93.17	-11.57
Labour cost	**19.33**	18.93	0.40
Depreciation and amortization	**13.40**	13.46	-0.06
Repairs and maintenance	**6.10**	5.13	0.97
Others	**52.41**	42.40	10.01
Transportation cost	**85.70**	70.70	15.00
Unit cost of sales of self-produced commercial coal	**258.54**	243.79	14.75

Shanxi province began levying Coal Sustainable Development Charge in March 2007, which drove up the Group's unit sales cost of self-produced commercial coal by RMB12.22. The Group's unit sales cost of self-produced commercial coal would have increased by RMB2.53/ton, or 1.0% over 2006 if such policy-related cost increase were excluded.

For the year ended 31 December 2007, the Group's unit production cost of self-produced raw coal was RMB90.76/ton, representing an increase of RMB8.25/ton as compared with RMB82.51/ton for the year ended 31 December 2006. Due to the Coal Sustainable Development Charge levied by Shanxi province as of 1 March 2007, unit production cost of self-produced raw coal increased by RMB10.24. If the above factor were excluded, the unit production cost of self-produced raw coal would have been RMB80.52/ton, representing a decrease of RMB1.99/ton as compared with RMB82.51/ton for the year ended 31 December 2006.

3. *Gross profit and gross profit margin*

For the year ended 31 December 2007, the gross profit from the Group's coal operations increased from RMB5.564 billion for the year ended 31 December 2006 to RMB7.971 billion, representing an increase of 43.3%. Gross profit margin increased from 23.1% for the year ended 31 December 2006 to 29.5%, representing an increase of 6.4 percentage points.

During the same period, gross profit margin from the sales of self-produced commercial coal increased from 27.0% for the year ended 31 December 2006 to 30.4%, representing an increase of 3.4 percentage points. Gross profit margin from proprietary coal sales decreased from 8.1% for the year ended 31 December 2006 to 5.2%, representing a decrease of 2.9 percentage points.

4. *Selling, general and administrative expenses*

Selling, general and administrative expenses of the Group's coal operations increased from RMB1.235 billion for the year ended 31 December 2006 to RMB1.552 billion for the year ended 31 December 2007, representing an increase of 25.7%, which was mainly attributable to the expansion of operation scale, resulting in the corresponding increase in the marketing expenses and management costs.

5. *Profit from operations*

Profit from the Group's coal operations increased from RMB4.620 billion for the year ended 31 December 2006 to RMB6.734 billion for the year ended 31 December 2007, representing an increase of 45.8%.

Coking Operations

1. *Revenue*

   For the year ended 31 December 2007, the Group's revenue from coking operations increased from RMB2.035 billion for the year ended 31 December 2006 to RMB4.451 billion, representing an increase of 118.7%. Revenue from coking operations net of other inter-segmental sales increased from RMB2.035 billion for the year ended 31 December 2006 to 4.437 billion, representing an increase of 118.0%. The increase was mainly attributable to the significant increase in sales volume of coke and self-produced coke in particular, and the increase in the selling price of coke.

   For the year ended 31 December 2007, the Group's sales of coke amounted to 3.64 million tons, representing an increase of 1.44 million tons over the previous year, representing an increase of 65.5%. Of which, self-produced coke amounted to 2.84 million tons, representing an increase of 1.19 million tons over the previous year, representing an increase of 72.1%. Externally purchased coke was 800,000 tons, representing an increase of 250,000 tons or 45.5% over the previous year.

   For the year ended 31 December 2007, the Group's average selling price of coke was RMB1,143/ton, an increase of RMB216/ton compared with that of 2006, of which the average domestic selling price was RMB1,043/ton, representing an increase of RMB236/ton compared with that of 2006; the average export selling price was RMB1,520/ton, representing an increase of RMB274/ton compared with that of 2006.

2. *Cost of sales*

   Cost of sales for the Group's coking operations increased from RMB1.891 billion for the year ended 31 December 2006 to RMB3.976 billion for the year ended 31 December 2007, representing an increase of 110.3%.

3. *Gross profit and gross profit margin*

   For the year ended 31 December 2007, gross profit from the Group's coking operations increased from RMB144 million for the year ended 31 December 2006 to RMB475 million, representing an increase of 229.9%. Gross profit margin increased from 7.1% for the year ended 31 December 2006 to 10.7%, representing an increase of 3.6 percentage points.

4. *Selling, general and administrative expenses*

   For the year ended 31 December 2007, selling, general and administrative expenses of the Group's coking operations increased from RMB87 million for the year ended 31 December 2006 to RMB205 million, representing an increase of 135.6%, which was mainly attributable to the sales and marketing expansion of the coking operations, resulting in the corresponding increase in the selling and administrative expenses.

5. *Profit from operations*

For the year ended 31 December 2007, profit from operations from the Group's coking operations increased from RMB77 million for the year ended 31 December 2006 to RMB280 million, representing an increase of 263.6%.

Coal mining equipment operations

1. *Revenue*

For the year ended 31 December 2007, revenue from the Group's coal mining equipment operations increased from RMB2.739 billion for the year ended 31 December 2006 to RMB3.525 billion, representing an increase of 28.7%. Revenue net of other inter-segmental sales increased from RMB2.346 billion for the year ended 31 December 2006 to RMB2.993 billion, representing an increase of 27.6%. The increase was mainly attributable to the expansion of the production scale of the coal mining equipment, the enhancement of technology level and the improvement of product composition, resulting in the corresponding increase in the sales of major products and increased proportion of high-end products.

In 2007, hydraulic roof supports recorded sales of RMB1.295 billion, representing an increase of 34.5% over 2006; while curved armored face conveyors recorded sales of RMB770 million, representing an increase of 37.5% over 2006.

2. *Cost of sales*

For the year ended 31 December 2007, cost of sales for the coal mining equipment operations increased from RMB2.215 billion for the year ended 31 December 2006 to RMB2.878 billion, representing an increase of 29.9%, which was mainly attributable to an increase in the production and sales volume, and an increase in prices for raw materials such as steel.

3. *Gross profit and gross profit margin*

For the year ended 31 December 2007, gross profit from the Group's coal mining equipment operations increased from RMB524 million for the year ended 31 December 2006 to RMB649 million, representing an increase of 23.9%. Gross profit margin decreased from 19.1% for the year ended 31 December 2006 to 18.4%, representing a decrease of 0.7 percentage point.

4. *Selling, general and administrative expenses*

For the year ended 31 December 2007, selling, general and administrative expenses for the Group's coal mining equipment operations increased from RMB321 million for the year ended 31 December 2006 to RMB381 million, representing an increase of 18.7%.

5. *Profit from operations*

Profit from the Group's coal mining equipment operations increased from RMB214 million for the year ended 31 December 2006 to RMB300 million for the year ended 31 December 2007, representing an increase of 40.2%.

Other Operations

For the year ended 31 December 2007, apart from the above three core businesses, the Group's revenue from other operations such as sales of primary aluminium, power and the provision of coal mine design services by the Company increased from RMB2.275 billion for the year ended 31 December 2006 to RMB3.024 billion, representing an increase of 32.9%. Revenue net of other inter-segmental sales increased from RMB2.014 billion for the year ended 31 December 2006 to RMB2.547 billion, representing an increase of 26.5%.

For the year ended 31 December 2007, the Group's profit from other operations apart from coal operations, coking operations and coal mining equipment operations was RMB1.841 billion, representing an increase of RMB1.546 billion over 2006.

(IV) Cash flow

As at 31 December 2007, the Group had cash and cash equivalents amounting to RMB4.334 billion, a net decrease of RMB13.890 billion compared with cash and cash equivalents of RMB18.224 billion as at 31 December 2006.

Net cash inflow from operating activities decreased from RMB5.209 billion for the year ended 31 December 2006 to RMB4.756 billion for the year ended 31 December 2007, representing a decrease of 8.7%. Of which, net cash inflow from operating activities such as sales of commodities increased from RMB6.241 billion to RMB6.741 billion, and payment of income tax expenses increased from RMB694 million to RMB1.749 billion.

Net cash outflow from investing activities increased from RMB3.786 billion for the year ended 31 December 2006 to RMB13.866 billion for the year ended 31 December 2007, capital expenditures used in business expansion also increased significantly. In addition, according to the Group's plan for the use of proceeds from the issue of H shares, the proceeds which was temporarily intended not to be used was deposited as time deposits with relevant banks in the PRC, resulting in time deposits with initial deposit terms exceeding three months increasing by RMB5.820 billion.

Net cash inflow from financing activities amounted to RMB13.661 billion for the year ended 31 December 2006, compared with a net cash outflow of RMB4.183 billion for the year ended 31 December 2007. This was mainly attributable to a net cash inflow of RMB14.680 billion from the net proceeds from the issue of H Shares by the Company in late 2006, and an increase in cash outflow from financing activities such as the payment of dividends and repayment of bank loans in 2007.

(V) Liquidity and Sources of Capital

For the year ended 31 December 2007, the Group's capital was mainly derived from proceeds generated from business operations, bank loans and net proceeds from the global IPO. The Group's capital was mainly applied for investments in production facilities and equipment for coal, coking, coal mining equipment operations, and as the Group's working capital and general recurring expenditures, and repayment of the Group's debts.

The cash generated from the Group's self-operated business, the net proceeds from the global IPO and the relevant banking facilities obtained will provide sufficient guarantee for the Group's future operation and project construction.

(VI) Assets and Liabilities

(I) Property, plant and equipment

As at 31 December 2007, the original value of the Group's property, plant and equipment was RMB30.592 billion, and net value was RMB21.917 billion, representing an increase of RMB7.445 billion and RMB5.962 billion as compared with those as at 31 December 2006 respectively.

The breakdown of the net value of the Group's property, plant and equipment as at 31 December 2007 and 31 December 2006 was as follows:

	As at 31 December 2007 RMB100 million	**Percentage %**	As at 31 December 2006 RMB100 million	Percentage %
Buildings	**49.72**	**22.7**	40.08	25.1
Mining shaft structures	**24.94**	**11.4**	21.00	13.2
Plant, machinery and equipment	**77.56**	**35.4**	70.71	44.3
Railway	**4.02**	**1.8**	3.88	2.4
Vehicles, fixtures and other equipment	**4.46**	**2.0**	2.62	1.6
Construction in progress	**58.47**	**26.7**	21.26	13.3

(II) Trade receivable and notes receivable

As at 31 December 2007, net trade receivable and notes receivable of the Group amounted to RMB4.372 billion, representing an increase of RMB1.620 billion or 58.9% compared with RMB2.752 billion as at 31 December 2006. The increase was mainly attributable to the expansion of the Group's sales and the increase in the outstanding sales proceeds as at the end of the reporting period. As at 31 December 2007, the Group's total trade receivable amounted to RMB3.653 billion, representing an increase of RMB1.084 billion compared with 31 December 2006, which was mainly due to the increase in trade receivable aged less than six months as a major component of the Group's trade receivable accounting for 82.8%.

(III) Borrowings

As at 31 December 2007, borrowings of the Group amounted to RMB9.951 billion, representing a decrease of RMB680 million when compared with RMB10.631 billion as at 31 December 2006. Of these, the balance of long-term borrowings was RMB8.963 billion, an increase of RMB693 million when compared with RMB8.270 billion as at 31 December 2006. The balance of short-term borrowings as well as the current portion of long-term borrowings was RMB0.988 billion, a decrease of RMB1.373 billion compared with RMB2.361 billion as at 31 December 2006.

(VII) Significant Investment

For the year ended 31 December 2007, the Group had not made any new significant investment.

(VIII) Material Acquisition and Disposal of Assets

For the year ended 31 December 2007, the Group did not make any material acquisition and disposal of assets.

(IX) Exchange Rate Risks

The business operations of the Group are affected by changes in the exchange rate of Renminbi as the Group accepts US Dollar payments for most of its export sales, with liabilities denominated in foreign currencies, including Japanese Yen and the US 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 US Dollar. Therefore, exchange rate fluctuation of foreign currencies vs RMB may have favorable or adverse impacts 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.

The Hong Kong dollar proceeds from the initial offering of H shares by the Company was also affected by changes in the exchange rate resulting from the continuous depreciation of Hong Kong dollars against Renminbi; yet changes in the exchange rate risk were brought under control by the Company via the entering of foreign currency forward contracts with the relevant banks in the PRC.

(X) Commodity Price Risks

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

(XI) Industry Risks

Like other coal companies and coal chemical companies in China, the Group's operation 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. Certain future policies adopted by the Chinese government in industries such as coal and chemical may have impacts on the Group's operations.

(XII) Contingent Liabilities

(I) Bank guarantees

For the year ended 31 December 2007, the Group did not have any guarantee in favor of third parties.

(II) Environmental protection responsibilities

Environmental protection laws and regulations are in full force in China. However, the management of the Company 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 impacts on the financial position of the Company.

(III) Contingent legal liability

As at 31 December 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.

I. CONTINUOUS GROWTH IN COAL PRODUCTION AND TRADING OPERATIONS

In 2007, the Group's coal business recorded a remarkable performance with the coal output continued to increase while the cost was brought to effective control and sales structure was further optimized.

(1) Coal Production

Production volume of self-produced raw coal (10,000 tons)	**2007**	2006	Change%
Pingshuo Mining Area	**7,161**	5,540	29.3
Antaibao (1)	**2,270**	1,864	21.8
Anjialing (2)	**4,891**	3,675	33.1
Datun Mining Area	**780**	772	1.0
Liliu Mining Area	**266**	227	17.2
Nanliang Mining Area	**120**	110	9.1
Total	**8,327**	6,649	25.2

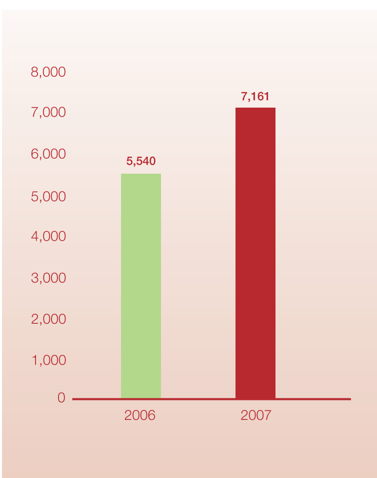
(1) Production volume of Antaibao Open Pit Mine

(2) Including total production volume of Anjialing Open Pit Mine, No. 1 and No. 2 Underground Mine.

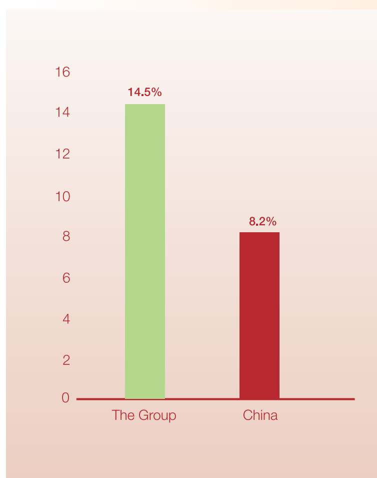
- *Substantial growth in coal production*

Raw coal production volume of Pingshuo Mining Area

10 thousand tons

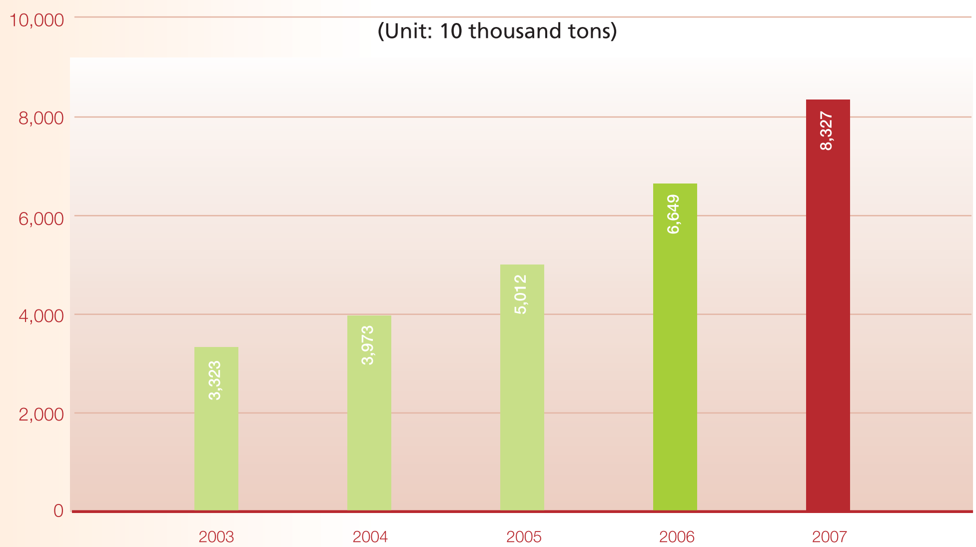


Growth rate of raw coal production volume in 2007



In 2007, the Group's raw coal production volume was 90.52 million tons, representing an increase of 11.48 million tons or 14.5% over the previous year, while the growth rate of domestic raw coal output during the same period was 8.2% (data derived from China National Coal Association). The Company's raw coal production accounted for 3.6% of the national total coal production volume, up 0.2 percentage point over last year. The Company's self-produced raw coal volume was 83.27 million tons, representing an increase of 16.78 million tons or 25.2% over the previous year. The Group's Pingshuo Mining Area is one of the largest thermal coal production bases in China, comprising four super safe and highly efficient mines with an annual production capacity over ten million tons each, namely Antaibao Open Pit Mine, Anjialing Open Pit Mine, Anjialing No. 1 Underground Mine and Anjialing No.2 Underground Mine. In 2007, the self-produced raw coal production volume of Pingshuo Mining Area reached 71.61 million tons, representing an increase of 16.21 million tons or 29.3% over the previous year and accounted for 86% of the Group's total self-produced raw coal production.

The Group's production volume of self-produced raw coal from 2003 to 2007

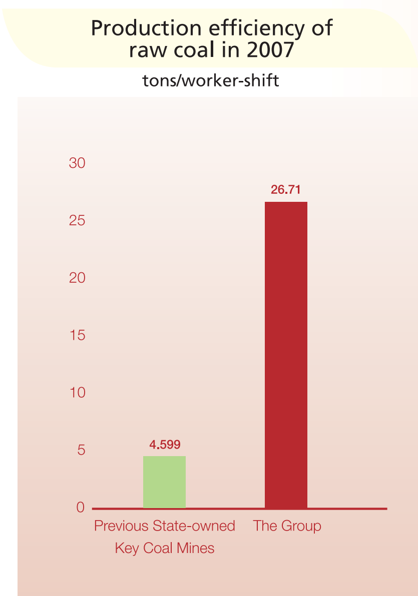


- *Cost under effective control*

  In 2007, the sales cost for coal production and trading operations was RMB19.088 billion, representing an increase of 3.3% over the previous year, and was 9.2 percentage points lower than that of sales revenue growth. The average production cost of raw coal was RMB90.76/ton, representing an increase of RMB8.25/ton over the previous year. If Coal Sustainable Development Charge were excluded, the average production cost of raw coal would have decreased by RMB1.99/ton over the previous year. The average production cost of raw coal in Pingshuo Mining Area was RMB72.94/ton, representing an increase of RMB9.97/ton over the previous year. If Coal Sustainable Development Charge were excluded, the average production cost of raw coal in Pingshuo Mining Area would have decreased by RMB1.35/ton over the previous year.

- *Leading production efficiency of raw coal in China*

  The Group owns four super safe and highly efficient mines with an annual production capacity of ten million tons each, which account for approximately one-third of such mines in the whole country. In 2007, the raw coal production efficiency was 26.71 tons/worker-shift, representing an increase of 5.2 tons/worker-shift over the previous year, and was much higher than the level of 4.599 tons/worker-shift for previous state-owned key coal mines. Among the mines, the raw coal production efficiency of Pingshuo Mining Area was 126.44 tons/worker-shift, representing an increase of 34 tons/worker-shift over the previous year.



(2) Sales of Coal

Sales volume of commercial coal (10 thousand tons)	**2007**	2006	Change%	Percentage of total sales in 2007(%)
By sales market	**8,516**	8,845	-3.7	100.0
Domestic sales	**6,408**	5,930	8.1	75.2
Self-produced coal	**6,137**	4,773	28.6	72.1
Proprietary coal trading	**271**	1,157	-76.6	3.2
Export sales	**1,898**	2,707	-29.9	22.3
Self-produced coal	**795**	942	-15.6	9.3
Agency sales	**1,099**	1,678	-34.5	12.9
Proprietary coal trading	**4**	87	-95.4	0.0
Import sales	**210**	208	1.0	2.5
By product source	**8,516**	8,845	-3.7	100.0
Self-produced coal	**6,932**	5,715	21.3	81.4
Proprietary coal trading	**275**	1,244	-77.9	3.2
Import and export agency sales	**1,309**	1,886	-30.6	15.4
- Export	**1,099**	1,678	-34.5	12.9
- Import	**210**	208	1.0	2.5

In 2007, the Group's coal sales volume was 85.16 million tons, of which, domestic sales amounted to 64.08 million tons, export sales reached 18.98 million tons, and import agency sales reached 2.1 million tons.

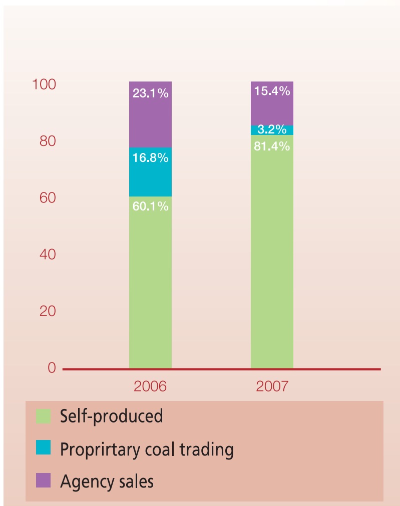
In respect of the domestic market sales, long-term contract sales amounted to 52.74 million tons or 82.3% of the total domestic sales; spot sales amounted to 11.34 million tons, representing 17.7% of the total domestic sales. In respect of the domestic self-produced coal sales, long-term contract sales amounted to 52.63 million tons or 85.8% of the total domestic self-produced coal sales; spot sales amounted to 8.74 million tons, representing 14.2% of the total domestic sales. Sales to the five largest domestic external customers amounted to 26.87 million tons, representing 43.8% of the total domestic self-produced coal sales. Sales to the single largest external customer were 9.5 million tons, representing 15.5% of the total domestic self-produced coal sales.

Export sales accounted for 35.6% of the total coal export volume of China, of which export of self-produced and self-arranged commercial coal were 7.99 million tons, export agency sales amounted to 10.99 million tons. For export sales, long-term contract sales reached 16.66 million tons, representing 87.8% of total export sales; spot sales were 2.32 million tons, accounting for 12.2% of total export sales.

- *Further optimization of sales structure*

The proportion of self-produced coal sales continued to increase. Self-produced commercial coal sales was 69.32 million tons, representing 81.4% of total sales, up 16.8 percentage points over the previous year; Sales on proprietary coal trading amounted to 2.75 million tons, representing 3.2% of the total sales, down 11 percentage points over the previous year. Import and export agency sales was 13.09 million tons, accounting for 15.4% of total sales volume, down 6 percentage points over the previous year.

Sales structure of commercial coal

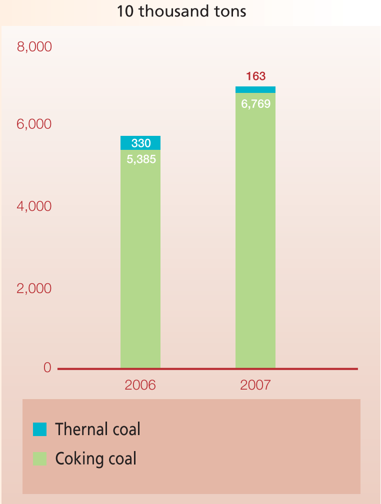


The proportion of domestic coal sales increased. The Group had made enormous efforts to ensure the supply to key domestic customers, and to increase domestic sales. In 2007, domestic sales accounted for 75.2% of the total sales of commercial coal, up 8.2 percentage points over the previous year; export sales accounted for 22.3% of the total sales of commercial coal, representing a decrease of 8.3 percentage points over the previous year; import sales accounted for 2.5% of the total sales of commercial coal, maintaining the same level as the previous year.

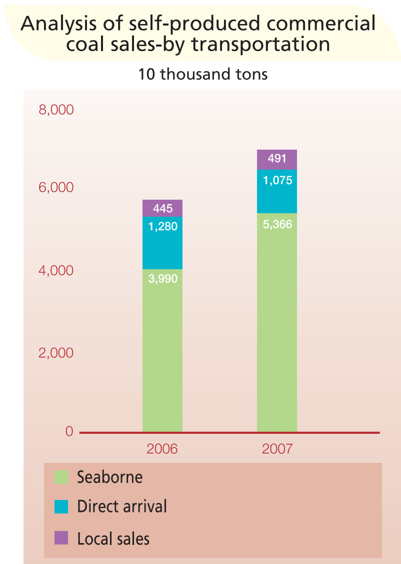
Analysis of commercial coal sales-by tansportation

Analysis of commercial coal sales-by contract

Analysis of self-produced commercial coal sales-by the type of coal



Analysis of self-produced commercial coal sales-by contract



- *Steady increase of coal prices*

  In 2007, the average domestic sales price of self-produced thermal coal was RMB339/ton, representing an increase of RMB41/ton or 13.8% over 2006; the average export sales price of self-produced thermal coal was RMB479/ton, representing an increase of RMB85/ton or 21.6% over 2006; the average domestic sales price of self-produced coking coal was RMB668/ton, representing an increase of RMB104/ton or 18.4% over 2006.

The Weighted Average coal sales price of the Group from 2004 to 2007

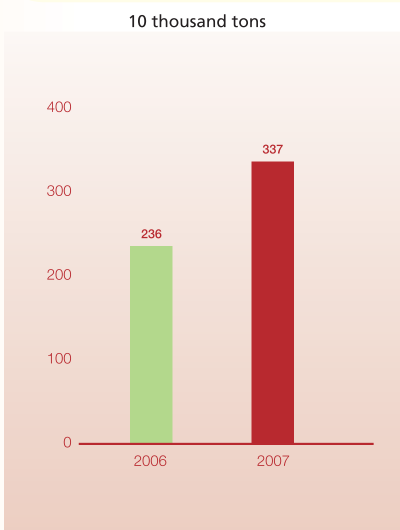
II. ACCELERATED DEVELOPMENT OF THE COKING OPERATIONS

Driven by the increasing demand from steel industries and the Group's releasing production capacity, the coking operations of the Group had a strong growth in 2007, and the coke production and sales volume recorded a historical level with significantly enhanced profitability.

In 2007, the production volume of coke increased significantly to 3.37 million tons, representing an increase of 1.01 million tons or 42.8% over the previous year. Trading volume of coke increased steadily with sales volume in 2007 reaching 3.64 million tons, representing an increase of 65.5%, of which domestic sales amounted to 2.88 million tons, representing an increase of 80% over the previous year; export volume was 760,000 tons, representing an increase of 26.7% over the previous year. Of the total sales, self-produced coke sales amounted to 2.84 million tons; representing an increase of 72.1% over the previous year. The weighted average sales price also had experienced a substantial increase. The weighted average domestic sales price in 2007 was RMB1,043/ton, representing an increase of 29.2% over 2006 and the weighted average export price was RMB1,520/ton, representing an increase of 22.0% compared to the corresponding amount in 2006.

In 2008, the Group will strive to expand the coke production volume to 4.5 million tons and to maintain the growth rate of over 30%. With the full utilization of coke production capacity of the Group, the level of overall utilization of coke by-products will be gradually increased and the coking operation chain will be further developed, as a result of which, the profitability of the coking operations will be strengthened.

Production volume of coke



III. LEADING COAL MINING EQUIPMENT OPERATIONS IN CHINA

The strong demand for coal in China has led to the rapid development of the coal mining equipment manufacturing industry. The Group captured the trend for localization of mining equipment production by strengthening technologies innovation and expanding the scale of its operations, and continued to maintain its leading position among domestic coal mining equipment enterprises.

Owing to the continuous increase in its production volume, the Group's high-end products have captured the top market shares in domestic market. In 2007, the production volume of coal mining equipment reached 202,000 tons, representing an increase of 40,000 tons or 24.4% over the previous year, of which, hydraulic roof supports amounted to 88,000 tons, representing an increase of 32.1% over the previous year; armored face conveyors amounted to 59,000 tons. In 2007, high-end hydraulic roof supports occupied a domestic market share of 35%, heavy-duty armored face conveyors occupied 41%, and explosion-proof electric mining motor occupied a domestic market share 60%, all of which ranked No.1 in domestic market.

With a higher degree of autonomy and creativity, the technological level of coal mining equipment had been enhanced. The Group's equipment sector owns one state-level technology center, one state-authorized laboratory, two provincial-level technology centers, and two post-doctorate scientific research stations. The Company has succeeded in the development of international advanced SGZ1000/3x700 armored face conveyors for working face, which could satisfy the needs of highly-efficient coal mines with annual output over 8 million tons, and filled a market vacuum of such products in domestic market and replaced the import of such products. The Group's other achievements in research and development have included the development of the YBCS2-750 coal mining motor, YBSS2-1000 armored face conveyors motor and YBUS-300 road headers motor, all of which are equipments with the greatest power capacity in domestic market, and achieved international advanced level with respect to performance and quality. In addition, the Group has successfully entered the domestic market of roof supports exceeding 6 meters; the Group has also successfully developed the electro-hydraulic controlled roof support for extremely thin coal seams, which is currently a pioneer support with the lowest height in both domestic and overseas markets.

Efforts in mergers and acquisitions and reorganization were stepped up to realize rapid expansion and complementary advantages. Through the strategic reorganization of Fushun Coal Mining Motor Plant, the vacuum in coal mining motors and in particular, flameproof electrical motor were filled successfully; through the acquisition of major assets and technologies from the chain manufacturing company Parsons UK, the Group became the largest heavy-duty mining chain manufacturing enterprise in the world; through reorganization of Shijiazhuang Coal Mining Machinery Company, the manufacturing capacity for full sets mining equipments was enhanced.

IV. DESIGN OF COAL MINES AND OTHER OPERATIONS

The Group's subsidiary engaged in coal mine design business takes advantage of its technology and expertise. In 2007, the subsidiary was nominated of "The Excellent Prospecting and Design Enterprise' and "The National Honest Prospecting Enterprise' by China Prospecting and Design Association. The subsidiary signed 248 new contracts for coal mine prospecting and design in 2007. Production volume of primary aluminum amounted to 98,000 tons, representing an increase of 32,000 tons or 47.9% over the previous year. Electricity generation was 2.36 billion kwh, representing an increase of 100 million kwh or 4.4% over the previous year.

I. PERFORMANCE OF CAPITAL EXPENDITURE BUDGETED FOR 2007

For the year ended 31 December 2007, the Group's capital expenditure comprising infrastructure projects, purchase and maintenance of fixed assets and equity was mainly invested in its core businesses of coal, coal chemical and coal mining equipment operations. The actual investment made by the Group amounted to RMB7.143 billion.

No.	Business Segment	Amount invested in 2007 (RMB 100 million)	% to Total
1	Coal	**35.89**	50.2
2	Coal chemical	**13.04**	18.3
3	Coal mining equipment	**9.67**	13.6
4	Pit-mouth power generation	**9.45**	13.2
5	Other segments	**3.38**	4.7
	Total	**71.43**	100.0

Investment on Major Projects in 2007

Antaibao Underground Mine has a production capacity of 6 million tons/year and the total expected investment was RMB1.013 billion. The construction was commenced in August 2006 and is now at the stage of building recovery laneways for the working panels. The aggregate amount of investment incurred was RMB601million.

Nine sets of equipment were purchased for Antaibao and Anjialing Open Pit Mines with total expected investment of RMB3.368 billion. After all the equipments are delivered, the production capacity will have a net increase of 13.50 million tons/ year. The investment incurred amounted to RMB2.1 billion in 2007. All equipments are expected to be delivered by the end of 2008.

Pingshuo East Open Pit Mine has a designed production capacity of 20 million tons/year with a total expected investment of RMB7.599 billion. The investment incurred amounted to RMB75 million in 2007.

Wangjialing Mine has a production capacity of 6 million tons/year, the total expected investment was RMB2.31 billion. The construction was commenced in April 2007. The aggregated completed investments incurred was RMB302million.

Kongzhuang Mine after reconstruction and expansion has a production capacity of 1.8 million tons/ year and a net increase in capacity of 750,000 tons/year. Total expected investment was RMB532 million. The investment amount incurred RMB56 million in 2007.

The Heilongjiang methanol project has a production capacity of 250,000 tons/year with a total expected investment of RMB1.084 billion. The construction was commenced in April 2007, and the civil engineering work of power stations and methanol synthesis are under construction. Certain equipments have already been delivered. The aggregate amount of investment incurred was RMB482 million.

The project of the comprehensive utilization of coal mine waste materials located in Heilongjiang province involves building oil shale fluidized retorting device with an annual processing capacity of 600,000 tons and a planned production of 11,800 tons/ year of naphatha and 40,200 tons/year of light fuel oil with an expected total investment amount of RMB557 million. The investment incurred amounted to RMB43 million in 2007.

Phase 2 of the coking project of China Coal and Coke Xuyang Limited has a production capacity of 1.1 million tons/year with an expected total investment of RMB533 million. At present, the construction of coke oven no. 4 and no. 5 has almost been completed. The construction of the dedicated rail line is progressing smoothly. The aggregate investment incurred was RMB496 million.

The total expected investment of Erdos project and ancillary engineering facilities with an annual production capacity of 25 million tons of coal, 4.2 million tons of methanol and 3 million tons of dimethyl ether will be RMB35.766 billion. The aggregate investment incurred amounted to RMB 500 million. The investment made by the Company on the project was RMB 194 million, which is in line with its 38.75% shareholding interest of project.

II. ARRANGEMENT FOR CAPITAL EXPENDITURE IN 2008

In 2008, the Group has a capital expenditure budget of RMB16.163 billion, of which RMB11.931 billion will be invested in infrastructure projects, RMB3.837 billion will be invested in the purchase, maintenance and simple reproduction of fixed assets, and safety expenditure. The equity investment budget for 2008 will be RMB205 million. Expenditure on the preliminary works prior to the commencement of the projects will be RMB190 million.

No.	Business Segment	Amount to be invested in 2008 (RMB 100 million)	% to Total
1	Coal	**77.91**	48.2
2	Coal chemical	**60.80**	37.6
3	Coal mining equipment	**8.38**	5.2
4	Pit-mouth power generation	**10.85**	6.7
5	Related engineering and technological services	**0.75**	0.5
6	Comprehensive utilization of resources and others	**2.94**	1.8
	Total	**161.63**	100.0

The Major Projects to be Invested in 2008 are Listed Below:

No.	Name of the Project	Production Capacity	Expected Amount of Investment (RMB 100 million)	Investment Budgeted for 2008 (RMB 100 million)
1	Antaibao Underground Mine	6 million tons/year	**10.13**	8.20
2	Pingshuo East Open Pit Mine	20 million tons/year	**75.99**	10.00
3	The renovation and expansion work of Kongzhuang Mine	1.8 million tons/year	**5.32**	1.00
4	Wangjialing Coal Mine	6 million tons/year	**23.10**	4.50
5	250,000 tons/year methanol project in Heilongjiang	250,000 tons/year	**10.84**	4.00
6	The project of comprehensive utilization of coal mine waste materials in Heilongjiang Province	annual process of 600,000 tons of oil shale	**5.57**	2.00
7	Erdos project and ancillary engineering facilities with an annual production capacity of 25 million tons of coal, 4.2 million tons of methanol and 3 million tons of dimethyl ether	25 million tons/year coal mine, 4.2 million tons/year methanol, and 3 million tons/year DME	**357.66**	23.25
8	Heilongjiang Project and ancillary engineering facilities with an annual production capacity of 10 million tons of coal, 1.8 million tons of methanol and 0.6 million tons of olefin.	10 million tons/year coal mine, and 1 million tons/year coal processing plant	**209.37**	25.00

In 2007, in pursuance of the goal of establishing an innovative enterprise, China Coal Energy placed great emphasis on the research and development of key technology, increased investments in technology so as to enhance its technological breakthrough. By speeding up the application and transformation of advanced technological achievements and promoting the protection of intellectual property rights, the Company made new progress in technological research and development and the establishment of innovative systems, offering strong support for its growth. During the reporting period, the Company's investment in technology amounted to RMB511 million, representing an increase of 5.6 % over the previous year. The company won 9 awards of "China Coal Industry Science and Technology" as well as one "provincial award for the transformation of scientific and technological achievements"; 6 awards for " China Enterprise Innovation New Records"; one award for "State Enterprise Management Modernization Innovation Achievements"; 8 awards for "China Coal Enterprise Management Modernization Innovation Achievements". The Company filed 46 patent applications, of which 14 are patents for inventions. The Company acquired 33 authorized patents. While strengthening research and development of the key technologies, the Company organized its staff to comprehensively implement innovative activity named "Five user friendly" approach, involving user-friendly modification, user-friendly reform, user-friendly suggestion, user-friendly invention and user-friendly creation. This resulted in 925 "Five user-friendly" technological achievements with relatively high economic effectiveness and technological contents, strengthen the innovation and development of the enterprise's continued momentum.

1. Continued Improvement of the Technology Innovation System and Incentive Mechanism

By integrating technological resources and strengthening the construction of the technology centre, the Company has improved the platform for technological innovation. The company owned two state-level technology centers and three provincial-level technology centers which passed the annual national review and inspection and continued to maintain their qualifications as national and provincial level technology centers. The key research and development subjects initiated by the post-doctorate work stations are all progressing smoothly. The Pingshuo Branch has set up a design institute which undertook 14 design projects. The Company has been strengthening closer cooperation forged with various colleges and universities and scientific research institutes such as China University of Mining and Technology and China Coal Research Institute. By forming strategic alliances for technological innovation in the aspects of production, study and research to undertake important national technological projects, the joint establishment of research and development institutions to carry out joint development, the Group has joined efforts with others in the areas of product development and brand building so as to possess the core technologies with self-owned intellectual property rights that are of great importance to both domestic and foreign coal industries. This has accelerated the pace of technological innovation and the industrialization of technology, thus further enhanced the core competitiveness of the Group. The Company has also recognized and rewarded units and staff making outstanding contributions in technological innovation, created an atmosphere for self-innovation and further improved the innovation incentive mechanism and technology management system.

2. New Achievement made in the Development of Important Technology

Focusing on the development needs of its principal operations, the Company developed various key technologies and new products attaining the international and domestic advanced standards, solved various key technological problems in relation to coal mining, coal chemical, coal mining equipment manufacturing and recycled economy with further enhancement of its independent technology research and development and innovation capabilities.

Completion of the key technology research project for continuous production at Antaibao Open Pit Mine which has optimized the exploitation procedures and transportation system, enhanced production efficiency and was awarded the second-class prize for science and technology of the coal industry in China. Completion of the exploitation technology research and implementation project for the increase of the upper mining limitation in coal seam adjacent to loose bed and weathered overlying strata which won the third-class prize for science and technology of the Chinese coal industry has resulted in safely reaching a mining upper limit of 3.806 million tons at Longdong Mine in Datun mining area, as a result of which, the service life of the mine has been extended. New progress has been achieved in the development and industrialization project for oil shale fluidized retorting technology developed by the Company. The research project for the localization of supporting equipment for working panels with an annual coal production capacity of 10 million tons has successfully replaced imported roof supports with local high end roof supports, and won the second class award for science and technology of the coal industry in China. The successful development of the complete set of underground super heavy duty SGZ/000/3X700 curved armored face conveyor with the greatest installed power in the country which has completed industrial tests and passed the new product certification of China National Coal Association with the overall technical standard attaining international advanced standards has further strengthened the Company's dominant position in the PRC heavy duty curved armored face conveyor market. The successful development of 6.3-meter hydraulic roof supports represented a key technological breakthrough in high roof supports for extremely thin coal seam. The Company developed ZY4800/06/16.5D electro-hydraulic roof supports for large-scale exploitation with international advanced standards. The explosion-proof electric mining motor with the highest power capacity in China was developed at advanced international standard. Completion of the project for the research and application of key technology for recycled economy in Datun Mining Area has achieved closed circulation of "resources—products—waste materials—renewable resources" which used 1.2 million tons of coal gangue per year and consumed coal ash 115,000 tons per year, saving land area 226 mu. The backfilling and reclamation rate of caved-in land reached 50%, and was awarded a second class prize for "China Coal Industry Science and Technology".

3. Active promotion of the application of advanced technological achievements

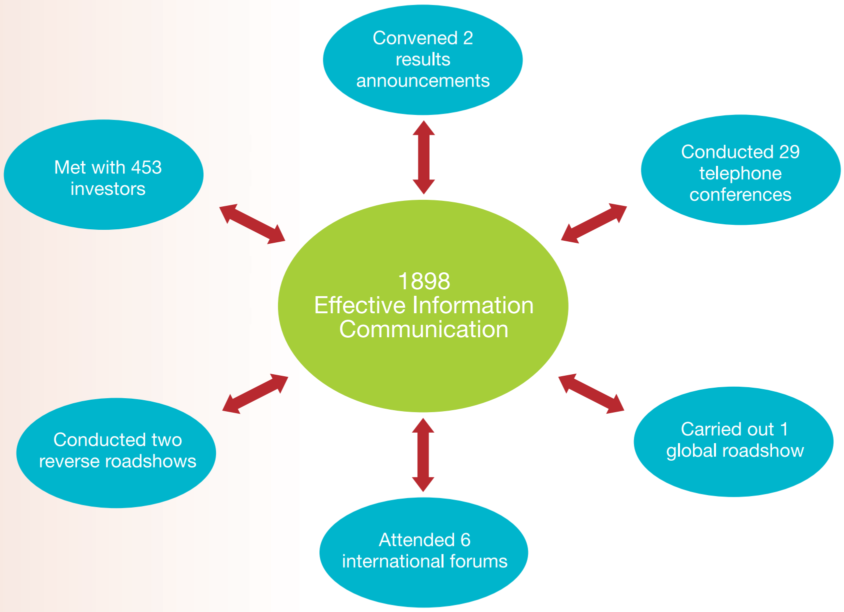
The Company has actively promoted the application of new technologies, new techniques and new methods with a view to speeding up the transformation of technological achievements into advanced productivity, and has applied the coal mine safety intelligent monitoring technology of the Company, its subsidiaries and coal mines to achieve integrated production safety monitoring and deployment. For open pit mines in Pingshuo Mining Area, the Company has leveraged on technological advancements to optimize the exploitation techniques and basically achieved exploiting resources to its fullest extent. The recovery rate increased to 96.2%. The Company used its self-produced fully mechanized mining machinery to successfully implement the top coal caving technology for underground mines which resulted in a recovery rate in the mining section of 77.8%. The Company promoted advanced sewage treatment technology, as a result of which, coal production enterprises achieved a sewage treatment rate of approximately 100%, and made use of the wind shield and dust prevention technology to effectively control second dust rising pollution in coal mining sites of mining areas.

I. MISSION

China Coal Energy has always placed great emphasis on investor relations. By upholding the principles of trustworthiness, fairness and openness on the basis of regulated and sufficient information disclosure, the Company is committed to communicating with investors in a timely and clear manner in respect to the Company's strategic planning, corporate governance, operating results and financial position, so as to maintain transparency of the Company's governance, increase investors's recognition to the Company and enhance the market value, thereby achieving the maximization of shareholders' interests.

II. 2007 REVIEW

In 2007, the Company was in strict compliance with the information disclosure requirements for listed companies required by regulatory authorities and was committed to disclosing important company information to investors through various channels in a timely manner.



Maintaining good investor relations

In 2007, the Company met with 116 groups of 453 visiting investors and analysts, and communicated with 35 investors through 29 teleconferences.

In order to release detailed updates on the Company's activities and developments in a timely manner, the dedicated service hotline and e-mail address were publicized.

Organizing results announcements and roadshow activities

In April 2007, the Company organized the first results announcement briefing and a promotional seminar for institutional investors since its listing, in which the Company conducted in-depth and exchanges in good faith with fund managers, analysts of 150 investment institutions from around the world.

In September 2007, the Company successfully held its 2007 interim results announcement briefing and a promotional seminar for institutional investors in Hong Kong, with a total of 102 attendees, including members of the news media and analysts. Subsequently, the senior management of the Company went to New York and Houston in the United States, Singapore, Dubai and London to host worldwide roadshows and effectively communicated with 124 investors from around the world, which had deepened international investors' understanding of the Company and increased their confidence in investing in the Company.

Participating in investment forums

In 2007, the Company participated in investment forums organized by CLSA, CICC, Macquarie, Morgan Stanley, UBS and Goldman Sachs.

Launching reverse roadshow activities

In May 2007, the Company successfully organized the first investor reverse roadshow since its listing. The investors and analysts paid a site visit to the modern production workshop of China Coal Zhangjiakou Coal Mining Machinery Co., Ltd., Antaibao, Anjialing Open Pit Mines of Pingshuo Branch, Anjialing Underground Mine and the related ancillary coal processing facilities, heavy truck assembling plants and a railway loadout station.

In October 2007, the Company organized a site visit by international fund managers of the mining industry to the Company's Pingshuo Mining Area with desirable results.

In 2008, the Company will further strengthen its communication and connection with investors and increase its efforts in the management of investor relations. The Company will continue to maintain a free flowing communication channel with all parties by upholding the principles of transparency, trustworthiness, fairness and openness, and provide truthful, accurate, complete information on its production and operations in a timely manner. The Company will also seek further support and attention from investors and will listen to the comments and recommendations from investors at all time, and will earnestly answer investors' questions so as to continuously improve its corporate governance standard, and to support its continual rapid development.

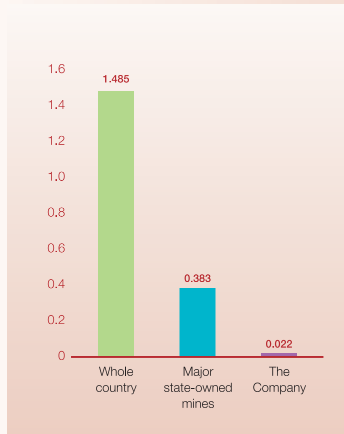
III. PERFORMANCE OF SHARE PRICE

China Coal Energy has always dedicated to raise shareholders' value, the performance of the Company's share prices has maintained a stable increase since its listing in the market. As at 31 December 2007, the Company's total market value amounted to HK$288.053 billion, representing an increase of HK$234.549 billion or 483.38% when compared with its listing on 19 December 2006, while the Hang Seng Index at the same period rose by 46.66%, and the Hang Seng China Enterprises Index rose by 76.43%.

I. PRODUCTION SAFETY

1. Our production safety has continued to maintain an advanced standard. By upholding the safety philosophy of "safety is of vital importance, life is the most valuable", adheres to the "people-oriented" principle and safe development. Out of the 10 producing mines, nine mines recorded zero fatality rate, and the fatality rate of raw coal production per million tons was 0.022 which has reached the international advanced standard.

Fatality rate per million tons of raw coal production in 2007



2. Safety management and control capability were enhanced significantly. We have improved the safety target management system, strengthened the implementation of safety responsibility, enhanced safety supervision and examination, implemented the system for the appointment of work safety director in subsidiary enterprises, refined the incentive restriction mechanism and implemented the safety skill account system in a comprehensive manner, resulting in increased safety production control capability.

3. Safety infrastructure construction was strengthened continuously. We invested RMB911 million in safety for the whole year, improved the fundamental safety conditions. We also facilitated the reform of basic technology for safety, increased the mechanization level of mines with the level of integrated exploitation mechanization reaching 96.05% and the level of integrated digging mechanization reaching 64.58%, and constructed nine safe and highly efficient mines of which four have reached top level safety standard, four have reached first class standard and one has reached second class standard.

4. Safety risks were under effective control. We have initiated hazard prediction and risk pre-control activities, intensify the hidden risk review checks and management, strengthen the management and control of the sources of major risks, realizing three-layers interconnection of monitoring systems for the Company, its subsidiaries (branch) and coal mines as well as real-time monitoring.

5. We organized safety training with 65,000 attendances for the whole year and the safety quality of staff improved obviously.

II. OCCUPATIONAL HEALTH

With the goal of becoming a "national model enterprise in health", the Company formally implemented the "Law on the Prevention and Cure of Occupational Diseases", adhered to the policy of "relying mainly on prevention, integrating prevention with cure" and continued to promote the establishment of the management system for occupational health and safety; provided occupational training and conducted physical examinations on employees whose duties involved occupational hazards such as coal ash, high-temperature environment and hazardous gases, provided free labor protective appliances, conducted occupational health checks and rehabilitation treatment from time to time, and granted them special allowance. We have strictly implemented the system of "simultaneous design, simultaneous construction, simultaneous commissioning and operation" in respect of occupational disease preventive facilities for newly constructed projects to ensure safety preventive facilities were in place in time. The disease control centre of Datun Mining Area was awarded the national occupational health inspection and evaluation qualification, our occupational health capability made a breakthrough.

III. ENVIRONMENTAL PROTECTION

1. The environmental friendly enterprise was built in great efforts. The Company aimed at building an environmental friendly enterprise and is committed to building a "green China Coal". It has also actively initiated ecological construction and environmental protection measures to promote the coordinated development of the enterprise, the local community and the environment. Funds allocated to and invested in ecological construction and environmental protection for the whole year amounted to RMB340 million.

2. The regional environment improved continually. A total of 276 hectares of reclaimed green area in Pingshuo Mining Area, reclamation rate reached 41%, through which the ecological environment of mining areas continued to improve. China Coal and Coking Holdings Limited implemented comprehensive environmental protection measures to enhance scene management, control unorganized emission from coke ovens, while hardening roads comprehensively and green the plant area, through which the environmental quality improved obviously.

3. Progress has been made in the integrated use of resources. The Company's mines consumed over 10 million tons of water per year and over 10 million tons of water was used for production and living purposes. 1.6 million tons of coal gangue and coal slurry are consumed per year and the first phase of Huajin Sha Qu gas-fired power plant (14 MW) which had been finalised used 35 million cubic meters of gas per year. The methanol project with an annual capacity of 300,000 tons/year of China Coal Lingshi Chemical Company Limited which is in the process of organization and implementation utilizes 400 million cubic meters of coke oven gas each year.

4. To gradually reduce the total amount of pollutants emission. With an increase of 14.5% in the coal production volume of the Company, main pollutants such as chemical oxygen demand and sulphur dioxide emission rate, representing a decrease of 8.6% and 2.3%. Living sewage treatment and recycle facility was constructed in the Datun Mining Area, with a new additional sewage treatment capacity of 16,150 tons/day. Pingshuo and Datun Mining Areas implemented desulphurization and dedusting transformation at power plants and living boiler facilities. China Coal Xuyang Coke Company implemented the transformation of coke oven flue gas desulphurization technology, all coal mining sites of the Company have been placed under wind-proof and dust-proof netting, controlled the emission of pollutants effectively.

IV. SOCIAL RESPONSIBILITIES

By upholding the philosophy of "generating profits for shareholders, generating wealth for the society", the Company has placed emphasis on active performance its social responsibilities while accelerating development.

The Company conducts its operations pursuant to law as well as honesty and trustworthiness. The various tax expenses it paid in 2007 representing an increase of more than 100%, and the performance rate for major thermal coal contracts exceeded 100%, winning extensive recognition from users. The Company faithfully provides first-class products and services for users. It has made continued efforts in improving the product structure so as to ensure the quality of products meets the users' requirements, and received positive feedbacks from users. "Pingshuo Cleaned Coal" was awarded the "2007 World Market Chinese (Coal) Brand".

The Company has actively participated in community events facilitates the harmonious development of the enterprise and the society. Through supported the under-developed areas, helped the underprivileged groups in society, subsidized schools and assisted surrounding areas in improving the quality of the environment. The Company also supported its subsidiaries (branch) in places where it has established a presence and construction of new villages and created approximately 10,000 positions, achieving a win-win situation between the enterprise and local regions. Funds donated by the Company for sponsoring schools, supporting the underprivileged and disaster relief in 2007 amounted RMB 2.39 million.

Directors

The Company has three executive directors, one non-executive director and five independent non-executive directors. There is no family relationship between any of the directors, supervisors or senior management of the Group.

JING Tianliang

aged 62, is the Chairman of the Board and an Executive Director of our Company. He is also the General Manager of China Coal Group. Mr. Jing graduated in November 1967 from Xi'an Mining Institute (now known as Xi'an University of Science and Technology) and majored in electrical and mechanical engineering. He is a professorate senior engineer and a senior professional manager in the coal industry, and enjoys a special government allowance granted by the State Council. He is a senior adviser and adjunct professor of China University of Mining and Technology. He is also the Vice Chairman of the China National Coal Association and the Sub-council of Coal Industry under the China Council for the Promotion of International Commerce. He held offices as the deputy director general of the Ministry of Coal Industry, the Ministry of Energy Resources and China National Coal Corporation; the director general of the General Office and the Department of Foreign Affairs of the State Administration of Coal Industry; and the Chairman of the board of directors and the general manager of China National Coal Industry Import and Export Corporation. Mr. Jing has extensive experience in enterprise operation and management, and has more than 40 years of management and operation experience in this industry.

ZHANG Baoshan

aged 54, is a Non-executive Director and Vice Chairman of the board of our Company. He is also the Deputy General Manager and chief engineer of China Coal Group. He graduated in September 1977 from Zhejiang University and majored in applied hydraulic technology. Mr. Zhang is a senior engineer and a senior professional manager in the coal industry and enjoys a special governmental allowance granted by the State Council. He is the Chairman of the Board of Directors of Shanxi China Coal Pingshuo Antaibao Coal Company Limited, and held various offices including mine manager, deputy director general and director general of Datong Coal Mining Bureau, and the general manager, Chairman of Pingshuo Coal Industry Company. Mr. Zhang is familiar with coal mining technology and has profound understanding of the coal mining industry in China. Mr. Zhang has over 30 years of operational and management experience in the industry.

YANG Lieke

aged 50, is an Executive Director and President of our Company. He graduated in June 1982 from Xi'an Mining Institute (now known as Xi'an University of Science and Technology), with a bachelor's degree and majored in mining engineering, and is a senior engineer and a senior professional manager in the coal industry. Mr. Yang is currently a director of Shanghai Datun Energy Company Limited, and Sunfield Resources Pty. Limited. He was the general manager of China Coal Import & Export Company, the manager of the logistics department and planning department of China National Coal Industry Import & Export Corporation. Mr. Yang is familiar with the process of production, operation and management of coal enterprises and the domestic and international coal mining market. He has extensive experience in enterprise production operation and management, and has more than 20 years of experience in the industry.

PENG Yi

aged 45, is an Executive Director, Executive Vice President and Chief Financial Officer of our Company. Mr. Peng graduated in July 1984 from Wuhan Construction Material Industry Institute (now known as Wuhan University of Technology), and obtained a Master's Degree in Business Administration from Wuhan University in June1999. He is also a senior engineer and a senior professional manager in the coal industry. Mr. Peng was the Deputy General Manager of China Coal Group. He was also the head of the Design Department of Zhongnan Architectural Design Institute, the deputy head of Zhongnan Architectural Design Institute, Shenzhen Branch, head of the Finance Department of Zhongnan Architectural Design Institute, deputy general manager, chief economist and chief of finance of Wuhan Kaidi Electric Power Company Limited, Chairman of the board of Wuhan Gelin Tiandi Environmental Protection Enterprises Group Company Limited, Chairman of the board of Wuhan Kaidi Lantian Technology Company Limited. Mr. Peng has extensive experience in enterprise management, capital operation and financial management.

GAO Shangquan

aged 78, is an Independent Non-executive Director of our Company. Mr. Gao graduated in 1952 from the Department of Economics of Shanghai St. John University. Mr. Gao is a professor, senior researcher and enjoys a special governmental allowance granted by the State Council. He is currently an independent director of China Minsheng Bank Limited, China Unicom Limited, Baoshan Iron and Steel Company Limited and Minmetals Development Company Limited. He was also Vice Minister of the State Commission for Restructuring the Economic Systems, the president of the China Society of Economic Reform; the chairman of China Enterprise Reform and Development Society; the head of China (Hainan) Reform and Development Institute; a member of the United Nations Development Policies Committee; an adjunct professor and the professor directing PhD students at Beijing University, Shanghai Jiaotong University and Nankai University; the Dean and professor of the Management Department of Zhejiang University. He has been involved in the analysis of the economic systems and reforms at the China Society of Economic Reform since 1982, and headed a number of research projects.

ZHANG Ke

aged 54, is an Independent Non-executive Director of our Company. He obtained a Bachelor's degree in Economics from the Industrial Economics Department of Renmin University of China in 1982. He possesses the qualifications of securities practitioners and is a certified public accountant and a senior accountant. He currently serves as an independent director of China Minsheng Bank Ltd, Air China Limited, Hua Rong Securities Company Limited and Seec Media Group Limited. Mr. Zhang is the chairman of the board of directors and the principal partner of ShineWing Accountant; Vice President of China Institute of Certified Public Accountants; Vice president of Beijing Judicial Appraisal Association; a committee member of the examination board of the Certified Accountants of the Ministry of Finance; adjunct professor at the Department of Accounts of Renmin University of China. He served as the department manager of China International Economics Consultants; the deputy executive officer of Zhongxin Accountants Firm; deputy general manager of Zhongxin Yongdao Accountants Firm; a partner of Coopers & Lybrand International; general manager of Zhongxin Yongdao Accountants Firm, vice executive director of Coopers & Lybrand, China. Mr. Zhang has more than 20 years of experience in reviewing and analyzing financial statements of listed companies. He has supervised a number of domestic and overseas listings and large scale management consultation and investment projects, and has given professional opinions in the course of work. He has extensive experience in dealing with internal and external auditors regarding the supervision of internal control and the auditing of financial statements.

PENG Ru Chuan

aged 59, is an Independent Non-executive Director of our Company. Mr. Peng currently serves as a senior inspector general of the Nomura International (Hong Kong), and a director of Brescia International Ltd., Brescia International (Hong Kong) Ltd. and Artemis International Group Ltd. He served as a director of The Stock Exchange of Hong Kong (China), a senior supervisor of the China Development and Listing Promotion Department of the Hong Kong Stock Exchange, and has engaged in investment and research work in entities such as China National Aviation Corporation in China and the LAREI research institute in the United States. Mr. Peng has a Master of Arts degree in statistics and a Master's degree in biology statistics from the University of California, United States.

WU Rongkang

aged 68, is an Independent Non-executive Director of our Company. He graduated from the Mining Department of Huainan Mining Institute in September 1961, and is a professorate senior engineer, and serves in the China National Coal Association as an adviser and in the China Coal Industry Technology Consulting Council as a deputy director. Mr. Wu served as the technician, engineer, chief engineer and deputy general manager of Liyi Coal Mine in Huainan Mining Administration, deputy director-general in Anhui Coal Mining Industry Company, deputy director-general of Huaibei Coal Mine Bureau, deputy director general of Production Coordination Department of the Ministry of Coal Industry, director of Economic Operation Center of the State Administration of Coal Industry. Mr. Wu has extensive professional knowledge in the coal industry and has working experience of over 40 years related to coal production and technological management.

LI Yanmeng

aged 63, is an Independent Non-executive Director of our Company. He graduated from the Electric Engineering Department of Wuhan School of Water Resource and Hydropower in September, 1981 with a major in power plant and electric system, and is a senior engineer. He was a deputy director, a deputy manager and a manager in the Second Engineering Department of Shandong Electric Construction Corp., the head of Huangtai Power Plant, an assistant director of Shandong Electricity Power Bureau, deputy director-general of Construction Coordination Department of the Ministry of Electric Industry, deputy director-general of Key Construction Department, deputy director-general of Investment Department, director-general of Basic Industry Development Department of the State Planning Commission, director-general of the Office of the National Electric Reform Working Team, and vice president of State Grid Corporation. Mr. Li has extensive work experience for substantive periods in various power enterprises and State departments of macro-economic controls relating to basic energy management.

2. Supervisors

DU Ji'an

aged 46, is the Chairman of the Supervisory Committee of our Company and the deputy general manager of China Coal Group. Mr. Du obtained a Bachelor's degree in Mine Construction from Shandong Mining Institute (now known as Shandong University of Science and Technology) in July 1983. He is a senior engineer and a senior professional manager in the coal industry, and enjoys a special government allowance granted by the State Council. Mr. Du is also the Vice Chairman of the board of directors of the China University of Mining and Technology, and the Vice Chairman of the committee of China Association for Education of Coal Industry. He has extensive working experience in the Department of Construction, Department of Personnel and the General Office of the Ministry of Coal Industry. He joined China National Coal Industry Import and Export Corporation in 1994, and has accumulated experience in enterprise management, team building, human resources development and management.

ZHOU Litao

aged 47, is a Supervisor of our Company. He is also the general legal counsel, director of the Legal Affairs Department of China Coal Group. He graduated in 1983 from Hubei Institute of Finance (now known as Zhongnan University of Economics and Law) with a Law Degree. He finished the management science and engineering course for Master's degree by research in the China University of Mining and Technology in September 2000, and is a senior economist and a qualified consultant on Enterprise Law. Mr. Zhou is familiar with PRC Civil Law, Commercial Law, International Commercial Principles, and has rich experience in legal matters involving enterprises.

CHEN Xiangshan

aged 52, is the employee representative Supervisor of our Company and Union President of headquarters. He obtained a Master's degree in International Politics from China Communist Party School in July 2000. Mr. Chen once held a leading position at Silaogou Mine of Datong Coal Mining Bureau as well as in Datong Coal Mining Bureau, a leading position at Antaibao Mine of Pingshuo Coal Industry Company and Pingshuo Coal Industry Company, and worked as general manager of China Coal Products Group Corporation and deputy general manager and general manager of China National Coal Production Technology Development Corporation, and is also the general manager of China Coal and Coking Holdings Limited. Mr. Chen has worked in the coal mining industry for an extensive period, and has gained a thorough understanding of the coal mining industry.

3. Senior management

GAO Jianjun

aged 49, is the Vice President of our Company. Mr. Gao obtained a Bachelor's degree in mining from Shandong Mining Institute (now known as Shandong University of Science and Technology) in 1982, and a Master's degree in engineering from Liaoning University of Engineering and Technology in 1998. He is a senior engineer and a senior professional manager in the coal industry. He is the director of Huajin Coking Coal Company, GreenGen Company, Zhongtian Hechuang Energy Company, and the Vice Chairman of Tianjin Port China Coal Huaneng Coal Terminal Co., He was the president assistant, general manager of the department of enterprise development and manager of the human resources department of China Coal Group, and served as an officer in the Human Resources Division and New Technology Promotion Division of the China Coal Research Institute; and worked in the General Office of China National Coal Corporation and the General Office of the Ministry of Coal Industry. Mr. Gao has worked in the coal mining industry for an extensive period, has gained a thorough understanding of the coal mining industry, and has developed rich management skills in respect of enterprise development strategies, restructuring and project investment.

LI Fuyou

aged 52, is the Vice President of our Company. He graduated in June 1991 from Harbin Normal University specializing in economic management. He is a senior engineer, senior economist, a senior professional manager in the coal industry and enjoys a special government allowance granted by the State Council. He served as the assistant general manager, head of the Safety Supervisory Bureau, director of the department of production coordination for China Coal Group, the general manager of China Coal Group Heilongjiang Branch and Qinhuangdao Branch and chairman of China National Coal Industry Qinhuangdao Import and Export Co, Ltd. He held leading positions such as general manager at mines including the Hengshan Mine of Jixi Coal Mining Bureau and the Muleng Mine. Mr. Li has been involved in the production, operation and management of coal mining work for an extensive period, and has accumulated rich knowledge of the industry, has over 30 years of operational and management experience in the industry.

QI Hegang

aged 49, is the Vice President of our Company. He graduated from Datun Coal and Electricity (Group) Company Limited Intermediate Specialized Institute in August 1986. He obtained a Master's degree in Industrial Construction from China University of Mining and Technology in 2005. He is a senior engineer and a senior professional manager in the coal industry. He served as the vice chief engineer, deputy head, and head for the Yaoqiao Mine of Datun Coal Power (Group) Company Limited, and the chief engineer of Datun Coal Power (Group) Company Limited. Mr. Qi has been involved in the production, operation and management of coal mining work for an extensive period and has developed extensive knowledge of the coal industry. He has over 30 years of operational and management experience in the industry.

NIU Jianhua

aged 45, is the Vice President of our Company. He graduated from Shandong Mining Institute (now known as Shandong University of Science and Technology) in 1984, majoring in Mathematics. He is a senior engineer and a senior professional manager in the coal industry. He was the vice chairman of Zhejiang China Coal Zhoushan Coal Power Company, and has been the president assistant and general manager of the General Office of China Coal Group. He also served in the Human Resources Division of the China Coal Research Institute of the Ministry of Coal Industry, and as a deputy director of the Technical Cadre Division of the Personnel Department of the Ministry of Coal Industry, and Secretary of the General Office of the Ministry of Coal Industry. Mr. Niu has worked in this industry for an extensive period, has developed extensive understanding of the industry, and has rich experience in management.

ZHOU Dongzhou

aged 49, is the Secretary to the Board and the Joint Company Secretary. Mr. Zhou obtained a Bachelor's degree in English from China Mining College (now known as China University of Mining and Technology) in July 1982. He also obtained a Master degree of engineering in management science from the same university in May 1997. He is an associate professor of translation and a senior professional manager in the coal industry. He served at China University of Mining and Technology, the foreign affairs office of Science and Education Division of the Ministry of Coal Industry, and has been the secretary of the General Office of the Ministry of Coal Industry and the General Office of State Administration of Coal Industry, the manager of the Market Development Department and the deputy head of the Coal Trading Division of China Coal Group, and the deputy general manager of China Coal Import & Export Company.

4. Joint company secretary

WANG Yuanheng

aged 46, has served as the Joint Company Secretary to our Company since August 2006. He obtained a Bachelor's degree in Laws from the University of Wales and a Postgraduate Certificate in Laws from the University of Hong Kong. He is a registered professional lawyer in Hong Kong as well as in England and Wales. He is a consultant in W.H. Chik & Co., Solicitors and a senior foreign lawyer in Qiankun Law Firm in Beijing. He has developed expertise in mergers and acquisitions, listing and raising of finance, project finance, international investments and commercial law for 10 years.

5. Qualified accountant

XU Guannan

female, aged 30, is our Qualified Accountant, and is a full member of the ACCA. Ms. Xu graduated from Jiangxi University of Finance and Economics with a Bachelor of Economics, where she majored in international finance and international accounting. Before she joined China Coal Group, she was responsible for the internal finance and auditing work of Metro Cash & Carry Co., Ltd; and served at Beijing Yongtuo Accountants' Firm and the International Business Department of the Chengjian Office of Construction Bank Beijing Branch.

6. Employees

As at 31 December 2007, the Company had 51,527 employees (The number of the Company's employees was 52,137 in 2006). The number of our employees by their functions is set out as follows:

(1) Breakdown by Professional

By Profession	Number of Employees	% of Total
Coal operations	23,026	44.7
Coking operations	4,060	7.9
Coal mining equipment operations	8,883	17.2
Other businesses	15,558	30.2
Total	51,527	100.0

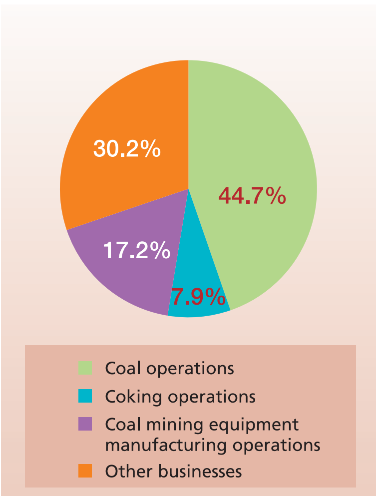
(2) Breakdown by Function

By Profession	Number of Employees	% of Total
Management	4,907	9.5
Engineering technician	9,146	17.8
Sales and marketing	681	1.3
Production	30,652	59.5
Others	6,141	11.9
Total	51,527	100.0

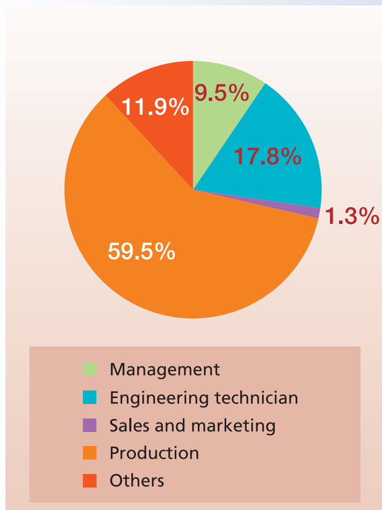
(2) Breakdown by degrees of education

By education	Number of Employees	% of Total
Postgraduate or above	268	0.5
University graduate	4,530	8.8
College graduate	8,723	16.9
Below College graduate	38,006	73.8
Total	51,527	100.0

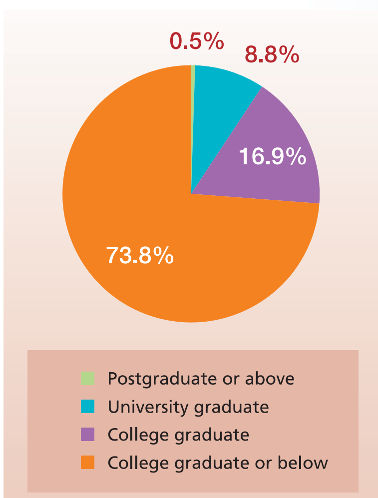
Breakdown by Profession

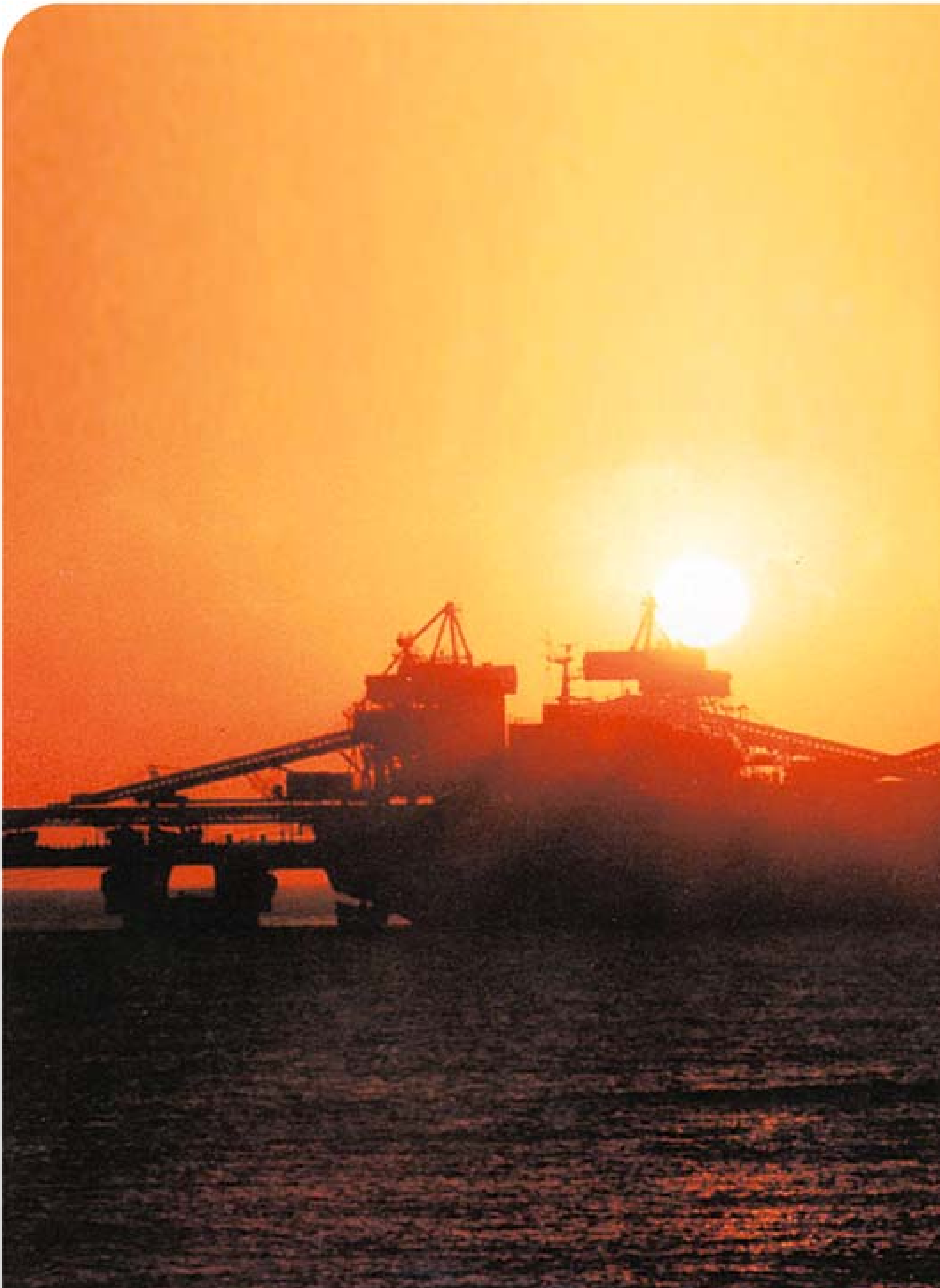


Breakdown by Functions



Breakdown by Degrees of Education





Dear shareholders,

The board of directors of China Coal Energy Company Limited (the "Company") (the "Board") is pleased to present their directors' report of the Company and the audited consolidated financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2007 prepared in accordance with International Financial Reporting Standards.

(1) Principal operations

The Group is principally engaged in coal operation, coal chemicals operations, coal mining equipment and other related operations in China. Coal, coal chemicals and coal mining equipment operations are the core businesses of the Group. Our coal operations include coal production, sales and trading. Our coal chemicals operations include the production and sale of coke and coal-based chemicals. Our coal mining equipment operations include design, research and development, manufacturing, marketing and sales, after-sales services. Other operations include provision of coal mine design services. Details of the principle activities of the Company's principle subsidiaries are set out in Note 42 to the consolidated financial statements.

(2) Operating results

The financial and operating results of the Group for the year ended 31 December 2007 are set out in the section headed "Financial Statements".

(3) Dividends and Distributable Profits

Approved by the Extraordinary General Meeting of the Company held on 9 November 2007 pursuant to the relevant laws and regulations of the PRC and the PRC GAAP, the Company's interim distributable profits of RMB1,048,959,702 for 2007 has been distributed with a dividend of RMB0.0894 per share calculated based on the Company's entire issued share capital of 11,733,330,000 shares.

On 9 April 2008 pursuant to the relevant laws and regulations of the PRC, the Board recommended that the company's distributable profits of RMB825,469,000 after deduction of the Company's interim distributed profits of RMB1,048,959,702, determined in accordance with the PRC GAAP, will be made based on the Company's entire issued share capital of 13,258,663,400 shares after A share issuing with a dividend of RMB0.06226 per share. The profit distribution proposal is subject to shareholders' approval at the Annual General Meeting of 2007 to be convened on 20 June 2008.

Annual General Meeting and Closure of Share Register

The 2007 Annual General Meeting of the Company will be held on 20 June 2008. The register of members for the distribution of final dividend to H Share Shareholders will be closed from 21 May 2008 to 20 June 2008 (both days inclusive). The final dividend will be paid to H Share Shareholders whose names appear on the register of members on 21 May 2008. In order to qualify for attending the Annual General Meeting and receiving the dividends, all transfer documents in respect of H Shares must be lodged at our Share Register for H Shares at Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 20 May 2008. All dividends to be distributed will be denominated and declared in Renminbi and will be paid 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 the date of dividend declaration. The above dividends are expected to be paid around 5 August 2008.

Under relevant regulations of China Securities Depository and Clearing Corporation Shanghai Branch and according to the market practice adopted in dividend distribution for A shares, the Company will publish a separate announcement in respect of dividend distribution to holders of A Shares which, among others, will determine the record date and ex-rights date after the Annual General Meeting of 2007.

(4) Directors and senior management of the Company

The table sets out the information on directors and senior management of the Company for the year ended 31 December 2007 and as at the date of this report:

Name	Age	Position held in the Company	Date of appointment
Jing Tianliang	62	Chairman, executive director	18 August 2006
Zhang Baoshan	54	Non-executive director Vice-chairman	18 August 2006 21 November 2006
Yang Lieke	50	Executive director, president	18 August 2006
Peng Yi	45	Executive director, executive vice-president and chief financial officer	18 August 2006
Gao Shangquan	78	Independent non-executive director	23 August 2006
Zhang Ke	54	Independent non-executive director	23 August 2006
Peng Ru Chuan	59	Independent non-executive director	23 August 2006
Wu Rongkang	68	Independent non-executive director	21 November 2006
Li Yanmeng	63	Independent non-executive director	21 November 2006
Gao Jianjun	49	Vice-president	18 August 2006
Li Fuyou	52	Vice-president	18 August 2006
Qi Hegang	49	Vice-president	18 August 2006
Niu Jianhua	45	Vice-president	18 August 2006
Zhou Dongzhou	49	Secretary to the Board and joint company secretary	18 August 2006

For details of directors and senior management of the Company, please refer to "Directors, supervisors, senior management and employees" in this report.

The term of office of executive directors, non-executive directors and independent non-executive directors is three years.

The Company has received annual confirmations from all the independent non-executive directors with respect to their independence. As at the date of this report, the Company considers that all the independent non-executive directors are still independent as defined in Rules Governing Listing of Securities on the Stock Exchange of Hong Kong Ltd. (the "Listing Rules").

(5) Supervisors of the Company

The table sets out the information on supervisors of the Company for the year ended 31 December 2007 and as at the date of this report:

Name	Age	Position held in the Company	Date of appointment
Du Ji'an	46	Chairman of the Supervisory Committee	18 August 2006
Zhou Litao	47	Supervisor	18 August 2006
Chen Xiangshan	52	Employee Representative Supervisor	18 August 2006

For details of supervisors of the Company, please refer to page 56 "Directors, supervisors, senior management and employees" of this report.

(6) Share capital

As at 31 December 2007, the structure of the share capital of the Company 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**

The share capital of the Company remains unchanged during the year, but after A share listing in Shanghai Exchange on 1 February 2008, the revised structure of the share capital of the Company is as follows:

Type of shares	Number of shares	Percentage %
A Shares	9,152,000,400	69.03
Inclusive of A Shares Held by China National Coal Group Corporation	7,626,667,000	57.52
H Shares	4,106,663,000	30.97
Total	**13,258,663,400**	**100.00**

(7) Shareholdings of substantial shareholders

The details of substantial shareholders of the Company as defined under the Securities and Futures Ordinance are set out in the section headed "Corporate Governance Report".

(8) Directors' and Supervisors' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company

As at 31 December 2007, none of our directors and 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 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 31 December 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.

(9) Public float

Based on the public information available to the Company and to the best knowledge of the directors, as at the date of this report, the Company had maintained the public float requirement as set out in the Listing Rules.

(10) Service contracts of directors and supervisors

Each of the directors and supervisors of the Company has entered into a service contract with the Company for a period of three years.

Save as disclosed above, none of our directors or supervisors has entered into a service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

(11) Directors' and supervisors' interests in contracts

Other than the service contracts, for the year ended 31 December 2007, no director or supervisor had any direct or indirect material interest in any contract of significance entered into by the Company or any of its holding companies or any of its subsidiaries or fellow subsidiaries.

(12) Remuneration of directors and supervisors

The details of the remuneration of directors and supervisors of the Company for the year ended 31 December 2007 are set out in Note 36 to the consolidated financial statements.

For the year ended 31 December 2007, no directors or supervisors of the Company had agreed to waive any remuneration.

The remuneration package of directors of the Company is determined by the remuneration committee and is subject to approval of the Board and shareholders' approval at the forthcoming annual general meeting. When determining the remuneration package, the remuneration committee and the Board will take into account directors' duties, responsibilities and performance as well as the operation results of the Group.

(13) Purchase, sale or redemption of shares of the Group

For the year ended 31 December 2007, the Company and its subsidiaries had not purchased, sold or redeemed any securities (the term "securities" has the meaning ascribed to it under the Listing Rules) of the Group.

(14) Use of Proceeds of H shares

The net proceeds from the Company's H shares initial public offering after deduction of related expenses, amounted to RMB14.466 billion. The net proceeds have been applied for the year ended 31 December 2007 in accordance with proposed applications as set out in the Company's prospectus for H shares, details are listed below:

- Approximately RMB2.8 billion was invested in the construction of open pit mines and underground mines, related coal processing plants and delicated railways planned for development in Pingshuo Minning Area.
- Approximated RMB360 million was invested in the development of the Company's coal producing equipments and other supplementary equipments.
- Approximately RMB2.8 billion was used to repay bank loans.
- Approximately RMB 1.58 billion was used to fund the Group's working capital.

(15) Property, plant and equipment

The details of the changes in the property, plant and equipment of the Company for the year ended 31 December 2007 are set out in Note 7 to the audited financial statements for the year.

(16) Donation

For the year ended 31 December 2007, the charitable and other donations made by the Company amounted to RMB2.3977 million.

(17) Subsidiaries and associates

The details of subsidiaries and associates of the Company as at 31 December 2007 are set out in Note 42 to the audited financial statements for the year.

(18) Employee retirement plan

To comply with applicable regulations, the Company has participated in retirement plans organized by the municipal and provincial government. The details are set out in Note 32 to the audited financial statements for the year.

(19) Pre-emptive rights and share option arrangement

There are no provisions for pre-emptive rights under relevant laws of the PRC which would entitle the shareholder of the company to subscribe for shares on a prorate basis. The Company does not currently have any share option arrangement.

(20) Major customers and suppliers

For the year ended 31 December 2007, the revenue derived from the Company's largest external customer and its top five external customers accounted for approximately 4.27% and 25.4% of the operating revenue of the Company respectively.

For the year ended 31 December 2007, the purchases from the Company's top five suppliers represented less than 30% of the total purchases made by the Company during the year.

As known to the Company, the directors of the Company and its associates and any shareholders holding more than 5% of the issued share capital of the Company have not held any interests in any of the above customers and suppliers.

(21) Contract of Significance

Save as disclosed in the section headed "connected transactions" in this report, the Company or any of its subsidiaries did not enter into any material contract with the controlling shareholder or any of its subsidiaries, and there is no material contract related to the provision of services to the Company or any of its subsidiaries by the controlling shareholder or any of its subsidiaries. No arrangement was made in which the shareholders have waived or agreed to waive their dividends.

(22) Connected transactions

The main connected transactions of the Group for the year ended December 31,2007 are set out below.

1. Continuing connected transactions

The Company has entered into certain connected transaction agreements with China Coal Group and connected parties of the Company. Such agreements or connected transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The terms and annual caps of the relevant connected transaction agreements are as follow:

(1) Coal Export and Sales Agency Framework Agreement

On 5 September 2006, the Company entered into a coal export and sales agency framework agreement with China Coal Group. The agreement is effective until 31 December 2008 and renewable thereafter. Pursuant to the agreement, the Company has appointed China Coal Group to act as non-exclusive coal export and sales agent of the Company to provide export quotas and export agency services. The agency services provided by China Coal Group shall be made on terms no less favourable to the Company than those available from other agents.

The agency fee payable to China Coal Group by the Company shall be determined based on relevant market prices. At present, (1) the agency fee for exporting coal to countries and regions other than China Taiwan market is 0.7% of the FOB price of each ton of coal products for export, and (2) the agency fee for exporting and selling coal to China Taiwan market is 0.7% of the FOB price, plus US$0.5 for each ton of coal products sold.

The annual cap for the coal export agency fee paid to China Coal Group for the year ended 31 December 2007 was RMB70 million. The actual agency fee incurred was RMB61 million.

(2) Coal Supplies Framework Agreement

On 5 September 2006, China Coal Group and the Company entered into a coal supplies framework agreement which is effective until 31 December 2008 and renewable. Pursuant to the agreement, China Coal Group will procure that all coal products produced from the mines which are under restructuring be supplied exclusively to the Company, and has undertaken not to sell any such coal products to any third party.

Pricing principles: (a) market price, which is determined by reference to the prevailing market rates for comparable coal products as are available on an arm's length basis from independent coal producers located in the region or surrounding areas of the mines which are under restructuring;(b) where there is no market price, a price to be agreed between the parties will be calculated based on the price costs incurred in supplying the relevant coal products plus 5% profits reasonably earned with reference to related transaction prices in the past.

The annual cap of the fee as at the year end of 2007 paid by the Company to China Coal Group in respect of the supply of coal products produced at the coal mine under restructuring by China Coal Group to the Company for the year ended 31 December 2007 amounted to RMB1 billion. The actual expenses incurred were RMB151 million.

(3) Integrated Materials and Services Mutual Provision Framework Agreement

The Company and China Coal Group entered into an integrated materials and services mutual provision framework agreement on 5 September 2006. The agreement is effective until 31 December 2008 and renewable. Pursuant to the agreement, China Coal Group and the Company shall provide to each other production material supplies and ancillary services. The Company shall provide to China Coal Group related coal export services for the export of coal by China Coal Group to third parties.

Pricing principles shall be in the following order: the price fixed by the Chinese Government; the guiding price set by the Chinese Government; the prevailing market price of similar products or services provided by independent suppliers in surrounding areas on an arm's length basis; the price agreed by the parties involved.

For the year ended 31 December 2007, (1) the annual cap of the expenses paid as a result of production materials and ancillary services provided by China Coal Group to the Company for 2007 was RMB1.316 billion and the actual expenses incurred were RMB599 million; (2) the annual cap of the income generated as a result of integrated materials and services provided to China Coal Group by the Company for 2007 was RMB50 million and the actual income was RMB40 million; (3) the annual cap of the service fee receivable in respect of coal export related services provided by the Company to China Coal Group was RMB 160 million and the actual fee generated was RMB32 million.

On 26 December 2006 and 8 October 2007, Jiangsu Datun Aluminum Co., Ltd. ("Datun Aluminum"), a subsidiary of the Company, and Jiangsu Sulv Aluminum Co., Ltd. ("Sulv Aluminum") signed sales and purchase contracts for aluminium ingots for 2007 and 2008. According to the contracts, Datun Aluminum would sell aluminium ingots to Sulv Aluminium on a monthly basis.

As approved by the State-owned Assets Supervision and Administration Commission of the State Council on 11 October 2007, the state-owned property rights of Xuzhou Sifang Aluminum Group Co., Ltd. ("Sifang Aluminum), the parent company of Sulv Aluminium, would be transferred to China Coal Group at nil consideration. Sulv Aluminum has become an indirectly wholly owned subsidiary by China Coal Group. The relevant procedures for the transfer and business registration were completed on 26 October 2007.

Pursuant to Rule 1.01 and Rule 14A.13 of the Listing Rules of the Stock Exchange, upon completion of the relevant registration of changes in business particulars (i.e. after 26 October 2007), Sulv Aluminium became an "associate" of China Coal Group, the controlling shareholder of the Company, and was therefore considered to be a connected party of the Company. Since the sales and purchase contracts for aluminum ingots between Datun Aluminum and Sulv Aluminium for 2007 and 2008 were signed before 26 October 2007, i.e. before Sulv Aluminium became a connected party of the Company, the Company had to perform reporting and disclosure obligations under Rule 14A.41 of the Listing Rules as if they were continuing connected transactions. The Company has made an announcement accordingly on 9 April 2008 in accordance with the requirements of the Listing Rules and performed the aforesaid reporting and disclosure obligations.

The Group and Sulv Aluminium have not signed any new sales and purchase contract since 26 October 2007. If Sulv Aluminium and the Group continue to sign any sales and purchase contracts for aluminium ingots in the future, the Company will perform the corresponding disclosure obligations in respect of the contracts in accordance with the requirements on continuing connected transactions of Chapter 14A of the Listing Rules.

The current pricing principle for the sales and purchase contracts for aluminium ingots is: Within the monthly settlement period (the 26th day of the previous month to the 25th day of the current), the actual settlement price for sales of aluminium ingots is the monthly average price of published by the Shanghai Changjiang Spot Market during the current period.

(4) Mine Construction and Design Framework Agreement

The Company and China Coal Group entered into a mine construction and design framework agreement on 5 September 2006. The agreement is effective until 31 December 2008 and renewable. Pursuant to the agreement, China Coal Group shall provide coal mine construction services to the Company and the Company shall provide mine design services to China Coal Group.

Pricing principles: in respect of mine construction and mine design services required by either party, service providers shall be selected without dependence on the other party through a tender process in which the service price shall also be determined. Either party shall be selected on condition that price as well as other terms are equivalent to or more favourable than other independent service providers.

For the year ended 31 December 2007, (1) the annual cap of the expenses paid by the Company in respect of the mine construction services provided by China Coal Group and its associates for 2007 amounted to RMB1.11 billion; the actual expenses incurred were RMB639 million; (2) the annual cap of the income receivable as a result of providing coal mine design services to China Coal Group and its associates by the Company in 2007 amounted to RMB 50 million; the actual income generated was nil.

(5) Property Leasing Framework Agreement

The Company and China Coal Group entered into a property leasing framework agreement on 5 September 2006. The agreement has a term of ten years and is renewable upon expiry. Pursuant to the agreement, China Coal Group and its associates shall lease to the Company structures and properties, which shall mainly be used for production and operations.

Pricing principles: the Company or it's relevant subsidiaries shall pay China Coal Group and its associates for the structures and properties leased with annual cap of RMB70.8 million payable by the end of each year. The rental charges is subject to be re-examination and adjustment every three years within the term of the property leasing framework agreement. The rental payable after adjustment shall not exceed comparable market rates which is to be confirmed by independent property valuer.

The annual cap for 2007 of property rentals paid by the Company to China Coal Group and its associates in respect of the structures and properties leased for the year ended 31 December 2007 amounted to RMB71million. The actual rentals incurred were RMB58 million.

(6) Land Use Rights Leasing Framework Agreement

The Company and China Coal Group entered into a land use rights leasing framework agreement on 5 September 2006. The agreement has a term of 20 years and is renewable upon expiry. Pursuant to the agreement, China Coal Group and its associates shall lease to the Company land use rights, which shall mainly be used for production and operations.

Pricing principles: the company shall pay China Coal Group and its associates approximately RMB8.9 million for land use rights by the end of each year. The rental charges is subject to be reexamined and adjusted every three years within the term of the land use rights leasing framework agreement. The rental payable after adjustment shall not exceed comparable market rates which is to be confirmed by independent property valuer.

The annual cap for 2007 of the land use rights rental paid by the Company to China Coal Group and its associates for the year ended 31 December 2007 amounted to RMB9 million. The actual rental incurred was RMB8.8233 million.

(7) Coal/Coke Product Sales Framework Agreements

Datong Coal Industry Co. Ltd., Shanxi Longquan Foundry Coke Company Limited, Shuozhou Shuocheng Liu Jia Kou Coal Transportation Terminal, Lingshi Jiuxin Coal Preparation Company Limited and Shaanxi Yulin Coal Import & Export Group Corporation, all of which are substantial shareholders of the Company's subsidiaries are all joint venture partners of the Company, in respect of its coal and coking operations. The Company will continue to purchase and sell coal / coke products from these five substantial shareholders of the Company's subsidiaries. The Company has therefore entered into a coal/coke product sales framework agreement with each of the substantial shareholder of the Company's subsidiaries. The agreements are effective from 22 August 2006 until 31 December 2008 and reneweable.

Pricing principles shall be in the following order: the price fixed by the Chinese Government; the guiding price set by the Chinese Government; the prevailing market price of similar products or services provided by independent suppliers in surrounding areas on an arm's length basis; the price agreed by the parties involved.

For the year ended 31 December 2007, (1) the annual cap for 2007 of the expenses paid by the Company for purchasing coal/coke products from the substantial shareholders of the Company's subsidiaries amounted to RMB1.104 billion; the actual expenses incurred were RMB100 million; (2) the annual cap for 2007 of the income generated from sales of coal/coke products by the Company to the substantial shareholders of the relevant subsidiaries amounted to RMB237 million and the actual income generated was RMB2 million.

(8) Railway Leasing and Management Entrustment Service Framework Agreement

The Company and Shuozhou Pingshuo Luda Railway Transportation Co., Ltd. (Pingshuo Luda) entered into a railway leasing and management entrustment service framework agreement on 5 September 2006. The agreement is effective until 31 December 2008 and renewable. Pursuant to the agreement, Pingshuo Luda shall lease railway from the Company or its relevant subsidiaries and provide management entrustment services to the Company's relevant subsidiaries.

Pricing shall be determined according to the following principles in order: the price for railway leasing and management entrustment services fixed by the Chinese Government; the guiding price set by the Chinese Government for similar services; the prevailing market price for similar railway leasing and management entrustment services provided by rail operators in surrounding areas on an arm's length basis; the price agreed by the parties involved.

The annual cap for 2007 of the total railway leasing fees paid by Pingshuo Luda to the Company for the year ended 31 December 2007 amounted to RMB130 million. The actual income generated were RMB123 million. The annual cap for 2007 of the total railway management entrustment service fees paid by the relevant subsidiaries of the Company to Pingshuo Luda for the same period amounted to RMB346 million. The actual fees incurred were RMB289 million.

2. The auditor of the Company has issued a letter to the board of directors stating the following:

   (1) The terms of these transactions are determined in accordance with the relevant terms of the agreements and texts governing the transactions;

   (2) The value of these transactions conforms to the pricing criteria stated in the relevant agreements;

   (3) These transactions have been approved by the board of directors; and

   (4) The relevant actual amounts do not exceed the relevant waiver limits.

3. The independent non-executive directors of the Company have reviewed the above continuing connected transactions and have confirmed that:

   these continuing connected transactions were entered into

   (1) in the usual course of business of the Company;

   (2) on normal business terms; and

   (3) in accordance with the relevant agreements governing them and on terms that are fair and reasonable and in the interest of shareholders of the Company as a whole.

(23) Employees of the Group

As at 31 December 2007, the Group has a total of 51,527 employees (the total number of employees in 2006 was 52,137). The details are set out in the section of "Directors, Supervisors, Senior Management and Employees".

With a great focus on the people oriented principle, the Group has emphasized the recruitment and training of talents aiming for a more market-driven and socialized human resources system. The Group has also adopted various approaches to improve professional and technical skills of the employees to meet the requirement of sustainable operation and development . The remuneration of the Group's employees mainly comprises post wages and performance wages. Performance wages are decided by annual assessment.

(24) Significant Events

Pursuant to resolution by the first Extraordinary General Meeting of the Company held on 7 September, 2007 and CSRC in "Notice for Approval of IPO of China Coal Energy Company Limited" (CSRC File[2008] No.99), the company issued 1,525,333,400 common shares in RMB ("A Shares") in its initial public offer. Approved by Shanghai Stock Exchange (Shanghai Stock Exchange File [2008] No.10), the company's A shares were listed and commenced trading on Shanghai Stock Exchange on 1 February 2008. The final offer price is RMB16.83 per A share (Stock Code:601898). The A share was issued to both offline and online subscribers with 343,200,400 A shares to offline institutional investors and 1,182,133,000 A shares to online individual applicants, raising a total of RMB25.320 billion net proceeds after deducting issue expenses.

Upon completion of aforementioned A shares issue, the total share capital of the Company was increased to 13,258,663,400, including 7,626,667,000 A Shares held by China National Coal Group Corporation, the controlling shareholder of the Company and 4,106,663,000 H shares and 1,525,333,400 A shares, accounting for 57.52%, 30.97% and 11.51% of total share capital respectively.

The structure of the share capital of the Company after A Share Issue:

Unit: Shares

Name of Shareholders	Type of Shares	Number of Shares	%
China National Coal Group Corporation	A Share	7,626,667,000	57.52%
Shareholders of H share	H Share	4,106,663,000	30.97%
Shareholders of A share	A Share	1,525,333,400	11.51%
Total	—	**13,258,663,400**	**100.00%**

Proposed Use of proceeds from A Share issue:

No.	Description	ESTIMATED INVESTMENT AMOUNT RMB Million	Proposed amount of proceeds from the A share Issue to be applied RMB Million
1	Erdos Project in Inner Mongolia and ancillary engineering facilities with an annual production capacity of 25 million tons of coal, 4.2 million tons of methanol and 3 million tons of dimethyl ether;	35,766	4,158
2	Heilongjiang Project and ancillary engineering facilities with an annual production capacity of 10 million tons of coal, 1.8 million tons of methanol and 0.6 million tons of olefin	20,937	17,029
	TOTAL AMOUNT	**56,703**	**21,187**

As a large scale national demonstrating coal-based chemicals project, the Erdos Project in Inner Mongolia and ancillary engineering facilities with an annual production capacity of 25 million tons of coal, 4.2 million tons of methanol and 3 million tons of dimethyl ether, comprises related operations such as coal mines and coal preparation plants, methanol and dimethyl ether facilities, dedicated railways and coal gangue-fired power plants.

Being another large scale national demonstrating coal-based chemicals project, Heilongjiang Project and ancillary engineering facilities with an annual production capacity of 10 million tons of coal, 1.8 million tons of methanol and 0.6 million tons of olefin comprises coal mine and coal preparation plants, olefin and related methanol production facilities, dedicated railways and combined heat power plant.

Except for those invested in the above projects, the remaining proceeds from A-share public offering will be applied to supplement working capital of the Company for general purpose or acquisitions of core business related assets.

(25) Material Legal Proceeding

As at 31 December 2007, the Company had not been involved in any material litigations or arbitrations, and to the best knowledge of the Company, there was no pending, threatened or on-going material litigation or claim against the Company as at 31 December 2007.

(26) Auditors

The Company has appointed PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company as international and domestic auditor respectively for the year ended 31 December 2007. The financial statements for the year prepared in accordance with International Financial Reporting Standards have been audited by PricewaterhouseCoopers. The resolution regarding the reappointment of PricewaterhouseCoopers as the Company's international auditor and PricewaterhouseCoopers Zhong Tian CPAs Limited Company as domestic auditor for the year ending 31 December 2008 will be proposed at the Company's Annual General Meeting of 2007 to be held on 20 June 2008.

(27) Tax

For the year ended 31 December 2007, expatriate shareholders who were not Chinese residents were not required to pay any individual or enterprise income tax, capital gains tax, stamp duty or estate duty in respect of the shares of the Company held by them. Shareholders are advised to seek opinions from their tax consultants on the implications of China, Hong Kong and other taxes in respect of the ownership and disposal of H shares.

(28) Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in Note 22 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

As at 31 December 2007, the Company's reserves available for distribution, pursuant to the relevant laws and regulations of the PRC, calculated in accordance with PRC Accounting Standards for Business Enterprises amounted to RMB825,469,000, which has been proposed as final dividend for the year.

29) Financial Summary

A summary of the Group's financial information for the last five financial years, as extracted from the audited financial statements and related/reclassified as appropriate. This summary does not form part of the audited financial statements.

30) Subsequent Events in Notes to the Consolidated Financial Statements

Details on the Group's subsequent events of the notes to the consolidated financial statements are set out in Note 44.

By Order of the Board

Jing Tianliang
Chairman

Beijing, China
9 April 2008

As at the date of the issuance of the directors' report, the directors of the Board include: Executive director Mr. JING Tianliang (Chairman), non-executive director Mr. ZHANG Baoshan (Vice-chairman), executive director Mr. YANG Lieke, executive director Mr. PENG Yi; and independent non-executive directors Mr. GAO Shangquan, Mr. ZHANG Ke, Mr. PENG Ruchuan, Mr. WU Rongkang and Mr. Li Yanmeng.

To: All shareholders

In 2007, pursuant to the relevant requirements of the "Company Law of the People's Republic of China" ("Company Law") and the Articles of Association of the Company, all members of the Supervisory Committee of the Company (the "Supervisory Committee") have fully observed the principle of good faith, discharged their supervisory duties conscientiously, performed their work actively and diligently and safeguarded the interests of shareholders and the benefits of the Company.

I. During the reporting period, 3 meetings of the Supervisory Committee were convened, the details of which are set out as follows:

1. On 17 April 2007, the first meeting of the first session of the Supervisory Committee was held. The meeting had considered and approved the "2006 Supervisory Committee Report of China Coal Energy Company Limited", the "2006 Annual Report of China Coal Energy Company Limited", the "2006 Audited Financial Statements of China Coal Energy Company Limited", the "2006 Profit Distribution Proposal of China Coal Energy Company Limited" and the "Rules and Procedure of the Meetings of Supervisory Committee of China Coal Energy Company Limited".

2. On 14 July 2007, the second meeting of the first session of the Supervisory Committee was held. The meeting had considered and approved the "Rules and Procedure of the Meetings of Supervisory Committee of China Coal Energy Company Limited (Amendment)".

3. On 13 September 2007, the third meeting of the first session of the Supervisory Committee was held. The meeting had considered and approved the "2007 Interim Report of China Coal Energy Company Limited" and the "2007 Interim Profit Distribution Plan of China Coal Energy Company Limited". The meeting heard the briefing on the "Financial Work for the First Half of 2007 and Work Arrangement for the Second Half of the Year" and "Audit Work for the First Half of 2007 and Work Ideas for the Next Three Years".

II. Independent opinions have been given by the Supervisory Committee of the Company in respect of the following in 2007:

1. Operation of the Company in compliance with law

Supervisors of the Company had attended all meetings of the board of directors and shareholders' general meetings convened by the Company, and pursuant to the relevant laws and regulations, supervisors of the Company had duly supervised and examined the procedures for convening meetings of board of directors of the Company, the resolutions, the execution of resolutions passed at shareholders' general meetings by the Board, the discharge of duties by the directors and senior management of the Company, the establishment, enhancement and enforcement of the internal management system of the Company.

The Supervisory Committee considers that the Board of Directors has been able to operate in strict compliance with the relevant laws, regulations and the articles of association of the Company, and the decision-making process was proper and orderly. Through a continuing system construction, the Company has further improved its corporate governance structure and internal management system, the role and effect of internal control are further enhanced and enterprise foundational management is further strengthened. The directors and senior management of the Company are diligent and responsible, honest and in compliance with the laws, prudent in making decisions, and no act has been found to be in violation of any laws and regulations, articles of association of the Company, or detrimental to the benefits of the Company and the interests of shareholders.

2. Examination of the financial position of the Company

In 2007, the Supervisory Committee has duly examined the operation and financial status of the Company in accordance with the requirements of the "Articles of Association of China Coal Energy Company Limited", and has reviewed the financial statements on a regular basis.

The Supervisory Committee considers that the 2007 audited financial statements of the Company have given a true and objective view of the financial position and operating results of the Company, and the audit report issued by PricewaterhouseCoopers with standard unqualified opinions gives an objective and fair view.

3. Use of proceeds

During the reporting period, the actual projects financed by proceeds raised by the Company are in line with the committed investment projects.

4. Acquisition or disposal of assets by the Company

During the reporting period, the Company did not have any material transactions involving the acquisition or disposal of assets. Besides, the Supervisory Committee did not identify any insider trading or any circumstances that were detrimental to the interests of shareholders or resulted in a dissipation of assets of the Company.

5. Connected transactions

During the reporting period, the connected transactions between the Company and any connected parties were conducted on an arm's length basis at fair and reasonable prices and in compliance with the principles of fairness, impartiality and openness, and no acts were found to be detrimental to the interests of the Company and shareholders.

6. Execution of resolutions of the Shareholders' General Meeting

The Supervisory Committee has no dissenting views in respect of the reports and motions submitted during the reporting period for consideration at the shareholders' general meeting by the Board of Directors. The Supervisory Committee has conducted supervision over the execution of the resolutions passed by the shareholders' general meeting, and considers that the Board of Directors has duly executed the relevant resolutions of the shareholders' general meeting.

In 2008, the Supervisory Committee will continue to discharge its supervisory duties with due diligence in accordance with the Company Law, the Articles of Association of the Company and relevant provisions, to further bring forth new working ideas and step up its efforts in supervision and examination to duly perform its duties so as to safeguard the interests of shareholders and the benefits of the Company.

By Order of the Supervisory Committee

Du Ji'an
Chairman of the Supervisory Committee

Beijing, China
9 April 2008

The Company has earnestly implemented the regulatory requirements of the listing place, attained stardardised operations, and dedicated in establishing a good corporate governance. In 2007, the Company continued to implement the relevant requirements under the "Code on Corporate Governance Practices" as set out in Appendix 14 of the Listing Rules, and set up various fundamental systems under the guidance of the regulatory documents such as "The Articles of Association of China Coal Energy Company Limited" ("Articles of Association"), upgraded the Company's internal control and management system, strengthened risk control management, and established management mechanism on connected transactions.

I. OVERVIEW OF CORPORATE GOVERNANCE

During the reporting period, the Company made amendments to the Articles of Association in accordance with the related regulatory documents such as "Guidelines on the Articles of Associations of Listed Companies", "Rules for Governance of Listed Companies" issued by CSRC, established and refined related systems, including rules and procedures of shareholders' general meetings, meetings of the board of directors, meetings of supervisory committee, and senior management as well as various fundamental management systems. The Company's shareholders' general meeting, board of directors and supervisory committee operate in accordance with the Articles of Association and the respective rules and procedures. Currently, the Company's regulatory documents on corporate governance practices include but not limited to the following documents:

1. "The Articles of Association of China Coal Energy Company Limited"
2. "The Rules and Procedures of the Shareholders' General Meetings of China Coal Energy Company Limited"
3. "The Rules and Procedures of Meetings of the Board of Directors of China Coal Energy Company Limited"
4. "The Rules and Procedures of Meetings of the Supervisory Committee of China Coal Energy Company Limited"
5. "The Rules and Procedures of Senior Management of China Coal Energy Company Limited"
6. "Work System of Independent Directors of China Coal Energy Company Limited"
7. "Work Manual of the Strategic Committee of the Board of China Coal Energy Company Limited"
8. "Work Manual of the Audit Committee of the Board of China Coal Energy Company Limited"
9. "Work Manual of the Remuneration Committee of the Board of China Coal Energy Company Limited"
10. "Work Manual of the Safety, Health and Environmental Protection Committee of the Board of China Coal Energy Company Limited"
11. "Work Manual of the Nomination Committee of the Board of China Coal Energy Company Limited"

12. "Provisional Measures for the Evaluation of the Operating Results of Senior Management of China Coal Energy Company Limited"

13. "Accounting Calculation Method of China Coal Energy Company Limited"

14. "Financial Management Rules of China Coal Energy Company Limited"

15. "External Guarantee Management System of China Coal Energy Company Limited"

16. "Internal Control and Audit System of China Coal Energy Company Limited"

17. "Information Disclosure Management System of China Coal Energy Company Limited"

18. "Investor Relation Management System of China Coal Energy Company Limited"

19. "Management Measures on Connected Transactions of China Coal Energy Company Limited"

20. "Management Measures on the shares (and its changes thereof) of China Coal Energy Company Limited held by the Directors, Supervisors, Senior Management Members and Insiders"

Special resolution on the amendment to the Articles of Association was passed by poll in the Company's 2007 First Extraordinary General Meeting on 7 September 2007. The amendments were made based on the upcoming A Shares issue of the Company in the PRC in accordance with the related laws and regulations. Please refer to the "Notice of the Extraordinary General Meeting" of the Company issued on 23 July 2007 and the announcement "Voting Results of the First Extraordinary General Meeting" of the Company issued on 7 September 2007 for the details.

According to the "Notice of the Annual General Meeting" of the Company issued on 27 April 2007 and the announcement "Voting Results of the 2006 Annual General Meeting" issued on 15 June 2007, the "The Rules and Procedures of the Shareholders' General Meetings of China Coal Energy Company Limited" and other documents were approved; and according to the "Notice of the Extraordinary General Meeting" of the Company issued on 23 July 2007 and the announcement "Voting Results of the First Extraordinary General Meeting" of the Company issued on 7 September 2007, resolutions on the amendments to the "The Rules and Procedures of the Shareholders' General Meetings of China Coal Energy Company Limited" and other documents were approved.

The board of directors has reviewed the documents regarding corporate governance adopted by the Company, and believed that such documents have met the relevant code provisions as set out under the "Code on Corporate Governance Practices" of the Listing Rules.

In the following aspects, the code on corporate governance practices adopted by the Company has exceeded the provisions set out in the "Code on Corporate Governance Practices":

1. In addition to the Audit Committee and Remuneration Committee, the Company has also set up a Strategic Planning Committee, a Nomination Committee and a Safety, Health and Environmental Protection Committee.

2. In the board of directors, there are five independent non-executive directors, representing a majority in the board, which is more than the minimum requirement of three independent non-executive directors under Rule 3.10(1) of the Listing Rules, of which Mr. Zhang Ke is currently the chairman and the principal partner of ShineWing Accountant. He is also a vice president of China Institute of Certified Public Accountants and a committee member of the examination board of the Certified Accountants of the Ministry of Finance". The Company has complied with the qualification requirements of the "Code on Corporate Governance Practices" in this regard.

II. CODE ON CORPORATE GOVERNANCE PRACTICES

The Company was dedicated in enhancing the quality of its corporate governance. As at 31 December 2007, the Company had strictly complied with the "Code on Corporate Governance Practices" set out in Appendix 14 of the Listing Rules.

III. SUBSTANTIAL INTERESTS AND SHORT POSITIONS

As at 31 December 2007, according to the records required to be entered in the register as referred to under section 336 of the Securities and Futures Ordinance, the interests or short position of the parties (not being directors or supervisor of the Company) who are entitled to exercise or control the exercise of 5% or more of the voting rights in the Company's general meetings in the Company's shares or underlying shares of the Company's equity derivatives were as follows:

Name of shareholders	Number of Shares	Class of Shares	Nature of interest	Percentage in the class issued shares (%)	Percentage in the total Shares in issue (%)
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	322,312,040 100,159,121	H Shares H Shares	Long positions Short positions	7.85 2.44	2.75 0.85
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 Offshare 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

Note: The information disclosed above was based on the information provided by the website of The Stock Exchange Limited of Hong Kong (www.hkex.com.hk).

Save as disclosed above, as at 31 December 2007, according to the records required to be kept in the register of interests pursuant to section 336 of the SFO, there were no any other parties who were interested or held short positions in the Company's shares or underlying shares of equity derivatives of the Company.

IV. Model Code for Securities Transactions by Directors of Listed Companies

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Companies" as set out in Appendix 10 of the Listing Rules (the "Model Code"). The Company confirmed that all the directors of the Company, following a specific enquiry conducted by the Company, had complied with the "Model Code" all the time for the year ended 31 December, 2007.

V. BOARD OF DIRECTORS

(1) Composition and terms of office

The composition and terms of office of the board of directors are set out in the sections headed "Directors, Supervisors, Senior Management and Employees" in this report.

Under the Articles of Association, the board of directors has the following responsibilities: to decide the Company's operation plans and investment plans; to set up the Company's annual financial budgets, final accounts plans; to set up the Company's profit distribution plans and plans to offset losses; to structure the Company's internal management; to appoint or remove the Company's president, chief financial officer, the board secretary, to appoint or remove the Company's vice president subject to the nomination of the president; other functions granted by the general shareholders meeting and the Articles of Association.

The board of directors is responsible for supervising the preparation of financial statements for every financial period so as to enable the financial statements can give a true and fair view of the financial position, operating results and cash flows of the Company during the periods. When preparing the financial statements for the year ended 31 December 2007, the board of directors has selected applicable accounting policies, and made prudent, fair and reasonable judgement and estimations and prepared the financial statements on a going concern basis. The statement of reporting responsibilities of the international auditors are set out in the independent auditor's report in this report.

Besides their working relationships in the Company, there were no financial, business, family relationship or other material relationships between the directors, supervisors and senior management.

(2) Convening of Board of Directors' Meetings in 2007

In 2007, the Company convened five meetings of the board of directors, with average attendance rate of 100% (including attendence by written proxy). The table below sets out the record of attendance rates of board of directors' meetings:

Name	Title of the Company	Attended in person	Attended by entrustment	Attendance rate
Jing Tianliang	Chairman, executive director	5/5		100%
Zhang Baoshan	Vice chairman, non-executive director	5/5		100%
Yang Lieke	Executive director, president	5/5		100%
Peng Yi	Executive director, executive vice president, chief financial officer	5/5		100%
Gao Shangquan	Independent non-executive director	5/5		100%
Zhang Ke	Independent non-executive director	4/5	1/5	100%
Peng Ru Chuan	Independent non-executive director	4/5	1/5	100%
Wu Rongkang	Independent non-executive director	5/5		100%
Li Yanmeng	Independent non-executive director	4/5	1/5	100%

1. At the first meeting for 2007 of the First Session of the board of directors held on 17 April 2007, 12 resolutions were considered and approved, which were: "Resolution on the final accounts for 2006", "Resolution on profit distribution for 2006", "Resolution on the annual report for 2006", "Resolution on the operation plan for 2007", "Resolution on the investment plan for 2007", "Resolution on the financial plan for 2007", "Resolution on the general mandate to issue shares", "Resolution on the remunerations of directors and supervisors", "Resolution on the rules and procedures of Shareholders General Meetings, Meetings of the Board of Directors and Management Meetings", "Resolution on Fundamental Management System of the Company", "Resolution on the appointment of accounting firm to review the 2007 interim financial report and audit of the annual financial report", "Resolution on convening the Annual General Meeting for 2006".

2. At the second meeting for 2007 of the First Session of the board of directors held on 15 June 2007, the "Resolution on the responsibilities of the Company'soperating results for 2007" was considered and passed. The meeting briefed the report on the production and operations of the Company from January to May 2007, the report on the implementation of capital expenditure plans of the Company from January to May 2007, report on internal audit of the Company from January to May 2007 and work plan for the second half of the year, report on safety production of the Company from January to May 2007 and work plan for the second half of the year.

3. At the third meeting for 2007 of the First Session of the board of directors held on 14 July 2007, 21 resolutions were considered and passed, which mainly include: "Resolution on the Articles of Association (amendment) of the Company", "Resolution on the plan of initial public offering and listing of ordinary shares (A Shares) denominated in Renminbi", "Resolution on all specific matters proposed at the general meeting in relation to authorising the board to implement the initial public offering and listing of ordinary shares (A Shares) denominated in Renminbi", "Resolution on the Articles of Association (Draft) applicable to the issue and listing of ordinary shares (A Shares) denominated in Renminbi", "Resolution on the feasibility report on the use of proceeds from this public offering of shares on proposed investment projects", "Resolution on the rules and procedures (amendment) of the shareholder's general meeting of the Company", "Resolution on the rules and procedures (amendment) of meetings of the board of directors of the Company", "Resolution on convening the first extraordinary general meeting for 2007" as well as resolutions on the Company's certain basic management rules and working rules of the five committees.

4. At the fourth meeting for 2007 of the First Session of the board of directors held on 14 September 2007, seven resolutions were considered and approved, which mainly include: "Resolution on amendments to the Articles of Association of the Company", "Resolution on interim profit distribution of the Company for 2007", "Resolution on appointment of annual auditors", "Resolution on all specific matters in relation to authorizing the chairman, the vice chairman and the executive directors to implement the initial public offering and listing of common shares (A Shares) denominated in Renminbi", "Resolution in relation to the continuing connected transactions entered into with Zhongxin Company".

5. The fifth meeting for 2007 of the First Session of the board of directors was held on 9 November 2007. At the meeting, the "Resolution on the review of the distribution date of the 2007 interim dividend of China Coal Energy" was approved; at the meeting the board also heard a report on matters relating to the 2007 profit forecast of the Company.

For the year ended 31 December 2007, the number of meetings of board of directors held by the Company, the procedures of convening meetings, filing of minutes, rules and procedures of the meetings and the relevant matters all complied with the relevant code provisions. The relevant attendance rates could demonstrate that all the Company's directors were diligent and responsible, and dedicated to contributing for the interests of the Company and the overall shareholders.

VI. THE CHAIRMAN AND THE PRESIDENT

The Company's Chairman is Mr. Jing Tianliang and the President is Mr. Yang Lieke. The Chairman and the President have two different positions with different responsibilities. The Chairman shall not be the President at the same time, and the responsibilities between the Chairman and the President are clearly defined in written terms. Please refer to the Articles of Association for more details. Besides the directors and supervisors, other senior management members of the Company are responsible for the Company's daily operations. Duties of such persons are set out in the section headed "Directors, Supervisors, Senior Management and Employees" in this report.

VII. INSURANCE ARRANGEMENT

Pursuant to the recommended best practice under Appendix 14 of the "Code on Corporate Governance Practices", the issuer shall make appropriate insurance arrangements against legal proceedings which its directors may face. The Company has purchased liability insurance for its directors, supervisors and senior management.

VIII. REMUNERATION OF DIRECTORS

The Company's board of directors has set up a Remuneration Committee, the major responsibility of which is to formulate, oversee and verify the remuneration policies for the Company's senior management. The Remuneration Committee comprises three independent non-executive directors and one executive director, with Mr. Peng Ru Chuan as the chairman, and the members are Mr. Peng Ru Chuan, Mr. Zhang Ke, Mr. Li Yanmeng and Mr. Peng Yi. As at 31 December 2007, two meetings were held by the Remuneration Committee on 16 April 2007 and 15 June 2007, and the "Resolution on the remuneration for directors and supervisors for 2007", "Resolution on the 2006 Annual Report", "Resolution on the responsibilities of the senior management members for 2007" were considered respectively.

The terms of the members of the Remuneration Committee are the same as the terms of directors, and upon expiry, the members may be eligible for re-election.

Attendance rates of the members in the meetings of the Remuneration Committee in 2007:

Number of meetings: 2

Member	Attended in person	Attended by entrustment
Peng Ru Chuan	2	—
Zhang Ke	2	—
Li Yanmeng	2	—
Peng Yi	2	—

IX. NOMINATION OF DIRECTORS

The board of directors has set up a Nomination Committee on 7 September 2007, the main responsibilities of which are to select and recommend the candidates, selection criteria and procedure of the Company's directors and senior management. The Nomination Committee considers the election conditions, selection procedure and term of office for directors and senior management of the Company in accordance with the relevant laws and regulations and the Articles of Association with reference to the Company's actual situation. Any resolution made as a result will be filed and submitted to the Board of Directors for approval and will be implemented accordingly. The Nomination Committee comprises two independent non-executive directors and one executive director, with Mr. Gao Shangquan as the chairman. The members of the Nomination Committee are Mr. Gao Shangquan, Mr. Jing Tianliang and Mr. Wu Rongkang.

The term of the members of the Nomination Committee is the same as the term of directors. The members may be eligible for re-election upon expiry of their term. The Nomination Committee of the board has not held any meeting in 2007.

X. AUDIT COMMITTEE

The board of directors has set up an Audit Committee, the main responsibilities of which are to appoint auditors and to supervise their work. The Audit Committee comprises three independent non-executive directors and one non-executive director, with Mr. Zhang Ke as the chairman, and the members are Mr. Zhang Ke, Mr. Gao Shangquan, Mr. Peng Ru Chuan and Mr. Zhang Baoshan. As at 31 December 2007, three meetings were held by the Audit Committee on 16 April 2007, 15 June 2006 and 14 September 2007, and eight resolutions were considered respectively: "Resolution on the Company's final accounts for 2006", "Resolution on profit distribution for 2006", "Resolution on the operation plan for 2007", "Resolution on the financial plan for 2007", "Resolution on the appointment of accounting firm to review interim financial report and audit annual financial report for 2007", "Resolution on the interim report for 2007", "Resolution on the profit distribution plan for the 2007 interim period", "Resolution on the appointment of annual auditors". The members of the Audit Committee also reviewed two reports in the meeting.

The terms of the members of the Audit Committee are the same as the terms of directors. The members may be eligible for re-election upon expiry of their term.

Attendance rates of members in the meetings of the Audit Committee in 2007 are as follows:

Number of meetings: 3

Member	Attended in person	Attended by entrustment
Zhang Ke	2	1
Gao Shangquan	3	0
Peng Ru Chuan	3	0
Zhang Baoshan	3	0

The audit committee has reviewed the Company's Annual Report for the year ended 31 December 2007.

XI. STRATEGIC PLANNING COMMITTEE

The Company has set up a Strategic Planning Committee, the main responsibilities of which are to conduct researches and make recommendations and supervise the Company's long and mid-term development strategies and significant investment and financing decisions, capital expenditures, asset disposal projects. The Strategic Planning Committee comprises two executive directors, one non-executive director and three independent non-executive directors, with Mr. Jing Tianliang as the chairman. The members are Mr. Jing Tianliang, Mr. Gao Shangquan, Mr. Wu Rongkang, Mr. Li Yanmeng, Mr. Zhang Baoshan and Mr. Yang Lieke. As at 31 December 2007, two meetings were held by the Strategic Planning Committee on 16 April 2007 and 15 June 2007, and the "Resolution on the investment plan for 2007", "Resolution on the Annual Report for 2006" were considered respectively. The members of the Committee also reviewed the report on the implementation of capital expenditures of China Coal Energy from January to May 2007.

The terms of the members of the Strategic Planning Committee are the same as the terms of directors, and upon expiry, the members may be eligible for re-election.

XII. SAFETY, HEALTH AND ENVIRONMENTAL PROTECTION COMMITTEE

The Company has set up a Safety, Health and Environmental Protection Committee, the main responsibilities of which are the implementation of the Company's safety, health and environmental protection plans, and monitor the potential liabilities regarding safety, health and environmental protection, regulatory changes and technological reforms. The Safety, Health and Environmental Protection Committee comprises one independent non-executive director, one non-executive director and one executive director, namely Mr. Wu Rongkang, Mr. Zhang Baoshan and Mr. Yang Lieke with Mr. Wu Rongkang an independent non-executive director, as the chairman. As at 31 December 2007, two meetings were held by the Safety, Health and Environmental Protection Committee on 16 April 2007 and 15 June 2007, and the "Resolution on the Annual Report for 2006" was considered. The meeting also briefed the report on "the safety production of China Coal Energy from January to May 2007 and the work arrangements for the second half year".

The terms of the members of the Safety, Health and Environmental Protection Committee are the same as the terms of directors, and upon expiry, the members may be eligible for re-election.

XIII. REMUNERATION OF AUDITORS

The Company's international auditors are PricewaterhouseCoopers, and domestic auditors are PricewaterhouseCoopers Zhong Tian CPAs Limited Company. The Company's annual audit fees for the year ended 31 December 2007 was RMB25,500,000. The Company did not incur any non-audit fees in 2007.

The 2006 Annual General Meeting held on 15 June 2007 approved the re-appointment of PricewaterhouseCoopers as the Company's international auditors for 2007, and Yuehua CPA Limited as the Company's domestic auditors for 2007. In accordance with the requirements for the issue of A Shares, the Second Extraordinary General Meeting held on 9 November 2007 approved the change of the Company's domestic auditors from Yuehua CPA Limited to PricewaterhouseCoopers Zhong Tian CPAs Limited Company.

XIV. SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETING

In order to ensure that all shareholders of the Company enjoy equal positions and effectively exercise their own rights, the Company convenes shareholders' general meetings every year in accordance with the Articles of Association. In 2007, three shareholders' general meetings were held, including the 2006 Annual General Meeting and two Extraordinary General Meetings.

1. At the 2006 Annual General Meeting held on 15 June 2007, the following 11 reports and resolutions of the Company were considered and approved: "Report of the Board of Directors for 2006", "Report of the Supervisory Committee for 2006", "Resolution on the 2007 remuneration for directors and supervisors", "Resolution on the re-appointment of Yuehua CPA Limited and PricewaterhouseCoopers as the Company's domestic and international auditors for 2007 financial year respectively, and authorisation of the board of directors to determine the remunerations of the auditors", "Resolution on the auditors' report for 2006 and the audited financial statements of the Company for the year ended 31 December 2006", "Resolution on the Company's profit distribution for 2006", "Resolution on the Company's budget on capital expenditures for 2007", "Rules and procedures of the sharesholders' general meeting of China Coal Energy Company Limited", "Rules and procedures of meetings of the board of directors of China Coal Energy Company Limited", "Rules and procedures of meetings of the supervisory committee of China Coal Energy Company Limited", "Resolution on the general mandate to be granted to the board of directors, to issue and allot and dispose of additional domestic shares of not exceeding 20% of the Company's domestic shares already outstanding, and additional H Shares of not exceeding 20% of the Company's H Shares already outstanding".

2. At the First Extraordinary General Meeting held on 7 September 2007, the following 12 resolutions were considered and passed: "Resolution on the plan of initial public offering and listing of ordinary shares (A Shares) denominated in Renminbi", "Resolution on all specific matters proposed at the general meeting in relation to authorising the board to implement the initial public offering and listing of ordinary shares (A Shares) denominated in Renminbi", "Resolution on the setting up of Nomination Committee and the corresponding amendments to the Articles of Association", "The Articles of Association (Draft) applicable to the issue and listing of ordinary shares (A Shares) denominated in Renminbi", "Rules and procedures (amendment) of the shareholders' general meetings of the Company", "Rules and procedures (amendment) of meetings of the board of directors of the Company", "Rules and procedures (amendment) of meetings of the supervisory committee of the Company", "The feasibility report on the use of proceeds from this public offering of shares on proposed investment projects", "The working system of independent directors of the Company", "The management system for the use of proceeds from the Company's issue of A Shares", "The management measures on the connected transactions of the Company", "The management system on the external guarantees of the Company".

3. At the Second Extraordinary General Meeting held on 9 November 2007, the following 3 resolutions were considered and passed: "Resolution on the profit distribution plan for 2007 interim period", "Resolution on the appointment of annual auditors", "Resolution on the amendments to the Articles of Association of the Company".

XV. SUPERVISORS AND SUPERVISORY COMMITTEE

The supervisory committee of the Company comprises three supervisors, including two supervisors as shareholders' representatives and one supervisor representing employees. The supervisory committee is accountable to the general meeting and reports it work to the general meeting.

The principal duties of the supervisory committee are to supervise, inspect and assess the Company's finance in accordance with the law, and the legality of the discharge of duties by the directors and senior management of the Company.

Members of the Supervisory Committee

Du Ji'an	Chairman of the Supervisory Committee
Zhou Litao	Supervisor
Chen Xiangshan	Employee Representative Supervisor

Attendance rates of the members in the meetings of supervisory committee in 2007:

Number of meetings 3

Supervisors	Attended in person	Attended by entrustment	Attendance rate
Du Ji'an	3	0	100%
Zhou Litao	2	1	100%
Chen Xiangshan	3	0	100%

XVI. ESTABLISHMENT AND IMPLEMENTATION OF ANCILLARY MECHANISM

1. Management of Connected Transactions

To guarantee the openness, fairness and impartiality of the connected transactions of the Company, the Company has established a work mechanism for the daily control of connected transactions and raising the alarm when a limit is exceeded. The Company and China Coal Group entered into connected transaction agreements (see the section "Connected Transactions" for relevant information) in respect of continuing connected transactions. The Company calculates the amount incurred to date from continuing connected transactions of the affiliated companies under it on a monthly basis, and at the same time calculates the difference between the aggregate amounts incurred during the year and the annual cap, to ensure that the connected transaction amounts for the year will not exceed the annual cap. An alarm will be triggered once the amount is close to the annual cap. As for material non-continuing connected transactions, the Company will perform relevant approval procedures as required and make announcements on the HK Stock Exchange, at the same time, shareholders' general meetings will be held in accordance with the relevant requirements to approve such transactions.

2. Development of Internal Control System

The Company places great emphasis on the construction and improvement of its internal control system. It has established various systems of internal control in respect of investment decisions, business operations, financial management, safety production, human resources management and legal risks managements, etc, and has carried out the internal control in terms of decisions makings, implementation, review, supervision and reflection, etc, which enables the regulation of operation, reinforcement of risks prevention, and the establishment of a restrictive incentive mechanism, thereby guaranteeing the persistent and healthy development of the Company. The Company emphasizes internal audit supervision; the internal audit organs at each level actively develop economic responsibility audit, completion final accounts audit for construction projects, internal control audit and various specific audit tasks, effectively eliminating hidden troubles, stopping loopholes, preventing risks. The internal audit department insists on the importance of maintaining good communication with the supervisory committee and the audit committee of the board, providing them with reports on their internal audit work to facilitate them in understanding the Company's business operations and management through various channels and playing a better supervisory role.

Prior to the listing the Company's A Shares, PricewaterhouseCoopers Zhong Tian CPAs Limited Company has issued a report on the Company's internal control, and considered that the Company has complied with the relevant requirements of the Ministry of Finance relating to internal accounting controls in all material respects. At the same time, the board of directors has further reviewed the effectiveness of the internal control systems of the Company and its subsidiaries and confirmed its effectiveness. The Company will further develop of the internal control system in accordance with actual situations and regulatory requirements.

3. Risk Management System

Pursuant to the relevant requirements of the Hong Kong Stock Exchange on internal control and risk management system for listed companies, the Company attaches great importance to conduct analysis, studies and evaluation on the possible effects of risk factors such as market risks, operating risks, policy risks and financial risks on the Company's operating results and financial position, so as to facilitate the realisation of the operation objectives. The Company selects personnels from departments such as finance, legal and internal audit departments to attend training courses on risk management, so as to further refine the corporate risk management system and to train risk management talents.

On the basis of proper internal control, the Company will further strengthen the corporate risk management system to foster a culture of good risk management, and continuously to improve and promote a comprehensive risk management system to effectively facilitate the achievement of the goals of the Company.

4. Information Disclosure System

The Company attaches great importance to high transparency of information, and the board of directors has approved and adopted the "Information Disclosure Management System of China Coal Energy Company Limited" in July 2007, which will constitute the information disclosure management system together with other related systems. In 2007, the Company has strictly complied with the information disclosure requirements on listed companies by the regulatory authorities, and made disclosures on important information of the Company to investors through various channels in a timely manner. The Company made 39 disclosures including circulars to shareholders, notices and announcements through the Company's website, made 31 disclosures, including shareholders' circulars, notices and announcements on the website of the Hong Kong Stock Exchange. At the same time, the Company also published 5 notification announcements, 1 result announcement in designated newspapers in Hong Kong, which guaranteed the openness, fairness and impartiality of information disclosure.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

TO THE SHAREHOLDERS OF CHINA COAL ENERGY COMPANY LIMITED
(incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China Coal Energy Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 94 to 190, which comprise the consolidated and company balance sheets as of 31 December 2007 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as of 31 December 2007, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other matters

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 9 April 2008

Balance Sheets >>>

As at 31 December 2007
(Amounts expressed in thousands of RMB)

		Group		Company	
	Note	2007	2006	2007	2006
ASSETS					
Non-current assets					
Property, plant and equipment	7	21,916,976	15,954,832	2,808,512	1,945,543
Land use rights	8	397,250	142,005	36,166	47,596
Mining rights	9	3,481,426	70,087	535,678	—
Intangible assets	10	44,759	15,389	16,317	10,012
Investments in subsidiaries	11	—	—	24,417,580	20,639,031
Investment in jointly-controlled entities		—	—	8,416	1,063,572
Investments in associates	12	1,146,263	589,590	1,092,879	478,060
Available-for-sale financial assets	13	378,972	136,554	11,667	2,070
Deferred income tax assets	25	1,892,635	2,397,087	462,810	664,256
Loans to subsidiaries	14	—	—	5,272,025	1,894,200
Long-term receivables	15	302,738	374,507	—	505,680
		29,561,019	19,680,051	34,662,050	27,250,020
Current assets					
Inventories	16	3,431,559	2,480,157	172,677	81,746
Trade and notes receivables	17	4,372,344	2,751,922	1,056,289	708,313
Prepayments and other receivables	18	2,656,663	1,805,502	3,582,117	2,377,292
Derivative financial instruments and other financial assets at fair value through profit or loss	19	2,037,572	8,014	2,037,572	—
Restricted bank deposits	20	360,303	27,280	—	12,760
Term deposits with initial terms of over three months	20	6,046,119	136,562	5,992,832	—
Cash and cash equivalents	20	4,333,828	18,224,249	926,110	15,722,667
		23,238,388	25,433,686	13,767,597	18,902,778
TOTAL ASSETS		52,799,407	45,113,737	48,429,647	46,152,798
EQUITY					
Equity attributable to the equity holders of the Company					
Share Capital	21	11,733,330	11,733,330	11,733,330	11,733,330
Reserves	22	11,400,959	9,789,902	22,962,556	22,893,258
Retained earnings					
- Dividends proposed after the balance sheet date	35	825,469	—	825,469	—
- Others		3,371,837	50,156	65,018	(549,658)
		27,331,595	21,573,388	35,586,373	34,076,930
Minority interests		2,954,375	1,064,365	—	—
Total equity		30,285,970	22,637,753	35,586,373	34,076,930

As at 31 December 2007
(Amounts expressed in thousands of RMB)

		Group		Company	
	Note	2007	2006	2007	2006
LIABILITIES					
Non-current liabilities					
Long-term borrowings	23	8,963,439	8,269,591	4,361,000	4,361,000
Long-term payables	24	401,519	—	390,041	—
Deferred income tax liabilities	25	1,845,295	495,816	426,992	10,323
Deferred revenue		27,949	—	9,949	—
Provision for employee benefits		28,706	23,179	8,202	8,343
Provision for close down, restoration and environmental costs	28	611,526	583,952	—	—
		11,878,434	9,372,538	5,196,184	4,379,666
Current liabilities					
Trade and notes payables	26	4,863,745	3,752,812	1,981,910	1,678,896
Accruals and other payables	27	3,557,495	5,684,512	5,665,180	5,155,336
Taxes payable		1,185,429	1,239,366	—	309,250
Short-term borrowings	23	316,215	1,859,827	—	552,720
Current portion of long-term borrowings	23	671,560	500,539	—	—
Current portion of provision for close down, restoration and environmental costs	28	40,559	66,390	—	—
		10,635,003	13,103,446	7,647,090	7,696,202
Total liabilities		22,513,437	22,475,984	12,843,274	12,075,868
TOTAL EQUITY AND LIABILITIES		52,799,407	45,113,737	48,429,647	46,152,798
NET CURRENT ASSETS		12,603,385	12,330,240	6,120,507	11,206,576
TOTAL ASSETS LESS CURRENT LIABILITIES		42,164,404	32,010,291	40,782,557	38,456,596

These financial statements have been approved for issue by the Board of Directors on 9 April 2008.

Jing Tianliang
Chairman of the Board
Executive Director

Peng Yi
Executive Director
Executive Vice President
Chief Financial Officer

The accompanying notes are an integral part of these financial statements.

Consolidated Income Statement >>>

For the year ended 31 December 2007
(Amounts expressed in thousands of RMB, except per share data)

	Note	2007	2006
Revenue	6	36,428,184	30,226,505
Cost of sales			
Materials		(12,927,856)	(12,589,144)
Staff costs		(1,905,201)	(1,401,721)
Depreciation and amortisation		(1,242,122)	(1,003,753)
Repairs and maintenance		(445,131)	(425,171)
Transportation cost		(6,544,889)	(5,447,934)
Sales taxes and surcharges		(656,732)	(420,949)
Others		(3,408,532)	(2,392,333)
Cost of sales		(27,130,463)	(23,681,005)
Gross profit		9,297,721	6,545,500
Selling, general and administrative expenses		(2,290,974)	(1,810,729)
Gain from fair value changes of other financial assets	19(b)	1,367,200	—
Other income	31	550,571	228,786
Other gains, net		176,157	209,336
Profit from operations		9,100,675	5,172,893
Finance costs, net	30	(757,408)	(480,764)
Share of profits of associates	12	12,117	32,637
Profit before income tax		8,355,384	4,724,766
Income tax expense	33	(1,949,153)	(1,340,918)
Profit for the year		6,406,231	3,383,848
Attributable to:			
Equity holders of the Company		6,019,805	3,172,109
Minority interests		386,426	211,739
		6,406,231	3,383,848
Basic and diluted earnings per share for the profit attributable to the equity holders of the Company (RMB)	34	0.51	0.39
Dividends distributed	35	1,048,959	1,236,079
Dividends proposed after the balance sheet date attributable to all shareholders including holders of A shares (Note 44(a))	35	825,469	—

The accompanying notes are an integral part of these financial statements.

<<< Consolidated Statement of Changes in Equity

For the year ended 31 December 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 year	—	—	3,172,109	3,172,109	211,739	3,383,848
Transfer of equity to minority shareholders	—	—	(159,004)	(159,004)	159,004	—
Contributions	—	—	55,000	55,000	92,147	147,147
Dividends (Note 35)	—	—	(100,265)	(100,265)	(60,340)	(160,605)
Net assets distributed to Parent Company in connection with the Restructuring (Note 2(a))	—	—	(810,034)	(810,034)	(2,599)	(812,633)
Recognition of deferred tax assets (Note 25 (a))	—	—	2,079,633	2,079,633	—	2,079,633
Distribution for the Pre-establishment Period (Note 35)	—	—	(54,264)	(54,264)	—	(54,264)
Capitalisation upon incorporation of the Company	8,000,000	(1,271,719)	(6,728,281)	—	—	—
Deemed contribution for the acquisition of 20% shares of Shanxi China Coal Pingshuo Antaibao Coal Company Limited (Note 2(b))	—	16,344	—	16,344	—	16,344
Issue of new shares (Note 21(b))	3,733,330	11,485,272	—	15,218,602	—	15,218,602
Share issue expenses (Note 21(b))	—	(753,026)	—	(753,026)	—	(753,026)
Appropriations	—	313,031	(313,031)	—	—	—
Special dividends for the Subsequent Profit Period (Note 35)	—	—	(1,021,210)	(1,021,210)	—	(1,021,210)
Balance at 31 December 2006	11,733,330	9,789,902	50,156	21,573,388	1,064,365	22,637,753
Profit for the year	—	—	6,019,805	6,019,805	386,426	6,406,231
Deferred tax charged directly to equity for change of income tax rate (Note 25 (a))	—	(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(c))	—	1,238,169	—	1,238,169	1,440,572	2,678,741
Fair value change in available-for-sale financial assets	—	7,198	—	7,198	—	7,198
Cumulative translation adjustment	—	(11,787)	—	(11,787)	—	(11,787)
Appropriations	—	823,696	(823,696)	—	—	—
Purchase of equity from a minority shareholder and others	—	(5,362)	—	(5,362)	7,537	2,175
Contributions	—	—	—	—	206,700	206,700
Dividends (Note 35)	—	—	(1,048,959)	(1,048,959)	(151,225)	(1,200,184)
As at 31 December 2007	11,733,330	11,400,959	4,197,306	27,331,595	2,954,375	30,285,970

The accompanying notes are an integral part of these financial statements.

Consolidated Cash Flow Statement >>>

For the year ended 31 December 2007
(Amounts expressed in thousands of RMB)

	Note	2007	2006
Cash flows from operating activities			
Cash generated from operations	37	6,741,484	6,241,484
Interest paid		(427,790)	(526,626)
Interest income received		190,590	187,775
Income tax paid		(1,748,518)	(693,994)
Net cash generated from operating activities		4,755,766	5,208,639
Cash flows from investing activities			
Purchases of property, plant and equipment		(5,900,906)	(3,192,566)
Proceeds from disposal of property, plant and equipment		55,705	92,417
Purchase of land use rights, mining rights and intangible assets		(128,272)	(10,278)
Proceeds from disposal of land use rights, mining rights and intangible assets		—	9,503
Purchases of other financial assets at fair value through profit or loss		(339,200)	—
Proceeds from disposal of other financial assets at fair value through profit or loss		8,014	—
Purchase of available-for-sale financial assets		(116,620)	(97,326)
Proceeds from disposal of available-for-sale financial assets		—	30,800
Purchase of minority interest in a subsidiary		(11,646)	—
Cash inflow 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		(717,305)	(559,713)
Proceeds from disposal of associates		116,680	8,771
Dividends received		8,816	22,531
Increase in term deposits with initial terms of over three months		(5,909,557)	(90,185)
Net cash used in investing activities		(13,865,658)	(3,786,046)

For the year ended 31 December 2007
(Amounts expressed in thousands of RMB)

	Note	2007	2006
Cash flows from financing activities			
Proceeds from short-term borrowings		1,558,075	2,840,283
Repayments of short-term borrowings		(3,251,398)	(2,924,743)
Proceeds from long-term borrowings		358,102	1,748,088
Repayments of long-term borrowings		(631,175)	(1,513,166)
Contribution from Parent Company		—	5,000
Contributions from minority interests		206,700	92,147
Cash distributed to Parent Company in connection with the Restructuring		—	(40,133)
Dividends paid to the Company's shareholders		(2,089,243)	(1,119,187)
Dividends paid to minority interests		(151,225)	(60,340)
Issue of new shares		—	15,218,602
Share issue expenses		(182,701)	(538,721)
Cash payment for acquisition of 20% shares of Shanxi China Coal Pingshuo Antaibao Coal Company Limited		—	(46,491)
Net cash (used in)/generated from financing activities		(4,182,865)	13,661,339
Net (decrease)/increase in cash and cash equivalents		(13,292,757)	15,083,932
Cash and cash equivalents, at beginning of the year		18,224,249	3,140,317
Net foreign exchange losses		(597,664)	—
Cash and cash equivalents at end of the year		4,333,828	18,224,249

The accompanying notes are an integral part of these financial statements.

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 preparing for a 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.

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 equity interests of 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.

The H shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited in December 2006 (Note 21(b)). The A shares of the Company were listed on the Shanghai Stock Exchange in February 2008 (Note 44(a)).

(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 was accounted for as a reorganisation of businesses under common control in a manner similar to a uniting of interests.

The consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2006 was prepared on the merger basis as if the Company had been the holding company of those companies comprising the Group throughout the year ended 31 December 2006.

In addition to the Transferred Businesses, the consolidated income statements for the year ended 31 December 2006 also include the results of operation of certain businesses controlled by China Coal Group that are relevant to the operations of the Transferred Businesses (the "Retained Businesses") up to 22 August 2006 (date of Restructuring). 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 financial position and results of operations of these Retained Businesses that are included in the consolidated financial statements for the year ended 31 December 2006.

(i) Assets and Liabilities

	As at 22 August 2006 (date of Restructuring)
Property, plant and equipment	420,765
Land use rights	6,008
Intangible assets	225
Investments in associates	164,053
Available-for-sale financial assets	68,245
Deferred tax assets	1,269
Inventories	122,131
Trade and other receivables	864,392
Financial asset at fair value through profit or loss	15,260
Cash and cash equivalents	40,133
Trade and other payables	(808,557)
Borrowings	(80,500)
Provision for employee benefits	(791)
	812,633

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

2 BASIS OF PRESENTATION (continued)

(a) The Restructuring of China Coal Group (continued)

(ii) Results of operations

	For the period from 1 January 2006 to 22 August 2006 (date of Restructuring)
Revenue	3,867,308
Others gains	689
Profit from operations	85,525
Finance costs	(6,112)
Income tax expense	(11,945)
Profit for the year	67,468

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.

(b) The acquisition of Shanxi China Coal Pingshuo Antaibao Coal Company Limited

In September 2006, the Company obtained approval from the PRC government to acquire the remaining 20% equity interests in Shanxi China Coal Pingshuo Antaibao Coal Company Limited ("Antaibao"), a jointly controlled entity, from China Coal Group and another joint venture partner at aggregate consideration of approximately RMB247,653,000. Upon completion of such acquisition in September 2006, Antaibao became a wholly owned subsidiary of the Group.

The acquisition is a combination of businesses under common control since the Company, China Coal Group and the other joint venture partner are under the common control of the PRC government. As a result, the Company accounted for the acquisition in a manner similar to a uniting of interests, and the consolidated financial statements for the year ended 31 December 2006 have been prepared to give effect to the acquisition at the beginning of the year presented as if the operations of the Group and Antaibao had been combined since 1 January 2006. The difference between the consideration paid of RMB247,653,000 and the net assets of Antaibao as at 1 January 2006 amounting to RMB263,997,000 has been reflected as a deemed contribution from the equity holders.

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

2 BASIS OF PRESENTATION (continued)

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

Effective from 1 January 2007, the Company obtained effective control over certain formerly jointly controlled entities, and as such the 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 fair values on 1 January 2007 based on the valuation reports issued by two qualified independent valuers.

In addition, on 6 April 2007, the Company acquired 50% of the shares of Fushun Coal Mining Motor Manufacturing Company Limited ("Fushun Motor"), for a total consideration of RMB158,000,000. As the Company was able to govern the financial and operating policies of Fushun Motor, it is accounted for as a subsidiary of the Company.

The summary of the additional consolidated assets, liabilities and net assets and the fair value adjustments, at the date of assuming the control/joint control and the date of acquisition of Fushun Motor respectively, are set below:

	Assumption of control/joint control of certain subsidiaries and a jointly-controlled entity		Acquisition of Fushun Motor	
	Book value	Fair value adjustment	Book value and Fair value	Total
Cash and cash equivalent	302,214	—	176,424	478,638
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	91,431	57,602	1,407,566
Mining rights	—	2,932,263	—	2,932,263
Land use rights	1,179	218,375	—	219,554
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)	(815,728)	(9,780)	(844,408)
Net assets acquired	28,006	2,426,341	382,394	2,836,741

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

2 BASIS OF PRESENTATION (continued)

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

	Assumption of control/joint control of certain subsidiaries and a jointly-controlled entity		Acquisition of Fushun Motor	
	Book value	Fair value adjustment	Book value and Fair value	Total
Attributable to the minorities interests	28,006	1,188,172	224,394	1,440,572
Attributable to the equity holders of Company	—	1,238,169	—	1,238,169
Cash paid for the acquisition	—	—	158,000	158,000
	28,006	2,426,341	382,394	2,836,741
Cash paid for the acquisition	—	—	(158,000)	(158,000)
Cash inflow from the assumption of control/joint control of certain subsidiaries and a jointly-controlled entity, and the acquisition	302,214	—	176,424	478,638
Net cash inflow from the assumption of control/joint control of certain subsidiaries and a jointly-controlled entity, and the acquisition	302,214	—	18,424	320,638

(d) The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments at fair value as disclosed in the accounting policies below.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied throughout the years presented, unless otherwise stated.

Standards, interpretations and amendments to published standards effective in 2007 and relevant to the operations of the Group are summarised as follows:

- IFRS 7, Financial Instruments: Disclosures, and the complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures. 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. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group has made the required disclosures in its consolidated financial statements under IFRS 7 and Amendment to IAS 1.

- IFRIC Interpretation 10, Interim financial reporting and impairment, prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have significant impact on the Group's consolidated financial statements.

Standards, interpretations and amendments to published standards effective in 2007 but not relevant to the operations of the Group are summarised as follows:

- IFRIC Interpretation 7, Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies;

- IFRIC Interpretation 8, Scope of IFRS 2, Share-based payment; and

- IFRIC Interpretation 9, Re-assessment of embedded derivatives.

Certain new standards, interpretations and amendments to published standards have been published, that are relevant to the operations of the Group, but not yet effective and have not been early adopted are summarised as follows:

- IAS 1 (Revised), "Presentation of Financial Statements" (effective from 1 January 2009). IAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRSs. The Group will apply IAS 1 (Revised) from 1 January 2009.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- IAS 23 (Revised 2007), Borrowing Costs (effective from 1 January 2009). The current version of IAS 23 provides management with a policy choice. Management can opt to capitalise borrowing costs relating to qualifying assets or expense the borrowing costs. IAS 23 (Revised 2007) removes this option and requires management to capitalise borrowing costs attributable to qualifying assets. Qualifying assets are assets that take a substantial time to get ready for their intended use or sale. The Group's current policy is already to capitalise borrowings costs so the amended standard will have no impact on the Group's consolidated financial statements. The Group will apply IAS 23 (Revised 2007) from 1 January 2009.

- IAS 27 (Revised), consolidated and separate financial statements (effective for annual periods beginning on or after 1 July 2009). IAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. Management considered there will be no significant impact from adopting IAS 27 (Revised 2007) on the consolidated financial statements of the Group. The Group will apply the IAS27 (Revised) from 1 January 2010.

- IFRS 3 (Revised), Business Combination (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are 'capable of being conducted' rather than 'are conducted and managed'. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other IFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply IFRS 3 (Revised) from 1 January 2010.

- IFRS 8, Operating Segments (effective from annual periods beginning on or after 1 January 2009). IFRS 8 replaces IAS 14, Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS/HKFRS 8 from 1 January 2009. Management is currently assessing the impact of this IFRS on the disclosures of the Group's financial statements.

- IFRIC - Int 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC - Int 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply IFRIC - Int 14 from 1 January 2008, but it is not expected to have significant impact on the Group's financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December 2007.

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group accounts for the business combination amongst entities under the common control under an accounting policy using the predecessor values method. Accordingly, assets and liabilities of the transferred entities are accounted for at the carrying value, as determined by the parent in its financial statements. The Reorganisation referred to Note 1 above has been accounted for by using predecessor values method, whereby regarding the Company as being the holding company of the subsidiaries from the beginning of the earliest period presented, or since the date when the combining companies first came under the control of the controlling party, where there is a shorter period, in which the difference between the consideration given and the aggregate value of the assets and liabilities of the acquired entity is recognised as an adjustment to equity and presented as capital reserve.

Apart from the Reorganisation, the purchase method of accounting is used to account for acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses (Note 3(k)). The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

(ii) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

(iii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses are recognised in the income statement, and its share of post-acquisition movements in reserves are recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, investments in associated companies are stated at cost less provision for impairment losses (Note 3(k)). The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

(iv) Jointly controlled entities

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established among the participating venturers and whereby the Group together with the other venturers undertake an economic activity which is subject to joint control and none of the venturers has unilateral control over the economic activity. The Group's interest in jointly controlled entities is accounted for by proportionate consolidation. The Group combines its share of the jointly controlled entities' individual income and expenses, assets and liabilities and cash flows in the relevant components of the financial statements on a line-by-line basis.

The Group recognises the portion of gains or losses on the sale of assets to jointly controlled entities that it is attributable to the other venturers. The Group does not recognise its share of profits or losses from jointly controlled entities that result from the purchase of assets by the Group from jointly controlled entities until the Group resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets, or an impairment loss, the loss is recognised immediately.

In the Company's balance sheet, investments in jointly controlled entities are stated at cost less provision for impairment losses (Note 3(k)). The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

(b) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns different from those of segments operating in other economic environments.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "Functional Currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the Functional Currency using the exchange rates quoted by the People's Bank of China prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the fair value reserve in equity.

(iii) Group companies

The results and financial positions of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a Functional Currency different from the presentation currency are translated into the presentation currency as follows:

(1) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Exploration and evaluation expenditure

Exploration and evaluation expenditure comprises costs which are directly attributable to: researching and analysing existing exploration data; conducting geological studies, exploratory drilling and sampling; examining and testing extraction and treatment methods; and compiling pre-feasibility and feasibility studies. Exploration and evaluation expenditure also includes the costs incurred in acquiring mining rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

During the initial stage of a project, exploration and evaluation costs are expensed as incurred. Expenditure on a project after it has reached a stage at which there is a high degree of confidence in its viability is capitalised and transferred to property, plant and equipment if the project proceeds. If a project does not prove viable, all irrecoverable costs associated with the project are expensed in the income statement.

(e) Property, plant and equipment

Property, plant and equipment, which consist of buildings, mining structures, plant, machinery and equipment, railway structures and motor vehicles, fixtures and others, are stated at historical cost, less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance are charged to the income statement in the period incurred.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Other than mining structures, depreciation of each asset is calculated using the straight-line method to allocate its cost less its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	10 – 50 years
Plant, machinery and equipment	8 – 18 years
Railway structures	25 – 30 years
Motor vehicles, fixtures and others	5 – 15 years

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment (continued)

Mining structures (including the main and auxiliary mine shafts and underground tunnels) are depreciated on the units of production method utilising only proved coal reserves in the depletion base.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3(k)).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the consolidated income statement.

(f) Deferred overburden removal costs

Stripping ratios are determined by comparing the quantity of coal mined to the quantity of overburden, or waste removed to access the coal. Costs are deferred to the balance sheet, where appropriate, when the actual stripping ratios vary from the planned mine average stripping ratios. Deferral of costs to the balance sheet is not made where the actual stripping ratio is expected to be evenly distributed. Costs, which have previously been deferred to the balance sheet (deferred overburden removal costs), are included in the income statement on a units of production basis utilising average stripping ratios. Changes in estimates of average stripping ratios are accounted for prospectively from the date of the change.

(g) Construction in progress

Construction in progress represents property, plant and equipment under construction or pending installation, and is stated at cost less impairment losses. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

(h) Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for periods varying from 20 to 50 years. Amortisation of land use rights is calculated on a straight-line basis over the period of the land use rights.

(i) Mining rights

Mining rights are stated at cost less accumulated amortisation and impairment losses and are amortised on the units of production method utilising only proved and probable coal reserves in the depletion base.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years. Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

(k) Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(l) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss included financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

The Company's financial assets designated as fair value through profit or loss are the investment in listed securities in the PRC (Note 19(b)), which is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the financial assets are provided internally on that basis to the entity's key management personnel.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are included in "trade receivables", "prepayments and other receivables" and "long-term receivables" in the balance sheet.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial assets (continued)

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payment is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "gains or losses from investment securities".

Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payment is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on equity specific inputs.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial assets (continued)

(iii) Available-for-sale financial assets (continued)

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(m) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designed as a hedging instrument, and if so, the nature of the item being hedged.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

For derivative instruments that do not qualify for hedge accounting, changes in the fair value of these derivative instruments are recognised immediately in the income statement.

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

(o) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within "selling, general and administrative expenses". When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against "selling, general and administrative expenses" in the income statement.

When notes receivables, which are bank accepted, are discounted with banks, they are derecognised from the balance sheet as risk of being recoursed is considered remote.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(q) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(r) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(s) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(t) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries, jointly-controlled entities and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Current and deferred income tax (continued)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(u) Employee benefits

(i) Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans administered by the PRC government. The relevant government agencies undertake to assume the retirement benefit obligation payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

(ii) Early retirement benefits

Employee early retirement benefits are recognised in the period in which the Group enters into an agreement with the employee specifying the terms of early retirement or after the individual employee has been advised of the specific terms. The specific terms vary among the early retired employees depending on various factors including position, length of services and district of the employee concerned. Early retirement benefits falling due more than 12 months after the balance sheet date are discounted to present value.

(iii) Housing benefits

All full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(v) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Provisions for close down, restoration and environmental costs

One consequence of coal mining is land subsidence caused by the resettlement of the land at the mining sites. Depending on the circumstances, the Group may relocate inhabitants from the mining sites prior to conducting mining activities or the Group may compensate the inhabitants for losses or damage from close down and land subsidence after the sites have been mined. The Group may also be required to make payments for restoration, rehabilitation or environmental protection of the land after the sites have been mined.

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Close down and restoration costs are provided in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during mine development or during the production phase, based on the net present value of estimated future costs. The cost is capitalised where it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life of the operation or at the time of close down. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision is included in borrowing costs. Where there is a change in the expected decommissioning and restoration costs, an adjustment is recorded against the carrying value of the provision and related assets, and the effect is then recognised in the income statement on a prospective basis over the remaining life of the operation. Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The cost estimates are reviewed and revised at each balance sheet date to reflect changes in conditions.

(x) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of goods

Revenue associated with the sale of coal, coke, mining machinery and ancillary materials and other goods is recognised when the goods have been delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods.

(ii) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Revenue recognition (continued)

(iii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

(y) Borrowing costs

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

(z) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(aa) Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants related to costs are deferred and recognised in the income statement over the periods necessary to match them with the related costs that they are intended to compensate.

Government grant relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

(ab) Dividend distributions

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

(ac) Comparative figures

Certain comparative figures have been reclassified to conform with the current year presentation.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including price risk, currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group historically has no fixed policy to use derivatives for hedging purposes. The majority of the financial instruments held by the Group are for purpose other than trading.

(a) Market risk

(i) Price risk

— Securities price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss.

The Group historically has not used any derivatives to hedge the investments and does not have a fixed policy to do so in the foreseeable future.

The Group's major equity investment is an investment in a listed company in PRC (Note 19(b)). Based on the assumption that the invested company's share price had increased/decreased by RMB10, the Group's net profit attributable to the equity holders of the Company would increase/decrease by RMB400 million before income tax and RMB300 million post income tax in 2007, with all other variables held constant.

— Commodity price risk

The Group is principally engaged in the production and sale of coal and coke. The coal and coke markets are influenced by global as well as regional supply and demand conditions. A change in prices of coal or coke could significantly affect the Group's financial performance.

The Group historically has not used any commodity derivative instruments to hedge the potential price fluctuations of coal or coke and does not have a fixed policy to do so in the foreseeable future.

4 FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk

The Group's operations (such as export sales, imports of machinery and equipment, and foreign currency deposits (Note 20) and borrowings (Note 23(g)) expose it to foreign exchange risk arising from various currency exposures primarily with respect to the HK Dollar ("HKD"), US Dollar ("USD") and Japanese Yen ("JPY"). In addition, the RMB is not freely convertible into other foreign currencies and conversion of the RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

In order to manage the foreign exchange risk related to the Company's bank deposits of unused listing proceeds denominated in HKD, in early 2007 the Company 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 (Note 19(a)). All of the Group's HKD deposits from listing proceeds have been converted into RMB in January 2008.

The Group historically has not used any derivative instruments to hedge exchange rate of USD and JPY and currently does not have a fixed policy to do so in the foreseeable future. If JPY had appreciated/depreciated by 10% against RMB, the Group's net profit attributable to the equity holders of the Company would decrease/increase by RMB114,764,000 in 2007 (2006: RMB134,289,000), with all other variables held constant. If USD had appreciated/depreciated by 10% against RMB, the Group's net profit attributable to the equity holders of the Company would increase/decrease approximately by RMB96,504,000 in 2007 (2006: RMB39,709,000), with all other variables held constant.

(iii) Cash flow and fair value interest rate risk

The Group's interest-rate risk mainly arises from borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group historically has not used any financial instruments to hedge potential fluctuations in interest rates.

4 FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents, term deposits, restricted bank deposits, trade and notes receivable and other receivables except for prepayment included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets.

Majority of the Group's bank deposits are placed with state-owned banks and the credit risk is considered low.

The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history, and its major clients are large-scale companies with good credit. The Group's historical experience in collection of trade and other receivables falls within the recorded allowance and the directors are of the opinion that adequate provision for uncollectible receivables has been made in the financial statements.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of borrowing facilities (Note 23(i)). Due to the dynamic nature of the underlying businesses, the Group maintains a reasonable level of cash and cash equivalents, and further supplements this by keeping committed credit lines available.

The Group's primary cash requirements have been for purchases of materials, machinery and equipment and payment of related debts. The Group finances its working capital requirements through a combination of funds generated from operations, bank loans and the net proceeds from the initial public offering.

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facilities (Note 23(i)) and cash and cash equivalents (Note 20)) on the basis of expected cash flow.

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Group				
At 31 December 2007				
Bank borrowings	1,544,754	1,121,858	2,897,780	9,070,404
Trade and other payables	8,421,240	—	—	—
Long-term payables	62,115	100,000	319,289	—
At 31 December 2006				
Bank borrowings	2,873,324	775,648	3,243,706	8,251,627
Trade and other payables	9,437,324	—	—	—
Company				
At 31 December 2007				
Bank borrowings	269,036	269,036	1,015,486	5,740,378
Trade and other payables	7,647,090	—	—	—
Long-term payables	50,637	100,000	319,289	—
At 31 December 2006				
Bank borrowings	836,242	269,036	944,285	6,080,615
Trade and other payables	6,834,232	—	—	—

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings include current and non-current borrowings as shown in the consolidated balance sheet. Total capital is calculated as 'equity', as shown in the consolidated balance sheet, plus borrowings.

The gearing ratios of the Group at 31 December 2007 and 2006 were as follows:

	2007	2006
Total borrowings (Note 23)	9,951,214	10,629,957
Equity	27,331,595	21,573,388
Total capital	37,282,809	32,203,345
Gearing ratio	27%	33%

The change in the gearing ratio during 2007 resulted primarily from the increase in equity contributed by the Group's net profit earned in 2007. The Group's gearing ratio is further improved when it issued new A shares in February 2008 (Note 44(a)). Therefore, the Group has no further plan to use special measures to adjust its gearing ratio in the foreseeable future.

4.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as securities at fair value through profit or loss, or available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying value less impairment provision of receivables, payables and short-term borrowings are a reasonable approximation of their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair values of long-term borrowings are disclosed in Note 23(e).

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Carrying value of non-current assets

Non-current assets, including property, plant and equipment, land use rights, mining rights and intangible assets, are carried at cost less accumulated amortisation. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position.

(ii) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

(iii) Reserve estimates

Reserves are estimates of the amount of product that can be economically and legally extracted from the Group's properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand and commodity prices.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

Because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

— Asset carrying values may be affected due to changes in estimated future cash flows.

— Depreciation, depletion and amortisation charged in the income statement may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.

— Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

— The carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of the tax benefits.

(iv) Trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the provision at each balance sheet date.

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

(v) Income taxes

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. In addition, the realisation of future income tax assets is dependent on the Group's ability to generate sufficient taxable income in future years to utilise income tax benefits and income tax loss carry-forwards. Deviations of future profitability from estimates or in the income tax rate would result in adjustments to the value of future income tax assets and liabilities that could have a significant effect on earnings.

(vi) Provision for close down, restoration and environmental costs

The provision for close down, restoration and environmental costs is determined by management based on their past experience and best estimation of future expenditures, after taking into account existing relevant PRC regulations. However, in so far as the effect on the land and the environment from current mining activities becomes apparent in future years, the estimate of the associated costs may be subject to revision from time to time.

6 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.

Unallocated assets comprise cash and cash equivalents, term deposits with initial terms of over three months, restricted bank deposits, investment in associates and deferred income tax assets. Unallocated liabilities comprise long-term borrowings, short-term borrowings, taxes payable and deferred income tax liabilities. Segment assets and liabilities are the other assets and liabilities as disclosed in the consolidated balance sheets.

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

6 REVENUE AND SEGMENT INFORMATION (continued)

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

Capital expenditure comprises additions to property, plant and equipment (Note 7), land use rights (Note 8), mining rights (Note 9) and intangible assets (Note 10).

	2007					
	Coal	Coke	Machinery	Others	Inter-segment elimination	Total
Segment results						
Revenue						
- External	26,450,680	4,436,932	2,992,949	2,547,623	—	36,428,184
- Inter-segment	608,445	14,188	532,059	476,813	(1,631,505)	—
	27,059,125	4,451,120	3,525,008	3,024,436	(1,631,505)	36,428,184
Profit from operations	6,733,671	279,693	299,973	1,840,813	(53,475)	9,100,675
Finance costs (Note 30)						(757,408)
Share of profits of associates						12,117
Profit before income tax						8,355,384
Income tax expense						(1,949,153)
Profit for the year						6,406,231
Segment assets and liabilities						
Assets						
Segment assets	24,665,439	3,937,974	3,475,567	8,374,446	(1,433,167)	39,020,259
Unallocated assets						13,779,148
Total assets						52,799,407
Liabilities						
Segment liabilities	6,302,518	754,486	1,578,877	1,671,931	(776,313)	9,531,499
Unallocated liabilities						12,981,938
Total liabilities						22,513,437
Other segment information						
Depreciation	1,027,258	103,629	57,444	188,634	—	1,376,965
Amortisation	66,188	1,826	1,254	544	—	69,812
(Reversal of)/provision for impairment of receivables	24,937	56,744	(891)	1,436	—	82,226
Capital expenditure	5,420,782	453,839	345,145	437,498	—	6,657,264

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

6 REVENUE AND SEGMENT INFORMATION (continued)

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

2006	Coal	Coke	Machinery	Others	Inter-segment elimination	Total
Segment results						
Revenue						
- External	23,831,884	2,034,821	2,346,222	2,013,578	—	30,226,505
- Inter-segment	211,864	—	392,611	261,876	(866,351)	—
	24,043,748	2,034,821	2,738,833	2,275,454	(866,351)	30,226,505
Profit from operations	4,620,162	76,956	214,484	294,522	(33,231)	5,172,893
Finance costs (Note 30)						(480,764)
Share of profits of associates						32,637
Profit before income tax						4,724,766
Income tax expense						(1,340,918)
Profit for the year						3,383,848
Segment assets and liabilities						
Assets						
Segment assets	16,380,852	2,670,682	2,103,269	4,212,791	(1,039,035)	24,328,559
Unallocated assets						20,785,178
Total assets						45,113,737
Liabilities						
Segment liabilities	6,902,945	422,726	1,273,462	3,035,600	(941,098)	10,693,635
Unallocated liabilities						11,782,349
Total liabilities						22,475,984
Other segment information						
Depreciation	867,077	59,861	43,749	161,378	—	1,132,065
Amortisation	6,845	2,920	2,089	2,314	—	14,168
(Reversal of)/provision for impairment of receivables	(2,503)	973	(5,941)	(1,690)	—	(9,161)
Capital expenditure	3,150,652	207,486	319,466	134,071	—	3,811,675

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

6 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	2007	2006
Domestic markets	31,459,680	22,937,176
Export sales – Asia Pacific markets	4,062,165	6,633,081
Export sales – other markets	906,339	656,248
	36,428,184	30,226,505

Analysis of sales by category	2007	2006
Sales of goods	34,606,046	29,559,631
Revenue from services	1,822,138	666,874
	36,428,184	30,226,505

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

7 PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Mining structures	Plant, machinery and equipment	Railway structures	Motor vehicles, fixtures and others	Construction in progress	Total
At 1 January 2006							
Cost	4,448,468	3,014,365	8,876,677	641,556	461,291	2,134,349	19,576,706
Accumulated depreciation	(1,200,514)	(931,846)	(3,397,743)	(251,881)	(176,216)	—	(5,958,200)
Net book amount	3,247,954	2,082,519	5,478,934	389,675	285,075	2,134,349	13,618,506
Year ended 31 December 2006							
Opening net book amount	3,247,954	2,082,519	5,478,934	389,675	285,075	2,134,349	13,618,506
Additions	124,638	209,409	704,791	—	71,848	2,690,711	3,801,397
Transfer upon completion	1,032,619	8,050	1,596,096	21,904	2,415	(2,661,084)	—
Acquisition of 20% shares of Antaibao	34,419	42,444	146,126	3,372	5,213	4,344	235,918
Disposals	(10,658)	(61,601)	(70,207)	—	(3,644)	(2,049)	(148,159)
Distribution to Parent Company in connection with the Restructuring	(255,622)	—	(96,131)	—	(28,841)	(40,171)	(420,765)
Depreciation charge (Note 29)	(165,004)	(180,796)	(688,995)	(27,075)	(70,195)	—	(1,132,065)
Closing net book amount	4,008,346	2,100,025	7,070,614	387,876	261,871	2,126,100	15,954,832
At 31 December 2006							
Cost	5,326,586	3,214,969	11,320,069	685,385	473,165	2,126,100	23,146,274
Accumulated depreciation	(1,318,240)	(1,114,944)	(4,249,455)	(297,509)	(211,294)	—	(7,191,442)
Net book amount	4,008,346	2,100,025	7,070,614	387,876	261,871	2,126,100	15,954,832
Year ended 31 December 2007							
Opening net book amount	4,008,346	2,100,025	7,070,614	387,876	261,871	2,126,100	15,954,832
Assumption of control/joint control of certain subsidiaries and a jointly-controlled entity	478,201	179,798	498,285	—	28,363	222,919	1,407,566
Additions	262,846	385,011	369,037	40,785	136,414	4,849,222	6,043,315
Transfer upon completion	454,784	4,681	789,953	—	101,442	(1,350,860)	—
Disposals	(64,562)	—	(15,989)	—	(31,221)	—	(111,772)
Depreciation charge (Note 29)	(167,213)	(175,720)	(956,103)	(26,600)	(51,329)	—	(1,376,965)
Closing net book amount	4,972,402	2,493,795	7,755,797	402,061	445,540	5,847,381	21,916,976
At 31 December 2007							
Cost	6,508,450	3,790,612	13,009,580	726,170	709,558	5,847,381	30,591,751
Accumulated depreciation	(1,536,048)	(1,296,817)	(5,253,783)	(324,109)	(264,018)	—	(8,674,775)
Net book amount	4,972,402	2,493,795	7,755,797	402,061	445,540	5,847,381	21,916,976

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

7 PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Buildings	Plant, machinery and equipment	Motor vehicles and others	Construction in progress	Total
Year ended 31 December 2006					
Opening net book amount	—	—	—	—	—
Additions	963,641	566,866	97,145	632,916	2,260,568
Depreciation charge	(182,455)	(93,849)	(38,721)	—	(315,025)
Closing net book amount	781,186	473,017	58,424	632,916	1,945,543
At 31 December 2006					
Cost	963,641	566,866	97,145	632,916	2,260,568
Accumulated depreciation	(182,455)	(93,849)	(38,721)	—	(315,025)
Net book amount	781,186	473,017	58,424	632,916	1,945,543
Year ended 31 December 2007					
Opening net book amount	781,186	473,017	58,424	632,916	1,945,543
Additions	958	79,840	8,373	1,027,350	1,116,521
Transfer upon completion	160,773	115,611	—	(276,384)	—
Disposals	(1,807)	(143)	—	—	(1,950)
Transfer to subsidiaries	(124,772)	(18,587)	(4,436)	—	(147,795)
Depreciation charge	(36,655)	(55,182)	(11,970)	—	(103,807)
Closing net book amount	779,683	594,556	50,391	1,383,882	2,808,512
At 31 December 2007					
Cost	998,793	743,587	101,082	1,383,882	3,227,344
Accumulated depreciation	(219,110)	(149,031)	(50,691)	—	(418,832)
Net book amount	779,683	594,556	50,391	1,383,882	2,808,512

Notes:

(a) As at 31 December 2007, bank borrowings of the Group were secured by certain property, plant and equipment with a net book value of RMB163,573,000 (31 December 2006: RMB157,427,000) (Note 23(h)).

(b) As at 31 December 2007, certain buildings of the Group with a carrying value totalling RMB142,455,000 were without title certificates. The Group is in the process of applying for the title certificates for these buildings.

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

8 LAND USE RIGHTS

	Group	Company
At 1 January 2006		
Cost	171,299	—
Accumulated amortisation	(12,253)	—
Net book amount	159,046	—
Year ended 31 December 2006		
Opening net book amount	159,046	—
Additions	5,165	50,878
Disposals	(8,583)	—
Distribution to Parent Company in connection with the Restructuring	(6,008)	—
Amortisation charge	(7,615)	(3,282)
Closing net book amount	142,005	47,596
At 31 December 2006		
Cost	153,608	50,878
Accumulated amortisation	(11,603)	(3,282)
Net book amount	142,005	47,596
Year ended 31 December 2007		
Opening net book amount	142,005	47,596
Assumption of control/joint control of certain subsidiaries and a jointly-controlled entity	219,554	—
Additions	44,661	9,117
Transfer to subsidiaries	—	(17,258)
Amortisation charge	(8,970)	(3,289)
Closing net book amount	397,250	36,166
At 31 December 2007		
Cost	417,823	42,737
Accumulated amortisation	(20,573)	(6,571)
Net book amount	397,250	36,166

The Group's land use rights represent prepaid operating lease payments for leasehold land located in the PRC with lease periods of between 20 to 50 years.

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

9 MINING RIGHTS

	Group	Company
At 1 January 2006		
Cost	80,285	—
Accumulated amortisation	(7,040)	—
Net book amount	73,245	—
Year ended 31 December 2006		
Opening net book amount	73,245	—
Amortisation charge	(3,158)	—
Closing net book amount	70,087	—
At 31 December 2006		
Cost	80,285	—
Accumulated amortisation	(10,198)	—
Net book amount	70,087	—
Year ended 31 December 2007		
Opening net book amount	70,087	—
Assumption of control of certain subsidiaries (note a)	2,932,263	—
Additions (Note 24(a))	535,678	535,678
Amortisation charge	(56,602)	—
Closing net book amount	3,481,426	535,678
At 31 December 2007		
Cost	3,548,226	535,678
Accumulated amortisation	(66,800)	—
Net book amount	3,481,426	535,678

Note:

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

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

10 INTANGIBLE ASSETS

	Group	Company
At 1 January 2006		
Cost	19,997	—
Accumulated amortisation	(5,182)	—
Net book amount	14,815	—
Year ended 31 December 2006		
Opening net book amount	14,815	—
Additions	5,113	11,698
Disposals	(919)	—
Distribution to Parent Company in connection with the Restructuring	(225)	—
Amortisation charge	(3,395)	(1,686)
Closing net book amount	15,389	10,012
At 31 December 2006		
Cost	22,196	11,698
Accumulated amortisation	(6,807)	(1,686)
Net book amount	15,389	10,012
Year ended 31 December 2007		
Opening net book amount	15,389	10,012
Additions	33,610	7,721
Transfer to subsidiaries	—	(313)
Amortisation charge	(4,240)	(1,103)
Closing net book amount	44,759	16,317
At 31 December 2007		
Cost	55,806	19,106
Accumulated amortisation	(11,047)	(2,789)
Net book amount	44,759	16,317

Intangible assets mainly represent computer software.

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

11 INVESTMENTS IN SUBSIDIARIES

	2007	2006
Investments, at cost:		
Shares listed in the PRC	2,197,058	2,197,058
Unlisted shares	22,220,522	18,441,973
	24,417,580	20,639,031
Market value of listed shares	11,399,694	3,253,090

Particulars of principal subsidiaries as at 31 December 2007 are set out in Note 42(i)

12 INVESTMENTS IN ASSOCIATES

	Group		Company	
	2007	2006	2007	2006
Beginning of the year	589,590	98,911	478,060	—
Additions	717,305	630,866	723,547	478,060
Assumption of joint control of an associate	(56,069)	—	—	—
Disposals	(116,680)	(8,771)	(108,728)	—
Distribution to Parent Company in connection with the Restructuring	—	(164,053)	—	—
Share of profits	12,117	32,637	—	—
End of the year	1,146,263	589,590	1,092,879	478,060

Summary of the Group's interest in its associates, all of which are unlisted, is as follows:

	Group	
	2007	2006
Total assets	2,592,588	2,454,155
Total liabilities	(1,446,325)	(1,864,565)
Revenue	305,199	600,100
Net profits	12,117	32,637

Particulars of the Group's associates are set out in Note 42(iii).

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

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2007	2006	2007	2006
Beginning of the year	136,554	125,749	2,070	—
Assumption of control/joint-control of certain subsidiaries and a jointly-controlled entity	116,201	—	—	—
Additions	116,620	109,850	—	2,070
Disposals	—	(30,800)	—	—
Increase in fair value credited to equity	9,597	—	9,597	—
Distributed to Parent Company in connection with the Restructuring	—	(68,245)	—	—
End of the year	378,972	136,554	11,667	2,070

Available-for-sale financial assets comprising principally unlisted equity securities, are classified as non-current assets unless they are expected to be realised within twelve months of the balance sheet date.

Dividend income from available-for-sale investments was RMB6,895,000 in 2007 (2006: RMB7,514,000).

14 LOANS TO SUBSIDIARIES

The Company borrowed bank loans from PRC banks and on-lent such loans to its subsidiaries at interest rates ranging from 6.48% to 7.05% with maturities from 4 years to 12 years. The loans are neither past due nor impaired as at 31 December 2007 and 2006. Such Loan balances and the related interest income and expenses have been eliminated in the consolidated balance sheet and income statement.

15 LONG-TERM RECEIVABLES

Long-term receivables represent amounts advanced to certain jointly controlled entities (31 December 2007: RMB212,411,000, 31 December 2006: RMB172,600,000) and third parties (31 December 2007: RMB90,327,000, 31 December 2006: RMB201,907,000) to ensure stable supply of raw materials. The amounts are secured by certain property, plant and equipment with fair value of RMB301,717,000 as at 31 December 2007 (2006: Nil). The amounts bear interest at 3.60% to 5.51% per annum during the year and repayable in 2 to 4 years time. The receivables are neither past due nor impaired as at 31 December 2007 and 2006.

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

16 INVENTORIES

	Group		Company	
	2007	2006	2007	2006
Coal	928,692	614,506	156,651	71,544
Coke	195,490	239,757	—	—
Machinery for sale	689,050	530,788	—	—
Auxiliary materials, spare parts and tools	1,618,327	1,095,106	16,026	10,202
	3,431,559	2,480,157	172,677	81,746

17 TRADE AND NOTES RECEIVABLE

	Group		Company	
	2007	2006	2007	2006
Trade receivables, net (note (a))	3,426,800	2,393,402	1,056,289	706,873
Notes receivable (note (b))	945,544	358,520	—	1,440
	4,372,344	2,751,922	1,056,289	708,313

Notes:

(a) Trade receivables are analysed as follows:

	Group		Company	
	2007	2006	2007	2006
Trade receivables				
- Subsidiaries	—	—	476,316	—
- Fellow subsidiaries	466,387	—	13,437	—
- Associates	59,849	6,088	24,327	—
- Other related parties	90,375	133,426	—	—
- Other state-owned enterprises	1,777,223	1,370,982	318,443	370,634
- Third parties	1,032,966	882,906	223,766	336,239
Trade receivables, net	3,426,800	2,393,402	1,056,289	706,873

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

17 TRADE AND NOTES RECEIVABLE (continued)

Notes: (continued)

(a) (continued)

Aging analysis of trade receivables on each balance sheet date is as follows:

	Group		Company	
	2007	2006	2007	2006
1 - 6 months	3,025,303	1,996,423	1,033,346	696,400
6 - 12 months	322,288	202,096	—	466
1 - 2 years	97,578	147,149	—	2
2 - 3 years	109,746	70,202	16,139	44
Over 3 years	98,149	153,236	21,571	26,504
Trade receivables, gross	3,653,064	2,569,106	1,071,056	723,416
Less: Impairment of receivables	(226,264)	(175,704)	(14,767)	(16,543)
Trade receivables, net	3,426,800	2,393,402	1,056,289	706,873

Movements of the provision for impairment of trade receivables are as follows:

	Group	
	2007	2006
At the beginning of the year	175,704	251,320
Provision for impairment of receivables	83,988	29,801
Reversal of provision for impairment of receivables	(20,159)	(13,885)
Receivables written off during the year as uncollectible	(15,548)	(2,323)
Assumption of control/joint control of certain subsidiaries and a jointly-controlled entity	2,279	—
Distributed to Parent Company in connection with the Restructuring	—	(89,209)
At the end of the year	226,264	175,704

Most of the trade receivables are with credit terms of six months, except for receivables for sales of coal machinery, which have a credit period of more than one year. For receivables that are more than 180 days past due, impairment provision is assessed. The individually impaired receivables relate to customers which are in unexpected difficult economic situations. Receivables that are neither past due nor impaired are with customers of good credit.

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, domestically and internationally dispersed.

The Group does not hold any collateral as security.

Trade receivables from related parties are unsecured, interest free and repayable in accordance with the relevant contract entered into between the Group and the related parties.

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

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

17 TRADE AND NOTES RECEIVABLE (continued)

Notes: (continued)

(c) The carrying amounts of trade and notes receivable are denominated in the following currencies:

	Group		Company	
	2007	2006	2007	2006
RMB	3,726,303	2,227,907	1,056,289	708,313
USD	646,041	524,015	—	—
	4,372,344	2,751,922	1,056,289	708,313

(d) The carrying amounts of trade and notes receivable approximate their fair values.

18 PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	2007	2006
Advances to suppliers (note (a))	1,900,625	1,234,394	336,755	166,035
Interest receivable	230,964	—	230,729	—
Dividends receivable	4,334	6,255	1,083,612	584,304
Loan to a jointly controlled entity/associate (note (b))	92,389	149,500	—	—
Amounts due from related parties, gross (note (c))	326,029	122,589	1,824,006	1,549,195
Amounts due from third parties, gross	443,600	531,375	119,088	94,858
	2,997,941	2,044,113	3,594,190	2,394,392
Less: Impairment of other receivables (note (d))	(341,278)	(238,611)	(12,073)	(17,100)
Prepayments and other receivables, net (note (e))	2,656,663	1,805,502	3,582,117	2,377,292

Notes:

(a) Advances to suppliers are analysed as follows:

	Group		Company	
	2007	2006	2007	2006
Advances to suppliers				
- Subsidiaries	—	—	109,945	—
- Fellow subsidiaries	59,972	—	2,936	—
- Associates	2,860	3,280	—	—
- Other related parties	39,612	3,377	—	3,377
- Other state-owned enterprises	793,268	520,360	—	105,887
- Third parties	1,004,913	707,377	223,874	56,771
	1,900,625	1,234,394	336,755	166,035

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

18 PREPAYMENTS AND OTHER RECEIVABLES (continued)

Notes: (continued)

(b) The amount represents the loan to a jointly controlled entity (an associate at 31 December 2006) to finance its operations. The amount is unsecured, bear interest of 6.90% per annum during the year (2006: 6.90%) and repayable in one year. No impairment was provide for the loan as at 31 December 2007 and 2006.

(c) Amounts due from related parties are analysed as follows:

	Group		Company	
	2007	2006	2007	2006
Amounts due from related parties, gross				
- Subsidiaries	—	—	1,776,978	1,512,121
- Fellow subsidiaries	26,992	—	2,935	—
- Jointly controlled entities	3,018	—	—	—
- Associates	44,170	18,101	21,769	21,734
- Other related parties	1,471	23,540	—	—
- Other state-owned enterprises	250,378	80,948	22,324	15,340
	326,029	122,589	1,824,006	1,549,195

Amounts due from related parties are unsecured, interest free and have no fixed repayment term.

(d) The provision for impairment mainly relates to amounts due from third parties and related parties. Movement of the provision for impairment of other receivables are as follows

	Group	
	2007	2006
At the beginning of the year	238,611	282,267
Provision for impairment of receivables	30,049	9,449
Reversal of provision for impairment of receivables	(11,652)	(34,526)
Receivables written off during the year as uncollectible	(1,411)	(6,863)
Assumption of control/joint control of certain subsidiaries and a jointly-controlled entity	85,681	—
Distributed to Parent Company in connection with the Restructuring	—	(11,716)
At the end of the year	341,278	238,611

(e) The carrying amounts of other receivables approximate their fair values.

(f) There are no collaterals for other receivables.

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

19 DERIVATIVE FINANCIAL INSTRUMENTS AND OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	Derivative financial instruments (note (a))	Others financial assets at fair value through profit and loss (note (b))	Total
Year ended 31 December 2007			
Opening balance	—	8,014	8,014
Additions	—	339,200	339,200
Increase in fair value through profit or loss	399,051	1,367,200	1,766,251
Disposals	(67,879)	(8,014)	(75,893)
Closing balance	331,172	1,706,400	2,037,572

Company

	Derivative financial instruments (note (a))	Others financial assets at fair value through profit and loss (note (b))	Total
Year ended 31 December 2007			
Opening balance	—	—	—
Additions	—	339,200	339,200
Increase in fair value through profit or loss	399,051	1,367,200	1,766,251
Disposals	(67,879)	—	(67,879)
Closing balance	331,172	1,706,400	2,037,572

Notes:

(a) Derivative financial instruments represent forward foreign exchange contracts held by the Company. 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 the PRC, which enable the Company to exchange certain amount of HKD deposit into RMB at a fixed rate at the maturity date. The total original notional principal amount under the contract amounted to approximately HKD10.1 billion, and the maturity period ranges from 6 months to 12 months from the contracting date, and at 31 December 2007, the total notional principal amount under the contract was approximately HKD6.6 billion (2006: Nil) and all due in January 2008. The Company accounted for those contracts as financial assets at fair value through profit or loss at the date of the transaction, and the gain in the fair value of the contracts are recorded as an offsetting item of finance costs (Note 30) in the income statement.

(b) Other financial assets at fair value through profit and loss mainly represent the Company's investment in listed securities in the PRC. In May 2007, the Company subscribed for 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. As at 28 December 2007 (the last trading date in 2007), the market price for the share was RMB42.66 per share, and the increase in the fair value of the investments, compared with the historical cost, has been recorded as a gain in the year ended 31 December 2007.

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

20 BANK DEPOSITS

	Group		Company	
	2007	2006	2007	2006
Restricted bank deposits (note (a))	360,303	27,280	—	12,760
Term deposits with initial terms of over three months	6,046,119	136,562	5,992,832	—
Cash and cash equivalents				
- Cash on hand	1,336	1,864	67	43
- Deposits with banks and other financial institutions	4,332,492	18,222,385	926,043	15,722,624
	10,740,250	18,388,091	6,918,942	15,735,427

Notes:

(a) Restricted bank deposits mainly include the deposits set aside for the transformation fund and environmental restoration fund as required by related regulation (Note 22(g)) and deposits pledged for notes payable.

(b) For the years ended 31 December 2007, the weighted average effective interest rate range on deposits was 0.72% to 4.01% (2006: 0.71% to 3.80%) per annum.

(c) Deposits and cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2007	2006	2007	2006
RMB	3,872,149	4,291,258	902,420	2,365,741
USD	853,542	643,026	3,973	16,528
HKD	6,012,617	13,419,236	6,012,549	13,353,158
Euro	—	33,192	—	—
JPY	1,942	1,252	—	—
Other currencies	—	127	—	—
	10,740,250	18,388,091	6,918,942	15,735,427

Cash and cash equivalents are principally HKD-denominated and RMB-denominated deposits placed with banks and non-bank financial institutions in the PRC. The conversion of RMB-denominated deposits into foreign currencies and remittance out of the PRC are subject to certain PRC rules and regulations of foreign exchange control promulgated by the PRC government. Also, the exchange rates are determined by the PRC government.

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

21 SHARE CAPITAL

	Number of shares (thousands)	Nominal Value
Registered, issued and fully paid		
Domestic shares of RMB1.00 each	7,626,667	7,626,667
H shares of RMB1.00 each	4,106,663	4,106,663
As at 31 December 2007 and 2006	11,733,330	11,733,330

A summary of the movement in the Company's issued share capital for the period from 22 August 2006 (date of incorporation of the Company) to 31 December 2006 and 2007 is as follows:

	Domestic shares	H shares	Total
Incorporation on 22 August 2006 (note (a))	8,000,000	—	8,000,000
Issue of new shares upon listing (note (b))	(373,333)	4,106,663	3,733,330
As at 31 December 2006 and 2007	7,626,667	4,106,663	11,733,330

Notes:

(a) The Company was incorporated on 22 August 2006, with an initial registered share capital of RMB8 billion divided into 8 billion shares with a nominal value of RMB1.00 each. The entire registered capital (the "Domestic Shares") were issued, credited as fully paid to China Coal Group, the Parent Company, in consideration for the transfer of the assets, liabilities and operations of the Transferred Businesses to the Company pursuant to the Restructuring as referred to in Note 1 to the consolidated financial statements.

The Domestic shares rank pari passu, in all material respects, with the H shares. However, the transfer of Domestic shares is subject to certain restrictions imposed by the PRC law from time to time.

(b) In December 2006, the Company issued 3,733,330,000 H shares of RMB1.00 each at HK$4.05 (equivalent to RMB4.09) per share pursuant to the initial public offering and listing of the Company's H shares on the Main Board of The Stock Exchange of Hong Kong Limited. Net proceeds from such issue amounted to RMB14,465,576,000, out of which RMB3,733,330,000 was recorded in share capital and RMB10,732,246,000 was recorded in capital reserve.

In addition, pursuant to the "Temporary Administrate Measure of Reduction of state-owned shares", upon the completion of the H share listing, China Coal Group converted 373,333,000 shares of the Company into H shares. The H shares were then transferred to the National Social Security Fund of the PRC.

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

22 RESERVE

	Capital reserve	Statutory reserve funds	Future development fund	Safety fund	Other reserves	Retained Earnings/ Shareholders' equity	Total
Group							
Balance at 1 January 2006	—	—	—	—	—	3,929,503	3,929,503
Profit for the year	—	—	—	—	—	3,172,109	3,172,109
Transfer of equity to minority shareholders	—	—	—	—	—	(159,004)	(159,004)
Contributions	—	—	—	—	—	55,000	55,000
Dividends (Note 35)	—	—	—	—	—	(100,265)	(100,265)
Net assets distributed to Parent Company in connection with the Restructuring (Note 2(a))	—	—	—	—	—	(810,034)	(810,034)
Recognition of deferred tax assets (Note 25(a))	—	—	—	—	—	2,079,633	2,079,633
Distribution for the Pre-establishment Period (Note 35)	—	—	—	—	—	(54,264)	(54,264)
Capitalisation upon incorporation of the Company	(4,009,087)	—	57,486	600,249	2,079,633	(6,728,281)	(8,000,000)
Deemed contribution for the acquisition of 20% shares of Antaibao (Note 2(b))	—	—	—	—	16,344	—	16,344
Share premium (Note 21(b))	11,485,272	—	—	—	—	—	11,485,272
Share issue expenses (Note 21(b))	(753,026)	—	—	—	—	—	(753,026)
Appropriations	2,637	129,949	19,910	160,535	—	(313,031)	—
Special dividends for the Subsequent Profit Period (Note 35)	—	—	—	—	—	(1,021,210)	(1,021,210)
Balance at 31 December 2006	6,725,796	129,949	77,396	760,784	2,095,977	50,156	9,840,058

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

22 RESERVE (continued)

	Capital reserve	Statutory reserve funds	Future development fund	Safety fund	Transformation and environmental restoration fund	Translation reserve	Other reserves	Retained Earnings	Total
Group									
Balance at 1 January 2007	6,725,796	129,949	77,396	760,784	—	—	2,095,977	50,156	9,840,058
Profit for the year	—	—	—	—	—	—	—	6,019,805	6,019,805
Deferred tax charged directly to equity for change of income tax rate (Note 25(a))	—	—	—	—	—	—	(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(c))	—	—	—	—	—	—	1,238,169	—	1,238,169
Fair value change in available-for-sale financial assets	—	—	—	—	—	—	7,198	—	7,198
Cumulative translation adjustment	—	—	—	—	—	(11,787)	—	—	(11,787)
Appropriations	—	208,269	179,379	259,990	176,058	—	—	(823,696)	—
Purchase of minority interest in a subsidiary and others	—	—	—	—	—	—	(5,362)	—	(5,362)
Dividends (Note 35)	—	—	—	—	—	—	—	(1,048,959)	(1,048,959)
Balance at 31 December 2007	6,725,796	338,218	256,775	1,020,774	176,058	(11,787)	2,895,125	4,197,306	15,598,265

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

22 RESERVE (continued)

	Capital reserve	Statutory reserve funds	Other reserves	Retained Earnings/ (Accumulated loss)	Total
Company					
Capitalisation upon incorporation of the Company	11,357,414	—	657,305	—	12,014,719
Profit for the period from 22 August 2006 to 31 December 2007	—	—	—	601,501	601,501
Special dividends (Note 35)	—	—	—	(1,021,210)	(1,021,210)
Share premium arising from issuance of H shares	11,485,272	—	—	—	11,485,272
Share issue expenses	(753,026)	—	—	—	(753,026)
Deemed contribution for the acquisition of 20% shares of Antaibao (Note 2(b))	—	—	16,344	—	16,344
Appropriations	—	129,949	—	(129,949)	—
Balance at 31 December 2006	22,089,660	129,949	673,649	(549,658)	22,343,600
Profit for the year	—	—	—	2,697,373	2,697,373
Deferred tax charged directly to equity for change of income tax rate (Note 25(a))	—	—	(146,169)	—	(146,169)
Fair value change in available-for-sale financial assets	—	—	7,198	—	7,198
Appropriations	—	208,269	—	(208,269)	—
Dividends (Note 35)	—	—	—	(1,048,959)	(1,048,959)
Balance at 31 December 2007	22,089,660	338,218	534,678	890,487	23,853,043

(a) As described in Note 2(a) to the consolidated financial statements, the financial statements of the Group for the year ended 31 December 2006 have been prepared on the basis of merger accounting as if the Company had been the holding company of the companies comprising the Group throughout the year ended 31 December 2006. Upon the incorporation of the Company on 22 August 2006, 8,000,000,000 shares were issued to China Coal Group at RMB1.00 per share, in return for the net value of the Transferred Businesses.

22 RESERVE (continued)

(b) Statutory reserve funds

In accordance with the PRC Company Law and the Company's articles of association, the Company is required to allocate 10% of its profit after tax as determined in accordance with the relevant accounting principles and financial regulations applicable to PRC companies ("PRC GAAP") and regulations applicable to the Company, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the Company. The appropriation to the reserve must be made before any distribution of dividends to equity holders. The statutory surplus reserve can be used to offset previous year's losses, if any, and part of the statutory surplus reserve can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

For the year ended 31 December 2007, the Company appropriated RMB208,270,000 (2006: RMB129,949,000) to the statutory surplus reserve fund, representing 10% of the Company's profit after tax for the year ended 31 December 2007, as determined in accordance with the PRC GAAP.

(c) Future development fund

Pursuant to the relevant PRC regulations, the Group is required to set aside an amount to a future development fund at RMB6 to RMB8.5 per ton of raw coal mined. The fund can be used for future development of the coal mining operations, and is not available for distribution to shareholders. Upon incurring qualifying development expenditure, an equivalent amount is transferred from future development fund to capital surplus.

(d) Safety fund

Pursuant to certain regulations issued by the State Administration of Work Safety, the Group is required to set aside an amount to a safety fund at RMB6 to RMB35 per ton of raw coal mined. The fund can be used for improvements of safety at the mines.

(e) During the year ended 31 December 2006, in accordance with a share reform proposal for the conversion of all the unlisted shares in a subsidiary to listed shares, China Coal Group offered to transfer three unlisted shares in that subsidiary for every ten listed shares in consideration for such holders of listed shares agreeing that all the subsidiary's unlisted shares be converted into listed shares. As a result of the share reform proposal, China Coal Group transferred a 7.97% equity interest in the subsidiary to the subsidiary's minority shareholders. Such transfer was accounted for as a decrease in the Group's equity interest by China Coal Group.

(f) In September 2006, the Company obtained approval from the PRC government to acquire the remaining 20% equity interest in Antaibao, a jointly controlled entity, from China Coal Group and another joint venture partner at aggregate consideration of RMB247,653,000. Upon completion of such acquisition in September 2006, Antaibao became a wholly owned subsidiary of the Group.

The acquisition is a combination of businesses under common control since the Company, China Coal Group and the other joint venture partner are under the common control of the PRC government. As a result, the Company accounted for the acquisition in a manner similar to a uniting of interests, whereby the assets and liabilities acquired were accounted for at historical cost. The consolidated financial statements for the year ended 31 December 2006 have been prepared to give effect to the acquisition at the beginning of the year as if the operations of the Group and Antaibao had been combined since 1 January 2006. The difference between the consideration of RMB247,653,000 paid and the net assets of RMB263,997,000 acquired has been reflected as a deemed contribution.

(g) Transformation fund and environmental restoration fund

Pursuant to two regulations issued by the Shanxi municipal government on 15 November 2007, both of which are effective from 1 October 2007, mining companies of the Group located in Shanxi Province are required to set aside an amount to coal mine industry transformation fund and environmental restoration fund at RMB5 and RMB10 per ton of raw coal mined respectively. According to the relevant rules, such funds will be specifically utilised for the transformation costs of the coal mine and for the land restoration and environmental cost.

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

23 BORROWINGS AND BANKING FACILITIES

	Group		Company	
	2007	2006	2007	2006
Long-term borrowings				
Bank loans and loans from other financial institutions				
- Secured (note (h))	926,515	456,628	—	—
- Unsecured	8,708,484	8,313,502	4,361,000	4,361,000
	9,634,999	8,770,130	4,361,000	4,361,000
Less: Amount due within one year under current liabilities	(671,560)	(500,539)	—	—
	8,963,439	8,269,591	4,361,000	4,361,000
Short-term borrowings				
Bank loans and loans from other financial institutions				
- Secured (note (h))	6,750	173,842	—	—
- Unsecured	308,865	1,646,533	—	552,720
	315,615	1,820,375	—	552,720
Other unsecured loans from				
- Minority shareholders of certain subsidiaries (note (c))	600	39,452	—	—
	316,215	1,859,827	—	552,720

Notes:

(a) Repayment terms of long-term borrowings are analysed below:

	Group		Company	
	2007	2006	2007	2006
Wholly repayable within five years				
Banks loans and loans from other financial institutions	413,540	2,698,982	—	—
Not wholly repayable within five years				
Banks loans and loans from other financial institutions	9,221,459	6,071,148	4,361,000	4,361,000
	9,634,999	8,770,130	4,361,000	4,361,000

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

23 BORROWINGS AND BANKING FACILITIES (continued)

Notes: (continued)

(b) At 31 December 2007, the Group's long-term borrowings were repayable as follows:

	Group		Company	
	2007	2006	2007	2006
Banks loans and loans from other financial institutions				
- Within one year	671,560	500,539	—	—
- In the second year	545,100	319,539	—	—
- In the third to fifth year	1,596,681	2,019,904	221,000	141,000
- After the fifth year	6,821,658	5,930,148	4,140,000	4,220,000
	9,634,999	8,770,130	4,361,000	4,361,000

(c) Unsecured loans from minority shareholders of certain subsidiaries are fully repayable within one year.

(d) The exposure of the long-term borrowings to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	Group		Company	
	2007	2006	2007	2006
Long-term borrowings				
Floating rate (6 months or less)	7,905,430	6,050,715	4,361,000	4,361,000
Fixed rate	1,729,569	2,719,415	—	—
	9,634,999	8,770,130	4,361,000	4,361,000

(e) The carrying amounts and fair value of the non-current borrowings are as follows:

	Group				Company			
	Carrying amount		Fair value		Carrying amount		Fair value	
	2007	2006	2007	2006	2007	2006	2007	2006
Borrowings	8,963,439	8,269,591	8,681,692	8,000,873	4,361,000	4,361,000	4,361,000	4,361,000

The fair values of non-current borrowings are based on discounted cash flows using applicable discount rates based on the prevailing market interest rates available to the Group for borrowings with substantially the same terms at the balance sheet date, which ranged from 7.56% to 7.83% per annum as at 31 December 2007 (2006: 5.76% to 6.12%).

The carrying amounts of short-term borrowings and current portion of long-term borrowings approximate their fair value.

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

23 BORROWINGS AND BANKING FACILITIES (continued)

Notes: (continued)

(f) The effective interest rates at the balance sheet dates were as follows:

	Group		Company	
	2007	2006	2007	2006
Banks loans and loans from other financial institutions				
- RMB loan	5.94% - 7.83%	4.68% - 6.39%	6.84% - 7.07%	5.18% - 6.39%
- JPY loan	2.28%	2.28%	—	—
Loans from Minority shareholders of certain subsidiaries				
- RMB loan	5.60%	5.32% - 5.89%	—	—

(g) The total borrowings are denominated in the following currencies:

	Group		Company	
	2007	2006	2007	2006
Long-term borrowings:				
RMB	7,923,070	6,765,815	4,361,000	4,361,000
Japanese Yen	1,711,929	2,004,315	—	—
	9,634,999	8,770,130	4,361,000	4,361,000
Short-term borrowings:				
RMB	316,215	1,859,827	—	552,720
	9,951,214	10,629,957	4,361,000	4,913,720

(h) The borrowings are as follows:

	Group	
	2007	2006
Secured by:		
- Property, plant and equipment	38,260	173,842
- Trade receivables	6,750	—
- Equity interest in a subsidiary/jointly controlled entity	888,255	456,628
	933,265	630,470
Guaranteed by:		
- Minority shareholders of certain subsidiaries	971,628	343,314
	1,904,893	973,784

All the borrowings of the Company are unsecured bank loans.

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

23 BORROWINGS AND BANKING FACILITIES (continued)

Notes: (continued)

(i) The Group has the following undrawn borrowing facilities:

	Group		Company	
	2007	2006	2007	2006
Floating rates				
- Expiring within one year	25,896,000	17,639,000	25,489,000	17,639,000
- Expiring beyond one year	—	65,000	—	—
	25,896,000	17,704,000	25,489,000	17,639,000

24 LONG-TERM PAYABLES

	Group		Company	
	2007	2006	2007	2006
Payable for a mining right (note (a))	339,404	—	339,404	—
Others	62,115	—	50,637	—
	401,519	—	390,041	—

Note:

(a) The amount represents the long-term payables for a new mining right purchased by the Company in 2007. According to the agreement with the PRC authority, the contract cost of the mining right is approximately RMB619.3 million, which is to be paid by installment in 5 years, from 2007 to 2011, with no interest. The mining right was initially recognised by the Company based on the discounted cash flow of future payments which amounted to RMB535,678,000, using a discount rate of 7.74%. The Group has paid RMB100,000,000. The current portion of the payables amounting to RMB96,274,000 is recorded in accruals and other payables (Note 27) and the non-current portion of RMB339,404,000 is recorded in long-term payables as at 31 December 2007.

(b) The carrying amounts of long-term payable approximate their fair value.

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

25 DEFERRED INCOME TAX

The deferred income tax are as follows:

	Group		Company	
	2007	2006	2007	2006
Deferred income tax assets:				
Deferred income tax assets to be recovered after more than 12 months	1,721,943	2,369,210	435,266	664,256
Deferred tax assets to be recovered within 12 months	170,692	27,877	27,544	—
	1,892,635	2,397,087	462,810	664,256
Deferred income tax liabilities:				
Deferred income tax liabilities to be settled after more than 12 months	(1,415,153)	(419,836)	—	—
Deferred income tax liabilities to be settled within 12 months	(430,142)	(75,980)	(426,992)	(10,323)
	(1,845,295)	(495,816)	(426,992)	(10,323)
	47,340	1,901,271	35,818	653,933

The gross movements on the deferred tax account are as follows:

	Group		Company	
	2007	2006	2007	2006
Beginning of the year	1,901,271	166,797	653,933	—
Charged to income statement (Note 33)	(590,787)	(318,614)	(469,547)	(3,484)
Distribution to Parent Company in connection with the Restructuring	—	(1,269)	—	—
Credited to equity due to valuation surplus (note (a)(ii))	—	2,079,633	—	657,417
Acquisition of 20% shares of Antaibao	—	(25,276)	—	—
Charged to equity due to change of tax rate (note (a)(iii))	(440,857)	—	(146,169)	—
Assumption of control/joint control of certain subsidiaries and a jointly-controlled equity (note (b))	(819,888)	—	—	—
Credited to equity due to fair value changes in available-for-sale financial assets	(2,399)	—	(2,399)	—
End of the year	47,340	1,901,271	35,818	653,933

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

25 DEFERRED INCOME TAX (continued)

Deferred income tax assets are recognised for tax losses carried-forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group has not recognised deferred income tax assets of RMB23,692,000 (2006: RMB16,993,000), in respect of accumulated tax losses of RMB94,761,000 (2006: RMB51,493,000) as at 31 December 2007, that can be carried forward against future taxable income and will expire between 2008 and 2012.

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets:

	Group						
	Revaluation surplus	Tax losses	Pre-operating expenses	Provision for employee benefits	Impairment of assets	Others	Total
At 1 January 2006	91,268	67,412	42,800	52,346	55,055	90,426	399,307
Credited/(charged) to income statement	(35,306)	8,307	(13,776)	(16,552)	387	(24,124)	(81,064)
Distribution to Parent Company in connection with the Restructuring	—	—	—	—	(1,269)	—	(1,269)
Credited to equity (note (a)(ii))	2,079,633	—	—	—	—	—	2,079,633
Acquisition of 20% shares of Antaibao	—	—	—	—	—	480	480
At 31 December 2006	2,135,595	75,719	29,024	35,794	54,173	66,782	2,397,087
Credited/(charged) to income statement	(141,678)	1,268	(19,076)	(14,032)	30,545	52,731	(90,242)
Assumption of control/joint control of certain subsidiaries and a jointly-controlled entity	2,962	17,554	—	997	276	2,731	24,520
Charged to equity due to changes of tax rate (note (a)(iii))	(438,730)	—	—	—	—	—	(438,730)
At 31 December 2007	1,558,149	94,541	9,948	22,759	84,994	122,244	1,892,635

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

25 DEFERRED INCOME TAX (continued)

Deferred tax liabilities:

	Group				
	Accelerated tax depreciation	Mining funds (note (d))	Fair value adjustments (note (e))	Others	Total
At 1 January 2006	(44,756)	(182,846)	—	(4,908)	(232,510)
Charged to income statement	(35,482)	(193,483)	—	(8,585)	(237,550)
Acquisition of 20% shares of Antaibao	(9,927)	(15,829)	—	—	(25,756)
At 31 December 2006	(90,165)	(392,158)	—	(13,493)	(495,816)
Charged/(credit) to income statement	(11,030)	(103,441)	(407,277)	21,203	(500,545)
Assumption of control/joint control of certain subsidiaries and a jointly-controlled entity	(13,309)	(5,591)	(815,728)	(9,780)	(844,408)
Charged to equity due to change of tax rate (note(a)(iii))	—	—	—	(2,127)	(2,127)
Charged to equity due to fair value change in available-for-sale financial assets	—	—	(2,399)	—	(2,399)
At 31 December 2007	(114,504)	(501,190)	(1,225,404)	(4,197)	(1,845,295)

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

25 DEFERRED INCOME TAX (continued)

Deferred tax assets:

	Company		
	Revaluation surplus	Provision for employee benefits	Total
At 1 January 2006	—	—	—
(Charged)/credited to income statement	(7,550)	14,389	6,839
Credited to equity (note (a)(ii))	657,417	—	657,417
At 31 December 2006	649,867	14,389	664,256
Charged to income statement	(41,982)	(13,295)	(55,277)
Charge to equity due to change in tax rate (note (a)(iii))	(146,169)	—	(146,169)
At 31 December 2007	461,716	1,094	462,810

Deferred tax liabilities:

	Company		
	Fair value adjustments	Others	Total
At 1 January 2006	—	—	—
(Charged)/credited to income statement	—	(10,323)	(10,323)
At 31 December 2006	—	(10,323)	(10,323)
Credited/(charged) to income statement (note (d))	(424,593)	10,323	(414,270)
Charge to equity due to change in fair value of available-for-sale financial assets	(2,399)	—	(2,399)
At 31 December 2007	(426,992)	—	(426,992)

25 DEFERRED INCOME TAX (continued)

(a) The deferred tax asset relating to the revaluation surplus consists of the followings:

(i) During the year ended 31 December 2005, the Group acquired nine power generators from a subsidiary of China Coal Group. The valuation amounts of the nine power generators, as determined by a qualified valuer in the PRC, were severed as the tax bases. Such valuation surpluses were not recorded for financial reporting purposes under IFRS and accordingly, a deferred tax asset of RMB91,268,000 was recorded.

(ii) In connection with the Restructuring, the Group recorded, on the date of establishment, the surplus on valuation of property, plant and equipment, mining rights and land use rights in the statutory financial statements, as determined as at 30 September 2005 by a qualified valuer in the PRC. For the Company's wholly owned subsidiaries, the re-valued amounts will serve as the tax bases for future years. These valuation surpluses were not recorded for financial reporting purposes under IFRS and accordingly, a deferred tax asset of RMB2,079,633,000 resulted with a corresponding increase in shareholders' equity. Based upon the level of historical taxable income and projections of future taxable income, management believes it is probable the Group will realise the benefit of the deferred tax assets.

(iii) 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 (note (a)(ii)). 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 and the grandfathering treatment circulars on 29 December 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 fair values surplus recognised for the assets of those newly controlled subsidiaries and a joint controlled entity (Note 2(c)), which are not tax deductible.

(c) Pursuant to certain regulations of the PRC government, the Group is required to set aside amounts for the future development funds (Note 22(c)), safety fund (Note 22(d)), coal mine industry transformation fund and environmental restoration fund (Note 22 (g)), collectively the mining funds. Such amounts are deductible for tax purposes when they are set aside. However, such expenditures are expensed for accounting purposes when they are incurred. Accordingly, a deferred tax liability is recorded for the temporary differences in respect of excess funds set aside for tax purposes.

(d) The deferred tax liabilities credited to income statement of the Group and Company in the year ended 31 December 2007 mainly resulted from gain on changes in fair value of the derivative financial instruments and other financial assets at fair value through profit and loss (Note 19). Such gain was not subject to income tax in the year ended 31 December 2007 as it was not yet realised.

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

26 TRADE AND NOTES PAYABLE

	Group		Company	
	2007	2006	2007	2006
Trade payables (note (a))	4,665,958	3,403,255	1,981,910	1,678,896
Notes payable	197,787	349,557	—	—
	4,863,745	3,752,812	1,981,910	1,678,896

Notes:

(a) Trade payables are analysed as follows:

	Group		Company	
	2007	2006	2007	2006
Trade payables				
- Subsidiaries	—	—	1,650,551	1,246,174
- Fellow subsidiaries	497,643	—	159,664	—
- Jointly controlled entities	3,759	5,911	—	11,769
- Associates	8,216	7,990	—	68
- Other related parties	20,093	133,722	—	—
- Other state-owned enterprises	1,519,884	961,125	70,307	151,635
- Third parties	2,616,363	2,294,507	101,388	269,250
	4,665,958	3,403,255	1,981,910	1,678,896

Aging analysis of trade payables on each balance sheet date is as follows:

	Group		Company	
	2007	2006	2007	2006
less than 1 year	4,094,141	2,996,748	1,920,122	1,564,624
1 - 2 years	360,859	254,774	57,614	73,177
2 - 3 years	66,800	57,202	1,719	426
Over 3 years	144,158	94,531	2,455	40,669
	4,665,958	3,403,255	1,981,910	1,678,896

(b) The carrying amounts of trade and notes payable are denominated in the following currencies:

	Group		Company	
	2007	2006	2007	2006
RMB	4,804,512	3,589,128	1,981,910	1,678,896
US Dollar	59,233	163,684	—	—
	4,863,745	3,752,812	1,981,910	1,678,896

(c) The carrying amounts of trade and notes payable approximate their fair values.

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

27 ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2007	2006	2007	2006
Customer deposits and receipts in advance (note (a))	1,319,707	791,811	143,486	30,240
Amount due to a former joint venture partner (note (c))	—	1,252,005	—	—
Dividends payable (Note 35)	47,182	1,087,466	—	1,075,474
Payable for site restoration	117,367	172,038	—	—
Mineral resource compensation payable	76,749	136,492	—	—
Salaries and staff welfare payable	339,580	211,711	100,632	35,251
Payables for share issue expenses	2,630	182,701	—	—
Interest payable	281,060	122,339	—	—
Payable for a mining right (Note 24(a))	96,274	—	96,274	—
Amounts due to related parties (note (b))	729,297	1,096,322	5,296,621	3,521,836
Amounts due to third parties	547,649	631,627	28,167	492,535
	3,557,495	5,684,512	5,665,180	5,155,336

Notes:

(a) Customer deposits and receipts in advances are analysed as follows:

	Group		Company	
	2007	2006	2007	2006
Customer deposits and receipts in advances				
- Subsidiaries	—	—	66,979	—
- Fellow subsidiaries	52,233	—	371	—
- Other related parties	42,716	803	—	—
- Other state-owned enterprises	619,613	328,195	46,088	22,662
- Others	605,145	462,813	30,048	7,578
	1,319,707	791,811	143,486	30,240

Customer deposits and receipts in advances from related parties are unsecured and interest free.

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

27 ACCRUALS AND OTHER PAYABLES (continued)

(b) Amounts due to related parties are analysed below:

	Group		Company	
	2007	2006	2007	2006
Amounts due to related parties, gross				
- Subsidiaries	—	—	5,263,628	2,712,287
- Parent Company	11,466	447,132	—	379,141
- Fellow subsidiaries	382,832	272,744	30,838	71,039
- Associate	—	6,317	—	—
- Jointly controlled entities	—	172,600	—	350,000
- Other related parties	67,758	9,380	—	—
- Other state-owned enterprises	267,241	188,149	2,155	9,369
	729,297	1,096,322	5,296,621	3,521,836

Amounts due to related parties are unsecured and interest free.

(c) This amount represents consideration payable to a former joint venture partner in respect of an acquisition of a 52.49% interest in a coal mine. Such balance is denominated in USD and bears interest at the London Inter-Bank Offered Rate. The amount has been settled in 2007.

(d) The carrying amounts of accruals and other payables approximate their fair values.

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

28 PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	Group	
	2007	2006
Beginning of the year	650,342	711,283
Acquisition of 20% shares of Antaibao	—	28,409
Interest charge on unwinding of discounts on provision (Note 30)	40,559	36,464
Movement in required provision	693	(66,959)
Payments	(39,509)	(58,855)
End of the year	652,085	650,342
Less: current portion	(40,559)	(66,390)
	611,526	583,952

Mining activities may result in land subsidence, which could lead to losses to the residents of the mining areas. Pursuant to the relevant PRC regulations, the Group is required to make compensation payments to the residents for their losses resulting from land subsidence, or to restore the mining areas back to certain acceptable conditions.

Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or results of operations of the Group. The PRC government, however, has moved and may move further towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainty which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination at various sites including, but not limited to, coal mines and land development areas, whether operating, closed or sold, (ii) the extent of required cleanup efforts, (iii) varying costs of alternative remediation strategies, (iv) changes in environmental remediation requirements, and (v) the identification of new remediation sites.

The provision for close down, restoration and environmental clean up costs has been determined by management based on their past experience and best estimate of future expenditure by discounting the expected expenditures to their net present value. However, in so far as the effect of the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to revision in the future. The amounts provided in relation to close down, restoration and environmental clean up costs are reviewed at least annually based upon the facts and circumstances available at the time and the provisions are updated accordingly.

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

29 EXPENSE BY NATURE

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

	2007	2006
Depreciation (note (a))	1,371,394	1,076,338
Amortisation (note (b))	69,812	14,168
Cost of inventories sold	12,927,856	12,589,144
Transportation costs	6,544,889	5,447,934
Sales tax and surcharges	656,732	420,949
Auditors' remuneration	25,500	17,850
Losses on disposal of property, plant and equipment	6,067	2,542
Repairs and maintenance	445,131	425,171
Operating lease rentals	55,221	52,158
(Reversal of)/provision for impairment of receivables	82,226	(9,161)
Staff costs (including directors' emoluments) (Note 32)	2,783,221	2,238,686
Mineral resource compensation fee (note (d))	234,658	195,214
Sustainable development charge (note (e))	847,447	—
Other expenses	3,371,283	3,020,741
Total cost of sales, selling, general and administrative expenses	29,421,437	25,491,734

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

29 EXPENSE BY NATURE (continued)

Notes:

(a) Depreciation charged to the income statement is analysed as follows:

	2007	2006
Depreciation for the year (Note 7)	1,376,965	1,132,065
Less: Cost of inventories which remained unsold as at year end	(5,571)	(55,727)
Amount charged to income statement	1,371,394	1,076,338

Charged to:

	2007	2006
Cost of sales	1,242,122	1,003,753
Selling, general and administrative expenses	129,272	72,585
	1,371,394	1,076,338

(b) Amortisation charged to selling, general and administrative expenses is analysed as follows:

	2007	2006
Amortisation of:		
Land use rights (Note 8)	8,970	7,615
Mining rights (Note 9)	56,602	3,158
Intangible assets (Note 10)	4,240	3,395
	69,812	14,168

(c) Staff costs (including directors' emoluments) charged to the income statement are analysed as follows:

	2007	2006
Charged to:		
Cost of sales	1,905,201	1,401,721
Selling, general and administrative expenses	878,020	836,965
	2,783,221	2,238,686

(d) The mineral resource compensation fee represents amounts paid to the PRC government to compensate for the mineral resources mined.

(e) 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 located in Shanxi Province range from RMB14 to RMB20 per tonne.

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

30 FINANCE COSTS, NET

	2007	2006
Interest expense:		
- Bank loans and loans from other financial institutions		
wholly repayable within five years	52,228	283,776
not wholly repayable within five years	530,949	222,023
- loans from related parties		
wholly repayable within five years	3,334	55,751
not wholly repayable within five years	—	17,679
	586,511	579,229
Less: Amounts capitalised in construction in progress (note (a))	(77,431)	(102,291)
	509,080	476,938
Interest charge on unwinding of discounts (Note 28)	40,559	36,464
Net foreign exchange transaction losses/(gains)	590,182	(48,069)
Less: Gains from derivative financial instruments (Note 19(a))	(399,051)	—
Other incidental borrowing costs and charges	16,638	15,431
	757,408	480,764

Notes:

(a) Finance costs capitalised in construction in progress are related to funds borrowed for the purpose of obtaining a qualifying asset. Interest rates on such borrowings were as follows:

	2007	2006
Annual interest rates on the borrowings at which the relevant finance costs were capitalised	5.94% - 8.07%	4.99% - 6.12%

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

31 OTHER INCOME

	2007	2006
Dividend income - unlisted investments	6,895	7,514
Gains on disposal of investments	508	1,135
Interest income	421,554	108,828
Subscription interest (note (a))	—	78,947
Government grants and subsidies	121,614	32,362
	550,571	228,786

Notes:

(a) The subscription interest is the interest income generated from the share subscription capital during the subscription period before the listing of the Company on the Main Board of the Stock Exchange of Hong Kong Limited.

32 STAFF COSTS

	2007	2006
Wages, salaries and allowances	1,927,930	1,527,248
Housing subsidies (note (a))	178,104	145,959
Contributions to pension plans (note (b))	294,513	234,455
Early retirement benefits (note (c))	9,870	11,485
Welfare and other expenses	372,804	319,539
	2,783,221	2,238,686

Notes:

(a) These mainly include the Group's contributions to government-sponsored housing funds at rates ranging from 8% to 10% of the employees' basic salaries.

(b) The Group participates in various pension plans organised by the relevant municipal and provincial governments under which the Group is required to make monthly defined contributions to these plans at rates ranging from 5% to 20% of the employees basic salaries depending on the applicable local regulations.

(c) Certain employees of the Group were required to retire early during the years ended 31 December 2007 and 2006. Early retirement benefits are recognised in the income statement in the period in which the Group enters into agreements specifying the terms of early retirement or after the individual employees have been advised of the specific terms. These specific terms vary among the early retired employees depending on factors such as position, length of service and district of the employee concerned.

The Group has no other obligations for the payment of pensions and other post-retirement benefits of employees or retirees other than those disclosed above.

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

33 INCOME TAX EXPENSE

	2007	2006
Current income tax		
- PRC enterprise income tax (note (a))	1,358,366	1,011,622
- Overseas taxation (note (b))	—	10,682
Deferred income tax (Note 25)	590,787	318,614
	1,949,153	1,340,918

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) Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

(c) The taxation of the Group's profit before taxation differs from the theoretical amount that would arise using the weighted average of the rates prevailing in the jurisdictions in which the Group operates.

	2007	2006
Profit before income tax	8,355,384	4,724,766
Tax calculated at applicable tax rates	2,757,277	1,538,894
Effect of changes in tax rates on deferred income tax	(148,435)	—
Preferential tax rates on the income of certain subsidiaries and a jointly controlled entity	(613,917)	(206,994)
Income not subject to taxation	(25,808)	(42,485)
Expenses not deductible for taxation purposes	44,786	85,329
Utilisation of previously unrecognised tax losses	(71,255)	(3,341)
Tax losses for which no deferred income tax asset has been recognised	34,457	12,569
Additional expenses allowable for tax purposes	(27,952)	(43,054)
Income tax expense	1,949,153	1,340,918

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

34. EARNINGS PER SHARE

Basic earnings per share for the year ended 31 December 2007 is calculated by dividing the profit attributable to equity holders of the Company by 11,733,330,000 ordinary shares during the year.

The comparative basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of approximately 8,109,398,000 ordinary shares in issue during the year and on the assumption that the 8 billion Domestic shares issued upon the incorporation of the Company had been issued since 1 January 2006.

	2007	2006
Profit attributable to equity holders of the Company	6,019,805	3,172,109
Weighted average number of ordinary shares in issue (thousands)	11,733,330	8,109,398
Basic earnings per share (RMB per share)	0.51	0.39

As the Company had no dilutive instruments for the year ended 31 December 2007, no diluted earnings per share is presented.

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

35 DIVIDENDS

	2007	2006
Dividends recorded:		
- interim, paid (note (a))	1,048,959	160,605
- distribution for Pre-establishment period (note (b))	—	54,264
- special dividend for the Subsequent profit (note (c))	—	1,021,210
	1,048,959	1,236,079

	2007	2006
Dividends proposed after the balance sheet date:		
- final dividend for 2007 (note (d))	825,469	—
	825,469	—

Notes:

(a) The interim dividends recorded in the year ended 31 December 2006 were declared by or proposed by the subsidiaries of the Group to their then shareholders prior to the completion of the Restructuring.

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 RMB1,049 million (RMB0.0894 per share). Such dividend distribution was approved by the shareholders' meeting on 9 November 2007, and the dividends were paid to the Company's shareholders in December 2007. Such dividend distribution was recorded in the consolidated financial statements for the year ended 31 December 2007.

(b) In accordance with the "Provisional Regulation Relating to Corporate Reorganisation of Enterprises and Related Management of State-owned Capital and Financial Treatment" issued by the Ministry of Finance, which became effective on 27 August 2002, after the Company's incorporation, the Company is required to make a mandatory distribution to China Coal Group in an amount equal to the difference between the Company's net asset value as at 1 October 2005, and the value as at 21 August 2006 (the date immediately before the date of incorporation of the Company) (the "Pre-establishment Period"), based on the audited financial statements prepared in accordance with the PRC GAAP during the Pre-establishment Period. The difference in the Company's net asset value during the Pre-establishment Period, RMB54,264,000, was recorded in the balance sheet as at 31 December 2006 as a liability to China Coal Group.

(c) Pursuant to the resolution of a shareholders' meeting dated 23 August 2006, the shareholders had resolved to declare a special dividend to China Coal Group in the amount of the balance of the net profit after deducting 10% set aside for the statutory common reserve fund in the respect of the period from 22 August 2006 to 30 November 2006 (the "Subsequent profit period"). Based on the audited financial statements of the Company which are prepared in accordance with PRC GAAP, the special dividend, amounting to RMB1,021,210,000, has been recorded in the balance sheet as at 31 December 2006 as a dividend payable to China Coal Group.

(d) The Board of Directors, in a meeting held on 9 April 2008, proposed to distribute a final dividend for 2007 to all shareholders of the Company as at the basis date of distribution (including holders of the Company's A shares, pursuant to the Company's listing of A shares on the Shanghai Stock Exchange in February 2008 (Note 44(a)), with a total amount of RMB825,469,000 (RMB0.06226 per share based on the total issued shares of 13,258,663,400 shares of the Company following the issuance of A shares). Such dividend distribution is still subject to the approval of shareholders' meeting, and is not reflected in these financial statements.

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

36 EMOLUMENTS OF DIRECTORS AND SUPERVISORS

(a) The emoluments of directors and supervisors for the year ended 31 December 2007 is set out below:

	2007			2006		
Name	Salary, allowances and other benefits	Contribution to pension scheme	Total	Salary, allowances and other benefits	Contribution to pension scheme	Total
Chairman						
Mr. JING Tianliang	—	—	—	—	—	—
Vice Chairman						
Mr. ZHANG Baoshan	—	—	—	—	—	—
Executive directors:						
Mr. YANG Lieke	561	21	582	496	20	516
Mr. PENG Yi	364	21	385	123	7	130
	925	42	967	619	27	646
Non-executive directors:						
Mr. GAO Shangquan	300	—	300	113	—	113
Mr. ZHANG Ke	300	—	300	113	—	113
Mr. PENG Ruchuan	300	—	300	113	—	113
Mr. WU Rongkang	300	—	300	50	—	50
Mr. LI Yanmeng	300	—	300	50	—	50
	1,500	—	1,500	439	—	439
Supervisors:						
Mr. DU Ji'an	—	—	—	—	—	—
Mr. ZHOU Litao	—	—	—	—	—	—
Mr. CHEN Xiangshan	216	21	237	51	7	58
	216	21	237	51	7	58
	2,641	63	2,704	1,109	34	1,143

Mr. Jing Tianliang received emoluments from China Coal Group, which amounted to approximately RMB759,000 for the year ended 31 December 2007 (2006: RMB492,000), including RMB273,000 as the deferred payment of performance bonus relating to previous term of office. Mr. Zhang Baoshan received emoluments from China Coal Group, which amounted to approximately RMB406,000 for the year ended 31 December 2007 (2006: RMB333,000), including RMB10,000 as the deferred payment of performance bonus relating to previous term of office. Part of those emoluments is in relation to their services to the Company. No apportionment has been made as the directors consider that it is impractical to apportion this amount between their services to the Company and their service to the Parent Company.

During the year, the emoluments paid to each of the directors did not exceed HK$1,000,000 (equivalent to RMB936,380).

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

36 EMOLUMENTS OF DIRECTORS AND SUPERVISORS (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year are as follows:

	2007	2006
Directors	1	1
Non-director individuals	4	4
	5	5

The details of emoluments paid to one of the five highest paid individuals who is a director of the Company have been included in note (a) above. Details of emoluments paid to the remaining non-director individuals are as follows:

	2007	2006
Basic, salaries, housing allowances, other allowances and benefits-in-kind	871	600
Contributions to pension schemes	320	244
Discretionary bonuses	1,768	1,107
	2,959	1,951

During the year ended 31 December 2007, the emoluments paid to each of the highest paid non-director individuals did not exceed HK$1,000,000 (equivalent to RMB936,380).

(c) During the year ended 31 December 2007, no directors, supervisors of the Company or the five highest paid individuals of the Group waived any emoluments and no emoluments were paid by the Group to any of the directors and supervisors of the Company or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

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

37 NOTES TO THE COMSOLIDATED CASH FLOW STATEMENTS

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

	2007	2006
Profit for the year	6,406,231	3,383,848
Adjustments for:		
Property, plant and equipment		
- depreciation charge (Note 29)	1,371,394	1,076,338
- net losses on disposals (Note 29)	6,067	2,542
Land use rights, mining rights and intangible assets		
- amortisation charge (Note 29)	69,812	14,168
Provision for/(reversal of) impairment of receivables (Note 29)	82,226	(9,161)
Share of profits of associates	(12,117)	(32,637)
Net foreign exchange transaction loss/(gains) (Note 30)	590,182	(48,069)
Gain from derivative financial instruments (Note 19(a))	(331,172)	—
Gain from fair value changes of other financial assets (Note 19(b))	(1,367,200)	(5,486)
Interest income (Note 31)	(421,554)	(108,828)
Interest income from subscription capital (Note 31)	—	(78,947)
Interest expense (Note 30)	549,639	513,402
Dividend income (Note 31)	(6,895)	(7,514)
Income tax expense	1,949,153	1,340,918
Changes in working capital:		
Inventories	(673,483)	186,557
Trade receivables	(1,378,322)	(224,359)
Prepayments and other receivables	(253,481)	(526,491)
Trade payables	675,210	(75,125)
Accruals and other payables	(147,894)	1,032,705
Restricted bank deposits	(333,023)	(11,331)
Provision for employee benefits	5,527	(55,232)
Provision for close down, restoration, and environmental costs	(38,816)	(125,814)
Net cash inflows generated from operations	6,741,484	6,241,484

(b) Major non-cash transactions

During the year ended 31 December 2006, a loan from China Coal Group amounting to RMB50 million was waived and recorded as a capital contribution.

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

38 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB2,697,373,000 (2006: RMB601,501,000).

39 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.

40 COMMITMENTS

(a) Capital commitments

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

	2007	2006
Property, plant and equipment	2,619,259	1,399,962
Others	1,317,760	755,612
	3,937,019	2,155,574

(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:

	2007	2006
Land and buildings:		
- Within 1 year	11,425	95,963
- From 1 year to 5 years	47,059	6,786
- Over 5 years	94,452	29,178
	152,936	131,927
Plant and machinery:		
- Within 1 year	3,630	3,600
- From 1 year to 5 years	18,015	18,000
- Over 5 years	39,600	45,000
	61,245	66,600

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

41 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 and balances in the years ended 31 December 2007 and 2006.

(a) Related party transactions

	2007	2006
Transactions with the Parent Company and fellow subsidiaries		
Coal export and Sales (i)		
Charges paid for agency services of coal export	60,513	37,096
Integrated Material and Services Mutual Provision (ii)		
Charges paid for production material and ancillary services	574,770	443,641
Charges paid for social and support services	24,274	24,425
Revenue received from supply of production material and ancillary services	39,536	34,808
Revenue received from provision of coal export-related services	32,477	49,414
Mine Construction and Design (iii)		
Charges paid for construction services	639,281	520,704
Property Leasing (iv)		
Rental charge paid	57,811	52,109
Land Use Right (v)		
Rental charge paid	8,823	8,823

41 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Related party transactions (continued)

In addition, Jiangsu Sulv Aluminum Company Limited Limted (Sulv Aluminum") was transferred to China Coal Group in October 2007, which caused the transaction between the Group and Sulv Aluminum to constitute connected party transactions, and in the period from the date of the transfer to 31 December 2007, the Group sold aluminum ingots to Sulv Aluminum with a total amount of RMB43,282,000. Because such transaction was under an agreement signed on 26 December 2006, before Sulv Aluminum bacame a conncected party of the Group, the management of the Company believe it should not be included in the annaul cap of conncected party transaction. The Company has made an announcement in accordance with the requirements of the Hong Kong Listing Rules and performed the reporting and disclosure obligations.

(i) Under PRC law and regulations, coal exports shall only be made through one of 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.

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

41 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Related party transactions (continued)

	2007	2006
Transactions with jointly controlled entities (after elimination of the Group's proportionate interest in those jointly controlled entities)		
Sales and services provided:		
Sales of coal	1,654	—
Sales of materials and spare parts	—	—
Agency income	—	9,298
Purchases of goods and services:		
Purchases of coal	100,018	599,024
Transactions with associates:		
Sales and services provided:		
Sales of machinery and equipment	—	36,624
Income from renting property, plant and equipment	123,306	98,678
Interest Income	—	9,075
Purchases of goods and services:		
Purchases of coal	—	14,846
Purchases of materials and spare parts	—	19,034
Transportation services	288,658	240,790
Transactions with minority shareholders of subsidiaries:		
Sales and services provided:		
Sales of coal	—	34,671
Purchase of goods and services:		
Purchases of coal	7,165	9,752
Transactions with joint venture partners in jointly controlled entities (attributable to the Group's interest in those jointly controlled entities):		
Sales and services provided:		
Sales of coal	2,223,928	2,259,086
Agency income	—	1,820
Sales of machinery and equipment	—	34,714
Purchases of goods and services		
Purchases of coal	3,391	1,108,862
Interest expense	8,661	—

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

41 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Related party transactions (continued)

	2007	2006
Transactions with other state-owned enterprises		
Sales and services provided:		
Sales of coal	16,286,123	11,278,394
Sales of machinery and equipment	2,944,724	1,989,628
Sales of materials and spare parts	419,382	350,820
Sales of design services	—	183,701
Railway transportation services income	27,842	39,337
Income from construction and technical services	100,724	92,745
Public utilities and facilities income	372,174	233,229
Agency income	109,778	95,864
Interest income	45,747	13,031
Purchases of goods and services:		
Purchases of coal	12,038,961	1,056,502
Purchases of machinery and equipment	252,833	138,997
Purchases of labour services	—	154,251
Purchases of materials and spare parts	1,530,531	1,073,333
Construction and technical services	216,284	108,953
Ancillary and social services	74,442	67,487
Transportation services	2,328,320	3,250,698
Interest expense	200,000	188,873
Key management compensation		
Fees for key management personnel	—	—
-Directors and supervisors	—	—
Salary, allowances and other benefits	—	—
-Directors and supervisors	2,641	1,109
-Other key management	1,810	419
Pension costs-defined contribution plans	—	—
-Directors and supervisors	63	34
-Other key management	106	33

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

41 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related party balances

Other than those disclosed elsewhere in the consolidated financial statements, the outstanding balances with related parties as at 31 December 2007 and 2006 are as follows:

Balances with state-owned enterprises:

	2007	2006
Deposits placed with banks and non-bank financial institutions	9,333,693	18,233,730
Loans from banks and non-bank financial institutions	9,950,613	10,590,504
Interest receivable	202,259	—
Interest payable	281,060	122,339

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

	2007	2006
At beginning of the year	10,590,504	7,529,311
Acquisition of 20% shares of Antaibao	—	59,800
Assumption of control/joint control of certain subsidiaries and a jointly-controlled equity	1,196,297	—
Additions	1,902,304	7,150,953
Payments	(3,871,742)	(3,988,242)
Exchange gains	(46,210)	(94,245)
Interest expense paid	179,461	(67,073)
At end of the year	9,950,614	10,590,504

Details of deposits placed with, and loans from banks and non-bank financial institutions are disclosed in Notes 20 and 23.

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.

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

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

As at 31 December 2007, the Company has interests in the following principal subsidiaries, jointly controlled entities and associates, which in the opinion of the directors, were significant to the results of 2007 or formed a substantial portion of the Group at the balance sheet date:

(i) Principal subsidiaries

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Shanghai Datun Energy Resources Co., Limited (上海大屯能源股份有限公司)	Shanghai, the PRC 29 December 1999	RMB722,718,000	62.43%	62.43%	Coal mining	Joint stock with limited liability; Listed on the Shanghai Stock Exchange
China Coal & Coke Holdings Limited (中煤焦化控股有限責任公司)	Beijing, the PRC 15 August 2003	RMB100,000,000	95%	100%	Manufacture and sale of coke	Limited liability company
China Coal Tendering Company Limited (中煤招標有限責任公司)	Beijing, the PRC 28 December 2001	RMB10,000,000	60%	100%	Tendering services	Limited liability company
China National Coal Development Company Limited (中國煤炭開發有限責任公司)	Beijing, the PRC 17 February 1981	RMB52,929,916	100%	100%	Sale of mining equipment	Limited liability company
China Coal Xi'an Design Engineering Company Limited (中煤西安設計工程有限責任公司)	Xian, the PRC 1 September 1954	RMB192,263,476	100%	100%	Coal mining related design services	Limited liability company
Shanxi Pingshuo AnJialing Surface Mine Company Limited (山西平朔安家岭露天煤炭有限公司)	Pingshuo, the PRC 27 November 1997	RMB538,747,400	100%	100%	Coal mining	Limited liability company
Shuozhou Pingmu Coal Processing Company Limited (朔州平木煤炭加工有限公司)	Shuozhou, the PRC 4 July 2003	RMB31,300,000	0.32%	100%	Coal processing	Limited liability company

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

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(i) Principal subsidiaries (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Shanxi China Coal Pingshuo Antaibao Coal Company Limited (formly Ping Shuo First Coal Company Limited) (山西中煤平朔安太堡煤炭有限責任公司) (前稱平朔第一煤炭有限公司)	Shuozhou, the PRC 8 July 1991	RMB983,329,000	100%	100%	Coal mining	Limited liability company
China National Coal Industry Import and Export Group (Heilongjiang) Company Limited (中國煤炭工業進出口集團黑龍江有限公司)	Harbin, the PRC 26 May 1999	RMB5,000,000	92.6%	100%	Sale of machinery, mineral and chemical products	Limited liability company
China National Coal Industry Import and Export Group (Rizhao) Company Limited (中國煤炭工業進出口集團日照有限公司)	Rizhao, the PRC 18 May 1999	RMB10,000,000	90%	100%	Sale of machinery, mineral and chemical products	Limited liability company
Lianyungang China Coal Huanneng Coal Processing Company Limited (連雲港中煤環能煤炭加工有限公司)	Lianyungang, the PRC 27 December 1999	RMB5,000,000	—	75%	Coal processing liability company	Sino-foreign limited
China Coal Lianyungang Import and Export Company Limited (中煤連雲港進出口有限公司)	Lianyungang, the PRC 5 July 1991	RMB75,000,000	100%	100%	Sale of machinery, coal and chemical products	Limited liability company

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

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(i) Principal subsidiaries (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Shanghai Chinacoal East China Company Limited (上海中煤華東有限公司)	Shanghai, the PRC 26 May 2005	RMB100,000,000	100%	100%	Sale of machinery, minerals and chemical products	Limited liability company
China National Coal Industry Import and Export Group (Qingdao) Company Limited (中國煤炭工業進出口集團青島有限公司)	Qingdao, the PRC 2 June 1999	RMB10,000,000	100%	100%	Importing and exporting of machinery, mineral products, and other related services	Limited liability company
China National Coal Import and Export Group (Tianjin) Company Limited (天津中煤進出口有限公司)	Tianjin, the PRC 30 April 1999	RMB10,000,000	90%	100%	Sale of coal products and other related products	Limited liability company
China National Coal Industry Qinhuangdao Import and Export Company Limited (中國煤炭工業秦皇島進出口有限公司)	Qinghuangdao, the PRC 18 May 1999	RMB15,000,000	95%	95%	Sale of coal and related products	Limited liability company
Sunfield Resources Pty. Limited (華光資源有限公司)	Sydney, Australia 18 June 1997	AUD500,000	100%	100%	Investment management, trade of coal and coke	Limited liability company
Qinhuangdao China Coal Warehousing and Transportation Company Limited (秦皇島中煤儲運有限公司)	Qinhuangdao, the PRC 1 January 1985	RMB40,902,985	78.43%	78.43%	Warehousing and freight forwarding of coal	Limited liability company

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

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(i) Principal subsidiaries (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Shuozhou Great Company Limited (朔州市格瑞特實業有限公司)	Shuozhou, the PRC 20 August 2004	RMB425,409,000	78%	78%	Coal gangue power generation	Limited liability company
Qinhuangdao Zhongmei Gangneng Coal Purifying Company Limited (秦皇島中煤港能煤炭加工有限公司)	Qinhuangdao, the PRC 25 August 1999	USD3,545,200	75%	75%	Coal processing	Sino-foreign Limited liability company
China Coal and Coke Longquan Limited (汾陽市中煤龍泉焦化有限責任公司)	Fenyang, the PRC 29 September 2003	RMB50,000,000	—	100%	Manufacture, processing and washing of coke	Limited liability company
China Coal and Coke Mudanjiang Limited (中煤牡丹江焦化有限責任公司)	Mudanjiang, the PRC 21 April 2003	RMB15,000,000	—	100%	Manufacture, processing and sale of coke	Limited liability company
China Coal and Coke Jingda Limited (山西省太谷縣中煤京達焦化有限公司)	Taigu, the PRC 29 October 2003	RMB14,920,000	—	70%	Manufacture and sale of coke	Limited liability company
China Coal and Coke Jiuxin Limited (靈石縣中煤九鑫焦化有限責任公司)	Lingshi, the PRC 2 January 2004	RMB50,000,000	—	75%	Manufacture and sale of coke	Limited liability company
North Coke (Hong Kong) Company Limited (北方焦化(香港)有限公司)	Hongkong 31 March 2003	USD100,000	—	100%	Sale of coke and related products	Limited liability company

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

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(i) Principal subsidiaries (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Group	Principal activities	Type of legal entity
China National Coal Mining Equipment Company Limited (中國煤礦機械裝備有限責任公司)	Beijing, the PRC 26 April 1988	RM513,726,087	—	100%	Design, manufacture and sale of machinery and equipment for coal industry	Limited liability company
China Coal Handan Coal Mining Machinery Company Limited (中煤邯鄲煤礦機械有限責任公司)	Handan, the PRC August 1969	RMB148,217,680	—	100%	Manufacture of mining equipment; export and Import services	Limited liability company
Beijing China Coal Zhongzhuang Machinery Materials Company Limited (北京中煤中裝機械物資有限公司)	Beijing, the PRC 9 September 1993	RMB5,190,624	—	100%	Sale of mining steel and equipment	Limited liability company
China Coal Beijing Coal Mining Machinery Company Limited (中煤北京煤礦機械有限責任公司)	Beijing, the PRC August 1958	RMB145,250,237	—	100%	Manufacture of mining machinery and equipment	Limited liability company
China Coal Zhangjiakou Coal Mining Machinery Company Limited (中煤張家口煤礦機械有限責任公司)	Zhangjiakou, the PRC 16 May 1925	RMB255,361,463	—	100%	Manufacture of mining machinery and equipment	Limited liability company
China Coal Overseas Development Company Limited (中國煤炭海外開發有限公司)	Beijing, the PRC 4 April 1981	RMB4,167,204	—	100%	Import and export services	Limited liability company

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

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(i) Principal subsidiaries (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
China Mineral Equipment Group Import and Export Company Limited (中礦機集團進出口有限責任公司)	Beijing, the PRC 19 March 1996	RMB5,527,860	—	81.91%	Sale of mining machinery and equipment	Limited liability company
Tianjin China Coal Mining Equipment and Electronic Company Limited (天津中煤煤礦機電有限公司)	Tianjing, the PRC 7 January 1991	RMB10,109,290	—	100%	Manufacture of mining equipment and electronic products	Limited liability company
Jiangsu Datun Aluminium Company Limited (江蘇大屯鋁業有限公司)	Xuzhou, the PRC 18 April 2002	USD29,670,000	—	46.82%	Manufacture of aluminium products	Sino-foreign limited liability company
China Coal Shaanxi Zhong'an project Management Company Limited (中煤陝西中安項目管理有限責任公司)	Xi'an, the PRC 17 July 1993	RMB3,841,238	—	100%	Project Management services	Limited liability company
Xi'an Zhong'an Rock Soil Engineering Company Limited (西安中安岩土工程有限責任公司)	Xi'an, the PRC 20 June 1993	RMB1,783,353	—	100%	Surveying services	Limited liability company
Xi'an Meilong Control Engineering Company Limited (西安梅隆控制工程有限責任公司)	Xi'an, the PRC 28 January 1997	RMB3,000,000	—	100%	Telecom engineering	Limited liability company
Xi'an Zhong'an Printing Co., Ltd (西安中安印務有限責任公司)	Xi'an, the PRC 27 September 1995	RMB807,700	—	100%	Sale of publishing and Photocopying equipment and provision of related services	Limited liability company

For the year ended 31 December 2007
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(i) Principal subsidiaries (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
China Coal Handan Design Engineering Company Limited (中煤邯鄲設計工程有限責任公司)	Handan, the PRC 7 October 1975	RMB55,362,789	—	100%	Design and survey of construction projects	Limited liability company
China Coal Handan Mining Machinery Company Limited (中煤邯鄲礦山機械有限責任公司)	Handan, the PRC 13 January 1996	RMB500,000	—	100%	Manufacture of mining machinery	Limited liability company
Handan City Guoning Engineering Design Company Limited (邯鄲市國寧工程設計諮詢有限公司)	Handan, the RPC 8 July 2000	RMB1,000,000	—	100%	Construction design and consulting services	Limited liability company
Handan City Qibin Engineering Design and Consulting Company Limited (邯鄲市奇斌工程設計諮詢有限公司)	Handan, the RPC 30 July 2003	RMB500,000	—	100%	Provision of construction design and consulting services	Limited liability company
China Coal Handan Zhongyuan Construction Supervision and Consulting Company Limited (中煤邯鄲中原建設監理諮詢有限責任公司)	Handan, the PRC 18 October 1989	RMB1,000,000	—	100%	Provision of project management services	Limited liability company

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

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(i) Principal subsidiaries (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
China Coal Handan Xinhua Technology Development Company Limited (中煤邯鄲信華技術開發有限責任公司)	Handan, the PRC 26 March 1993	RMB1,000,000	—	100%	Provision of telecommunication and computer engineering services	Limited liability company
China Coal Handan Rock Soil Engineering Technology Company Limited (中煤邯鄲岩土工程有限責任公司)	Handan, the PRC 10 October 1993	RMB1,000,000	—	100%	Provision of land surveying services	Limited liability company
Handan City Zhongyuan Engineering Quality Testing Company Limited (邯鄲市中遠工程質量檢測有限公司)	Handan, the PRC 24 September 2004	RMB1,000,000	—	100%	Provision of project quality testing services	Limited liability company
China Coal International Technical Consulting Company Limited (中國煤炭工業國際技術諮詢開發有限責任公司)	Beijing, the PRC 1 July 1988	RMB21,197,783	—	100%	Consulting services	Limited liability company
Huajin Coking Coal Company Limited (華晉焦煤有限責任公司)*	Shanxi, the PRC 23 February 2001	RMB859,876,510	50%	50%	Coal mining	Limited liability company
Lingshi China Coal & Coke Gas Power Limited (靈石縣中煤焦化煤氣發電有限責任公司)*	Lingshi, the PRC 11 November 2004	RMB1,000,000	—	51%	Power generation	Limited liability company

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

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(i) Principal subsidiaries (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Shuozhou China Coal Pingshuo Energy Company Limited (朔州中煤平朔能源有限公司)*	Shuozhou, the PRC 21 March 2004	RMB150,000,000	51%	51%	Manufacture and processing of coal	Limited liability company
Shanxi Nanliang Coal Company Limited (陝西南梁礦業有限公司)*	Fugu, the PRC 5 February 1999	RMB68,750,000	23%	55%	Manufacture and processing of coal	Sino-foreign limited liability company
Datong China Coal Export Base Development Company Limited (大同中煤出口煤基地建設有限公司)*	Datong, the PRC 8 August 2000	RMB125,000,000	19%	60%	Manufacture and processing of coal	Sino-foreign limited liability company
China Coal Complete Equipment Company Limited (中煤設備成套有限公司)*	Beijing, the PRC 8 December 1993	RMB4,308,261	—	65.73%	Provision of maintenance services	Limited liability company
China Coal Coal Chemical Engeering Company Limited (中煤能源黑龍江煤化工有限公司)	Yilan, the PRC 22 June 2007	RMB50,000,000	100%	100%	Coal Chemical Engeering	Limited liability company
Fushun Coal Mining Motor Manufacturing Company Limited (撫順煤礦電機製造有限責任公司)	Fushun, the PRC 6 April 2007	RMB316,000,000	—	50%	Manufacture and sales of coal mine electrical machinery and related products	Limited liability company

* These are the subsidiaries that the Group obtained effective control on 1 January 2007(Note 2(c)), which were formerly jointly-controlled entities.

Except for Sunfield Resources Pty. Limited which has adopted 30 June as its financial year end date, all subsidiaries have adopted 31 December as their financial year end date.

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

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(ii) Principal jointly controlled entities

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Datong Zhongxin Energy Company Limited (大同中新能源有限公司)	Datong, the PRC 27 August 2001	RMB161,000,000	5%	42%	Manufacture and processing of coal	Sino-foreign limited liability company
China Coal and Coke Xuyang Limited (河北中煤旭陽焦化有限公司)*	Hebei, the PRC 21 November 2003	RMB100,000,000	—	45%	Manufacture and sale of coal and other related products	Limited liability company

* This is the jointly-controlled entity that the Company obtained effective joint control on 1 January 2007 (Note2(c)), which was formerly an associate.

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

	2007	2006
Assets:		
Non-current assets	708,376	1,323,148
Current assets	593,724	883,666
Liabilities:		
Non-current liabilities	(210,067)	(1,124,615)
Current liabilities	(809,713)	(915,401)

	2007	2006
Revenue	1,240,744	1,971,703
Expenses	(1,128,604)	(1,829,130)
Net profit	112,140	142,573
Capital commitments	232,444	55,000

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

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

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

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(iii) Principal associates

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Tianjin Tanjin Energy Technology Company Limited (天津炭金能源技術有限公司)	Tianjin, the RPC 28 August 2001	RMB2,000,000	—	40%	Coal washing and other related services	Limited liability company
Beijing Zhongshuichang Solid and Liquid Separation Technology Company Limited (北京中水長固液分離技術有限公司)	Beijing, the PRC 20 September 2001	RMB5,800,000	—	25.86%	Manufacture and sale of environmentally friendly equipment	Limited liability company
Zhangjiakou Hengyang Appliance Company Limited (張家口恒洋電器有限公司)	Zhangjiakou, the PRC 26 April 2001	RMB4,939,505	—	45.55%	Manufacture of electrical applicances	Sino-foreign limited liability company
Shuozhou City Pinglu District Ping'an Fertilizer Company Limited (朔州市平魯區平安化肥有限責任公司)	Shanxi, the PRC 31July 1996	RMB134,640,000	—	29.71%	Sale of fertilizer and other chemical products	Limited liability company
Taiyuan Coal Gasification Longquan Energy Development Company Limited (太原煤氣化龍泉能源發展有限公司)	Taiyuan, the PRC 8 September 2006	RMB300,000,000	40%	40%	Manufacture and sale of coke, coal and related products	Limited liability company
Beijing Tianhua Zhongrui Machinery Technology Development Company Limited (北京天華中瑞機械科技發展有限責任公司)	Beijing, the PRC 16 September 2004	RMB4,641,000	—	49%	Manufacture of spare parts for motor vehicles	Limited liability company

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

42 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(iii) Principal associates (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Shanxi Pingshuo Gangue-fired Power Generation Co., Ltd. (山西平朔煤矸石發電有限責任公司)	Shanxi, the PRC 10 December 2002	RMB129,250,000	30%	30%	Power generation and related products	Limited liability company
Shuozhou Pingshuo Luda Railway Transportation Company Limited (朔州平朔路達鐵路運輸有限公司)	Shanxi, the PRC 19 May 2004	RMB10,000,000	37.5%	37.5%	Railway transportation	Limited liability company
Guotou Zhongmei Tongmei Jingtang Port Company Limited (國投中煤同煤京唐港口有限公司)	Tianjin, the PRC 16 June 2005	RMB860,400,000	21%	21%	Coal Quay Construction	Limited liability company
Fukai (Zhangjiakou) Mineral Equipment Company Limited (富凱（張家口）礦業設備有限公司)	Zhangjiakou, the PRC 18 November 2004	RMB1,650,000	—	49%	Manufacture of mining vehicles and provision of technical services	Sino-foreign limited liability company
Tianjin Port China Coal Huaneng Coal Terminal Co., Ltd. (天津港中煤華能煤碼頭有限公司)	Tianjin, the PRC 14 September 2007	RMB1,125,000,000	24.5%	24.5%	Port logistics	Limited liability company
Zhejiang Zheneng Zhongmei Zhoushan Coal & Electricity Company Limited (浙江浙能中煤舟山煤電有限責任公司)	Zhoushan, the PRC 5 June 2007	RMB200,000,000	27%	27%	Import and export of coal and related products	Limited liability company
Zhongtian Synergetic Energy Limited (中天合創能源有限責任公司)	Erdos, the PRC 24 October 2007	RMB500,000,000	38.75%	38.75%	Coal chemical engineering	Limited liability company

43 ULTIMATE HOLDING COMPANY

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

44 SUBSEQUENT EVENTS

(a) On 1 February 2008, the Company issued 1,525,333,400 new A shares at RMB16.83 per share with net proceeds resulting from such share issuance amounted to approximately RMB25,319,910,000 after deducting the share issuance costs. The listing and trading of the A shares on the Shanghai Stock Exchange commenced on 1 February 2008.

(b) As at 8 April 2008, the closing price of the COSCO shares was RMB29.19 per share. The fair value of the COSCO shares held by the Company as at that date was RMB1,167,600,000, which is RMB538,800,000 lower (RMB404,100,000 after income tax) than that as at 31 December 2007.

Unit: RMB (1,000)

	2003	2004	2005	2006	2007
Revenue and Profit					
Revenue	14,480,788	22,163,793	30,061,275	30,226,505	36,428,184
Profit before tax	331,966	3,165,767	4,310,217	4,724,766	8,355,384
Tax	(93,322)	(730,222)	(758,772)	(1,340,918)	(1,949,153)
Profit for the year	238,644	2,435,545	3,551,445	3,383,848	6,406,231
Attributable to:					
Equity holders of the Company	140,965	2,248,233	3,343,473	3,172,109	6,019,805
Minority interests	97,679	187,312	207,972	211,739	386,426
Dividend	403,980	798,880	1,161,429	1,236,079	1,048,959
Earnings per share attributable to the equity holders of the Company (RMB)				0.39	0.51
Assets and Liabilities					
Non-current assets	10,433,196	12,414,836	14,489,579	19,680,051	29,561,019
Current assets	8,352,778	10,350,011	12,272,534	25,433,686	23,238,388
Current liabilities	9,839,241	11,338,830	12,795,461	13,103,446	10,635,003
Net current assets/(liabilities)	(1,486,463)	(988,819)	(522,927)	12,330,240	12,603,385
Total assets less current liabilities	8,946,733	11,426,017	13,966,652	32,010,291	42,164,404
Non-current liabilities	6,902,030	8,490,422	9,372,735	9,372,538	11,878,434
Net assets	2,044,703	2,935,595	4,593,917	22,637,753	30,285,970
Equity attributable to the equity holders of the Company	981,233	1,951,687	3,929,503	21,573,388	27,331,595
Minority interests	1,063,470	983,908	664,414	1,064,365	2,954,375

CORPORATE INFORMATION >>>

Registered Name in Chinese

中國中煤能源股份有限公司

Registered Name in English

China Coal Energy Company Limited

Registered Address

No. 1 Huangsidajie, Chaoyang District,
Beijing, China

Principal Place of Business in Hong Kong

Room 2608, 26th Floor,
Office Tower Convention Plaza,
1 Harbour Road, Wanchai,
Hong Kong

Joint Company Secretaries

Zhou Dongzhou and Wang Yuanheng (Solicitor, Hong Kong and England and Wales)

Authorized Representatives

Peng Yi and Zhou Dongzhou

Investor Relations

Investor Relations Department
China Coal Energy Company Limited

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Website

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PRC Auditor

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11/F PricewaterhouseCoopers Center
202 Hu Bin Road
Shanghai, PRC

International Auditors

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

Legal Advisors

Hong Kong Legal Advisor
Freshfields Bruckhaus Deringer
11th Floor, Two Exchange Square
Central, Hong Kong

PRC Legal Advisor
Beijing Jia Yuan Law Firm
F407, Ocean Plaza
158 Fuxingmennei Avenue
Xicheng District
Beijing, China

H Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Listing Information

H Shares
The Stock Exchange of Hong Kong Limited
Stock Code: 1898
Listing Date: 19 December 2006

A Shares
Shanghai Stock Exchange
Stock Code: 601898
Listing Date: 1 February 2008

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中国中煤能源股份有限公司
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