CHINA COAL ENERGY COMPANY LIMITED*

中國中煤能源股份有限公司

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

(Stock Code: 1898)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

Financial highlights:

- Revenue of the Group for 2007 was RMB36.428 billion, representing an increase of RMB6.201 billion (20.5%) over 2006.
- Profit attributable to equity holders of the Company for 2007 was RMB6.020 billion, representing an increase of RMB2.848 billion (89.8%) over 2006.
- Basic earnings per share was RMB0.51.
- EBITDA for 2007 was RMB10.542 billion, representing an increase of RMB4.279 billion (68.3%) over 2006.
- The Board decides to recommend payment of a final dividend of RMB0.06226 per share, and such proposal is subject to approval by shareholders of the Company at the Annual General Meeting to be held on 20 June 2008.

The board of directors (the "Board") of China Coal Energy Company Limited ("China Coal Energy" or the "Company") is pleased to announce the audited annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007 prepared in accordance with the International Financial Reporting Standards ("IFRS"):

1. SELECTED CONSOLIDATED FINANCIAL INFORMATION PREPARED IN ACCORDANCE WITH IFRS

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 *RMB'000*	2006 *RMB'000*
Revenue	3	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 amortization		(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	4	1,367,200	—
Other income	5	550,571	228,786
Other gains, net		176,157	209,336
Profit from operations		9,100,675	5,172,893
Finance costs, net	6	(757,408)	(480,764)
Share of profits of associates		12,117	32,637
Profit before income tax		8,355,384	4,724,766
Income tax expense	7	(1,949,153)	(1,340,918)
Profit for the year		6,406,231	3,383,848

	Note	2007 RMB'000	2006 RMB'000
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)	8	0.51	0.39
Dividends distributed	9	1,048,959	1,236,079
Dividends proposed after the balance sheet date attributable to all shareholders including holders of A shares (Note 13(a))	9	825,469	—

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	2007 RMB'000	2006 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		21,916,976	15,954,832
Land use rights		397,250	142,005
Mining rights		3,481,426	70,087
Intangible assets		44,759	15,389
Investments in associates		1,146,263	589,590
Available-for-sale financial assets		378,972	136,554
Deferred income tax assets		1,892,635	2,397,087
Long-term receivables		302,738	374,507
		29,561,019	19,680,051
Current assets			
Inventories		3,431,559	2,480,157
Trade and notes receivables	10	4,372,344	2,751,922
Prepayments and other receivables		2,656,663	1,805,502
Derivative financial instruments and other financial assets at fair value through profit or loss		2,037,572	8,014
Restricted bank deposits		360,303	27,280
Term deposits with initial terms of over three months		6,046,119	136,562
Cash and cash equivalents		4,333,828	18,224,249
		23,238,388	25,433,686
TOTAL ASSETS		52,799,407	45,113,737
EQUITY			
Equity attributable to the equity holders of the Company			
Share Capital		11,733,330	11,733,330
Reserves		11,400,959	9,789,902
Retained earnings			
- Dividends proposed after the balance sheet date		825,469	—
- Others		3,371,837	50,156
		27,331,595	21,573,388
Minority interests		2,954,375	1,064,365
Total equity		30,285,970	22,637,753

	Note	2007 *RMB'000*	2006 *RMB'000*
LIABILITIES			
Non-current liabilities			
Long-term borrowings		8,963,439	8,269,591
Long-term payables		401,519	—
Deferred income tax liabilities		1,845,295	495,816
Deferred revenue		27,949	—
Provision for employee benefits		28,706	23,179
Provision for close down, restoration and environmental costs		611,526	583,952
		11,878,434	9,372,538
Current liabilities			
Trade and notes payables	11	4,863,745	3,752,812
Accruals and other payables		3,557,495	5,684,512
Taxes payable		1,185,429	1,239,366
Short-term borrowings		316,215	1,859,827
Current portion of long-term borrowings		671,560	500,539
Current portion of provision for close down, restoration and environmental costs		40,559	66,390
		10,635,003	13,103,446
Total liabilities		22,513,437	22,475,984
TOTAL EQUITY AND LIABILITIES		52,799,407	45,113,737
NET CURRENT ASSETS		12,603,385	12,330,240
TOTAL ASSETS LESS CURRENT LIABILITIES		42,164,404	32,010,291

2. NOTES TO THE FINANCIAL INFORMATION

1 BASIS OF PRESENTATION

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").

(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 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.

(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.

(c) **The assumption of control or joint control of certain subsidiaries and a jointly-controlled entity and 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 Mining Machinery Manufacturing Company Limited ("Fushun Machinery"), for a total consideration of RMB158,000,000. As the Company was able to govern the financial and operation policies of Fushun Machinery, it is accounted for as a subsidiary of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 certain investments at fair value.

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 Company's accounting policies.

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 summarized 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 financial statements under IFRS 7 and Amendment to IAS 1.

- IFRIC Interpretation 10, Interim financial reporting and impairment, (effective for annual periods beginning on or after 1 November 2006), 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 summarized 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.

3 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.

Capital expenditure comprises additions to property, plant and equipment, land use rights, mining rights and intangible assets.

Year ended 31 December 2007

	Coal	Coke	Machinery	Others	Inter-segment elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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 6)						(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
Amortization	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

Year ended 31 December 2006

	Coal	Coke	Machinery	Others	Inter-segment elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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 6)						(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
Amortization	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

(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**
	RMB'000	*RMB'000*
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**
	RMB'000	*RMB'000*
Sales of goods	34,606,046	29,559,631
Revenue from services	1,822,138	666,874
	36,428,184	30,226,505

4 GAIN FROM FAIR VALUE CHANGES OF OTHER FINANCIAL ASSETS

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.

5 OTHER INCOME

	2007	2006
	RMB'000	*RMB'000*
Dividend income - unlisted investments	6,895	7,514
Gains on disposal of investments	508	1,135
Interest income	421,554	108,828
Subscription interest	—	78,947
Government grants and subsidies	121,614	32,362
	550,571	228,786

6 FINANCE COST (NET)

	2007	2006
	RMB'000	*RMB'000*
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 capitalized in construction in progress	(77,431)	(102,291)
	509,080	476,938
Interest charge on unwinding of discounts	40,559	36,464
Net foreign exchange transaction losses/(gains)	590,182	(48,069)
Less: Gains from derivative financial instruments	(399,051)	—
Other incidental borrowing costs and charges	16,638	15,431
	757,408	480,764

7 INCOME TAX EXPENSE

	2007	2006
	RMB'000	*RMB'000*
Current income tax	1,358,366	1,022,304
Deferred income tax	590,787	318,614
	1,949,153	1,340,918

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. 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.

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**
	RMB'000	*RMB'000*
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 unrecognized tax losses	(71,255)	(3,341)
Tax losses for which no deferred income tax asset has been recognized	34,457	12,569
Additional expenses allowable for tax purposes	(27,952)	(43,054)
Income tax expense	1,949,153	1,340,918

8 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.

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

9 DIVIDENDS

	2007	**2006**
	RMB'000	*RMB'000*
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
	RMB'000	*RMB'000*
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 13(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.

10 TRADE AND NOTES RECEIVABLE

	2007	2006
	RMB'000	*RMB'000*
Trade receivables, net	3,426,800	2,393,402
Notes receivable	945,544	358,520
	4,372,344	2,751,922

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

	2007	2006
	RMB'000	*RMB'000*
1 - 6 months	3,025,303	1,996,423
6 - 12 months	322,288	202,096
1 - 2 years	97,578	147,149
2 - 3 years	109,746	70,202
Over 3 years	98,149	153,236
Trade receivables, gross	3,653,064	2,569,106
Less: Impairment of receivables	(226,264)	(175,704)
Trade receivables, net	3,426,800	2,393,402

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.

11 TRADE AND NOTES PAYABLE

	2007	2006
	RMB'000	*RMB'000*
Trade payables	4,665,958	3,403,255
Notes payable	197,787	349,557
	4,863,745	3,752,812

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

	2007	2006
	RMB'000	*RMB'000*
less than 1 year	4,094,141	2,996,748
1 - 2 years	360,859	254,774
2 - 3 years	66,800	57,202
Over 3 years	144,158	94,531
	4,665,958	3,403,255

12 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
	RMB'000	*RMB'000*
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
	RMB'000	*RMB'000*
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

	2007	2006
	RMB'000	*RMB'000*
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

13 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.

3. CHAIRMAN'S STATEMENT

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 seized the opportunity to actively pursue rapid development in the three core businesses of coal production, coal chemical and coal mining equipment operations. Through controlling 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. As at 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 RMB27.13 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 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 either 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 either 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 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) **Actively Perform 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 production 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 30% or above. 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 our principal operations 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 small modification, small reform, small suggestion, small invention and small 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 equipment 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.

4. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND OPERATING RESULTS

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**

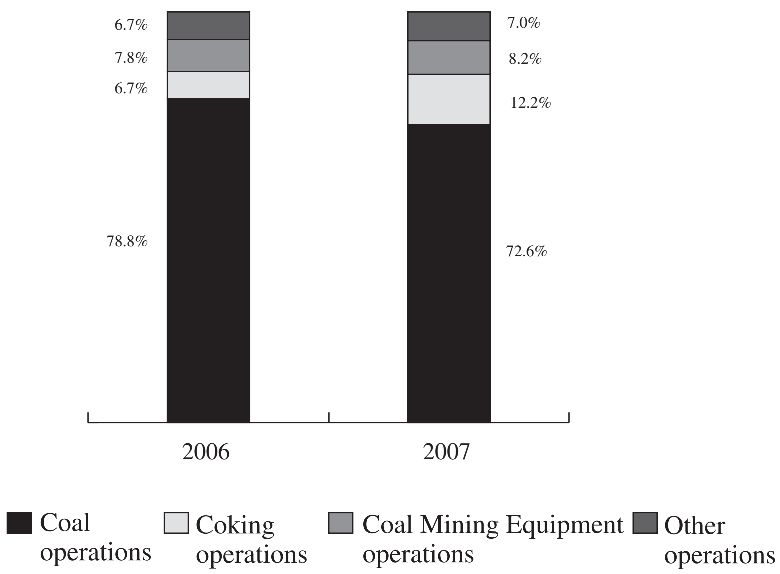
Revenues

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	**Revenues net of inter-segmental sales for the year ended 31 December 2006**	**Growth**	**Growth**
	RMB100 million	*RMB100 million*	*RMB100 million*	*%*
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:



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 RMB27.13 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	For the year ended 31 December 2006	Increase/ decrease	For the year ended 31 December 2007	For the year ended 31 December 2006	Increase/ decrease in percentage
	RMB100 million	*RMB100 million*	*RMB100 million*	%	%	*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 third party 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)*
1. Self-produced commercial coal	Total	6,932	363	5,715	330	1,217	33
	(I) 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
	(II) 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
2. Proprietary coal trading	Total	275	447	1,244	383	-969	64
	(1) 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
	(2) 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
3. 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/ton. 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 for the year ended 31 December 2007 increased from RMB2.014 billion to RMB2.548 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 RMB1.62 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.

4. BUSINESS PERFORMANCE

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*

  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 mines with an annual production capacity over ten million tons each, namely Anjiabao 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.

- *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.

For 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. For the domestic self-produced coal sales, long-term contract sales amounted to 52.63 million tons or 85.8% of the total sales; spot sales amounted to 8.74 million tons, representing 14.2% of the total domestic sales. Sales to the top five 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 the country, 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 agency sales was 13.09 million tons, accounting for 15.4% of total sales volume, down 6 percentage points over the previous year.

  The proportion of domestic coal sales increased. The Group had tried its best 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.

- *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.

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 profitability also increasing significantly.

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 accounted for 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 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% than that 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 coke production capacity of the Group fully utilized, the level of overall utilization of coke by-products will be gradually increased and the coking operation chain will be further developed. The profitability of the coking operations will be strengthened.

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 localization trend of mining equipment production by strengthening technologies innovation and expanding the operations scale, and continued to maintain its leading position among domestic coal mining equipment enterprises.

Production volume continued to increase, and 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 accounted for 88,000 tons, representing an increase of 32.1% over the previous year; armored face conveyors accounted for 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 60%, all of which ranked No.1 in domestic market.

With more autonomy and creativity, the technological level of coal mining equipment was 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.

5. SIGNIFICANT EVENTS

Pursuant to the resolution at the first extraordinary general meeting in 2007 of the Company held on 7 September 2007 and the "Notice related to approving the initial public offering of shares by China Coal Energy Company Limited" (CSRC approval [2008] No.99) issued by China Securities Regulatory Commission, the Company has its initial public offering of 1,525,333,440 A Shares. Under the approval of the "Notice related to the listing and trading of ordinary Renminbi shares of China Coal Energy Company Limited" (Shang Zheng Shang Zi [2008] No. 10), the Company's A Share was listed on the Shanghai Stock Exchange on 1 February 2008. The offering price of A Share was RMB16.83 per Share (stock code: 601898). The offering includes placing to price enquiring targets and online subscription application, in which 343,200,400 shares were placed to price enquiring targets and 1,182,133,000 shares were issued to public investors in the society, raising net proceeds of RMB25.32 billion after deducting share issuance costs.

Following the issuance of the A Share, the total number of shares of the Company increased to 13,258,663,400 shares, which included 7,626,667,000 A Shares held by China National Coal Group Corp., the controlling shareholder of the Company, 4,106,663,000 H Shares held by holders of H Shares and the 1,525,333,400 A Shares held by holders of A Shares under the A Share issue, representing 57.52%, 30.97% and 11.51% of the total share capital of the Company respectively.

Shareholding structure following the A Share Issue

Unit: shares

Shareholder	Share type	Shareholding (in shares)	Ratio
China National Coal Group Corporation (SS)	A Shares	7,626,667,000	57.52%
Holders of H Shares	H Shares	4,106,663,000	30.97%
Holders of A Shares under the A Share Issue	A Shares	1,525,333,400	11.51%
Total	—	13,258,663,400	100.00%

Proceeds from the A Shares offering is proposed to be used in the following manner:

Unit: RMB100 million

	Description	Estimated investment amount	Proposed amount of proceeds from the A Share Issue to be applied
1.	Inner Mongolia 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	357.66	41.58
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	209.37	170.29
	Total	567.03	211.87

Inner Mongolia 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 is a large coal chemical model project of the state and primarily includes coal mines and ancillary coal processing plants, production devices of methanol and dimethyl ether and ancillary facilities such as special rail lines and coal gangue electric power plant.

Heilongjiang Project and ancillary engineering facilities with an annual production capacity of 10 million tons of coal, 1.8 million of methanol and 0.6 million tons of olefin is a large coal chemical model project of the state and primarily includes coal mines and ancillary coal processing plants, olefin plants and ancillary methanol production devices and ancillary production facilities such as special rail lines and thermal and electric power plants.

The remaining proceeds from the A Share Issue of the Company in excess of the investment amounts of the above projects will be used to supplement the working capital of the Company for general corporate purpose or used for acquisitions of core business related assets.

6. STAFF

As at 31 December 2007, the Company had 51,527 employees (2006: 52,137 employees).

7. 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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd. (the “Listing Rules”).

8. AUDIT COMMITTEE

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

9. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

10. REMUNERATION OF DIRECTORS AND SUPERVISORS

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 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 the directors' duties, responsibilities and performance as well as the operating results of the Group.

11. SHARE CAPITAL STRUCTURE

As at 31 December 2007, the Company's share capital structure is as follows:

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

There has been no change in the share capital of the Company during the reporting period. However, since A shares of the Company were successfully listed on 1 February 2008, changes in the share capital structure of the Company are as follows:

Type of shares	**Number of shares**	**Percentage (%)**
A shares	9,152,000,400	69.03
Of which: 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

12. DIVIDEND AND PROFIT AVAILABLE FOR DISTRIBUTION

At the extraordinary general meeting held on 9 November 2007, in accordance with the requirements of the relevant laws and regulations of the PRC, the Company approved a distributable profit of RMB1,048,959,702 for the interim period of 2007, determined on the basis of the PRC Accounting Standard for Business Enterprises, The distribution is based on 11,733,330,000 shares, distributing a dividend of RMB0.0894 per share.

On 9 April 2008, the Board recommended the distribution of the Company's distributable profit of RMB825,469,000 (after deducting profit distribution for the interim period of 2007 of RMB1,048,959,702) for the year ended 31 December 2007, determined on the basis of the PRC Accounting Standard for Business Enterprises, in accordance with the requirements of the relevant laws and regulations of the PRC. The distribution is based on the total issued capital of 13,258,663,400 Shares of the Company following the issue of A Shares, distributing a dividend of RMB0.06226 per share. Such proposal is still subject to approval by shareholders of the Company at the Annual General Meeting to be held on 20 June 2008.

13. 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.

14. PURCHASE, SALE OR REDEMPTION OF SHARES OF THE GROUP

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

15. USE OF PROCEEDS FROM H SHARE ISSUE

After deducting related expenses, the net proceeds from H share issue of the Company was RMB14.466 billion. For the year ended 31 December 2007, the net proceeds are being used in accordance with the plans as disclosed in the prospectus of H Shares.

16. AUDITORS

The Company had appointed PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company as its international and domestic auditors respectively for the year ended 31 December 2007. PricewaterhouseCoopers has audited the Group's financial statements prepared in accordance with the International Financial Reporting Standards.

The resolution regarding the reappointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the Group's international auditor and domestic auditor for the year ending 31 December 2008 will be proposed at the forthcoming annual general meeting of the Company to be held on 20 June 2008.

17. ANNOUNCEMENT OF ANNUAL REPORT ON THE WEB SITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Pursuant to the requirements of the Listing Rules regarding the reporting period, the 2007 annual report will set out all information disclosed in the annual results announcement for 2007 and will be disclosed on the website of the Company (http://www.chinacoalenergy.com) and the website of the Hong Kong Stock Exchange (http://www.hkex.com.hk) on or before 30 April 2008.

By Order of the Board
China Coal Energy Company Limited
Jing Tianliang
Chairman of the Board, Executive Director

Beijing, the PRC, 9 April 2008

As at the date of this announcement, the executive directors of the Company are Jing Tianliang, Yang Lieke and Peng Yi; the non-executive director of the Company is Zhang Baoshan; and the independent non-executive directors of the Company are Gao Shangquan, Zhang Ke, Peng Ru Chuan, Wu Rongkang and Li Yanmeng.

* *For identification purposes only*