中国中煤能源股份有限公司

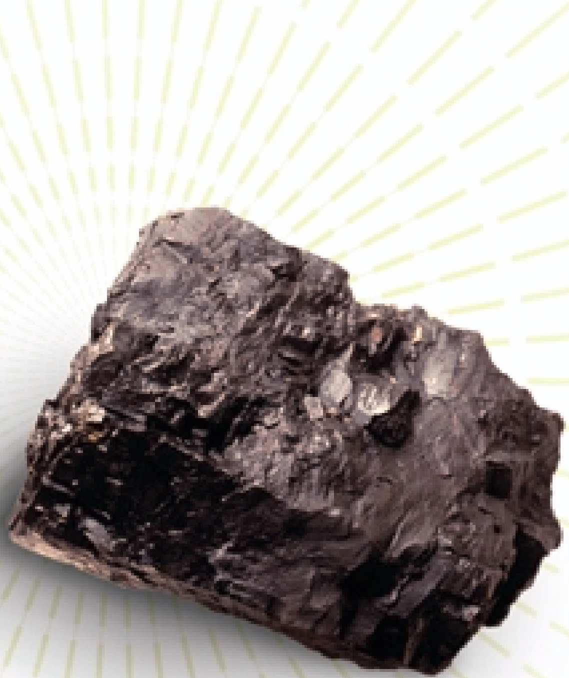
CHINA COAL ENERGY COMPANY LIMITED

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

Stock Code: 01898

COAL

2008 • Annual Report



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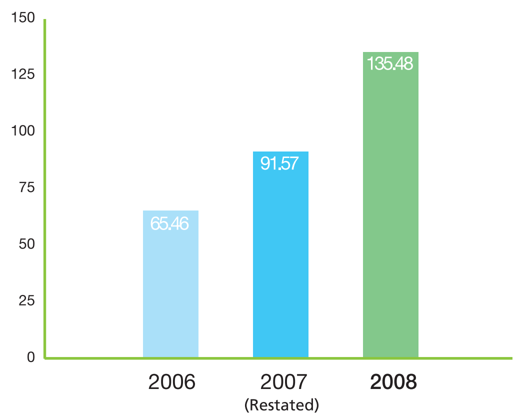
Operating Results

Consolidated (RMB100 million)	2008	2007 (Restated)	Percentage change %
Revenue	**509.93**	356.41	43.1
Of which: Coal operations	**373.52**	263.62	41.7
Coking operations	**66.53**	37.38	78.0
Coal mining equipment operations	**41.34**	29.93	38.1
Other operations	**28.54**	25.48	12.0
Cost of sales	**374.45**	264.83	41.4
Profit from operations	**113.99**	90.00	26.7
Profit before income tax	**105.12**	83.56	25.8
Profit attributable to equity holders of the Company	**71.41**	60.20	18.6

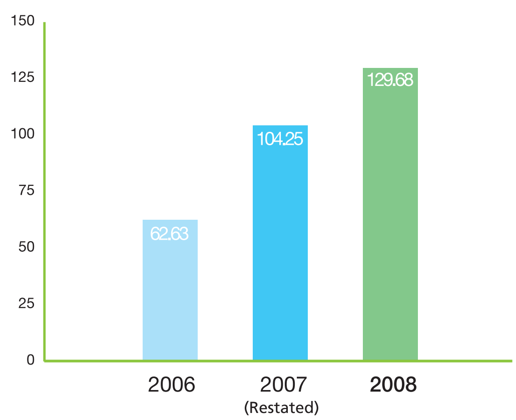
Gross Profit

Unit: RMB100 million



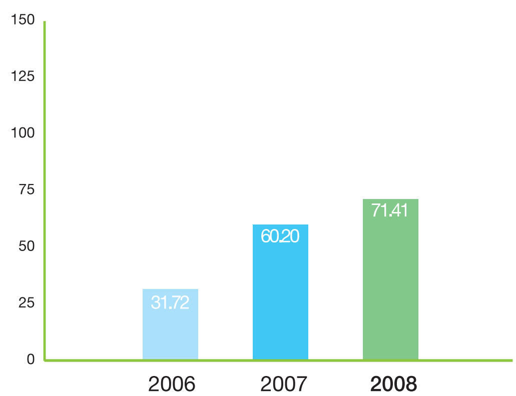
EBITDA

Unit: RMB100 million



Profit attributable to equity holders of the Company

Unit: RMB100 million

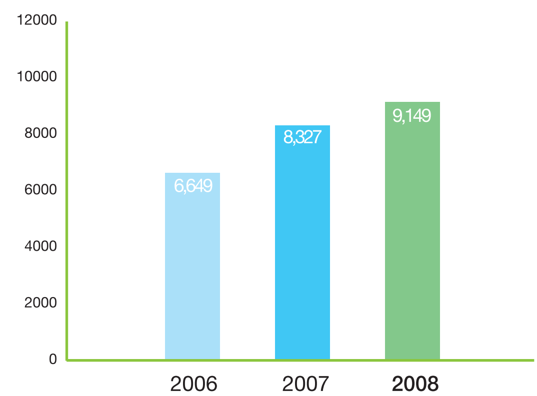


Business highlights

Items	2008	2007	Percentage change %
(1) **Coal operations (10 thousand tons)** Raw coal production volume	**10,037**	9,052	10.9
Of which: Self-produced raw coal	**9,149**	8,327	9.9
Sales volume of commercial coal	**8,870**	8,494	4.4
Of which: Sales volume of self-produced commercial coal	**7,410**	6,886	7.6
(2) **Coking operations (10 thousand tons)** Coke production volume	**367**	337	8.9
Of which: Equity production volume	**283**	267	6.0
Sales volume of coke	**285**	306	-6.9
(3) **Coal mining equipment operations** Coal mining equipment production value (RMB100 million)	**44.9**	32.2	39.4
Sales volume of coal mining equipment (10 thousand tons)	**21.0**	20.7	1.4

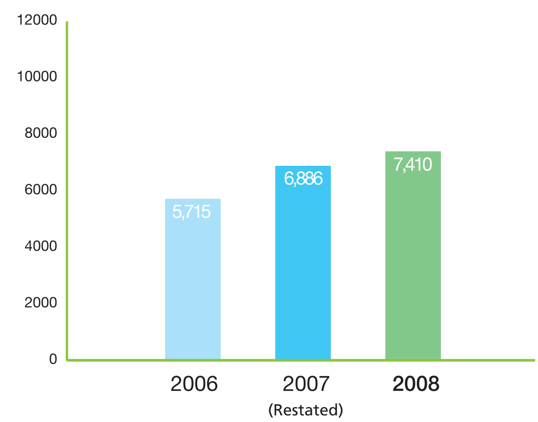
Self-produced raw coal production volume

Unit: 10 thousand tons



Sales volume of self-produced commerical coal

Unit: 10 thousand tons



Dear Shareholders,

China consecutively experienced a few unprecedented natural disasters and has been significantly affected by the global financial crisis in 2008. In response to this situation, the PRC government has taken a series of economic measures and adopted policies in a timely manner with an aim of further stimulating domestic demand and supporting economic growth. As a result, the Chinese economy has continued to grow at a fast pace, and maintained stabilized commodity prices in the market as well as an optimised economic structure. Due to the adverse impact of domestic and international macroeconomic slowdown, the coal market experienced significant fluctuations during the reporting period, although the market equilibrium of the coal supply and demand generally speaking has not been affected. Coal price moved drastically in a way like a parabola, rising continuously in the first half of 2008 while undergoing adjustment in the second half of 2008. In view of the market changes, China Coal Energy Company Limited (the "Company" or "China Coal Energy") took active measures to overcome the production and operation difficulties and maintain a continuous and rapid growth in its core businesses. The Company's operation achieved satisfactory results and recorded its best level in history. On behalf of the Board, I am pleased to present the 2008 annual report of China Coal Energy to all shareholders.

1. Review of the reporting period

Financial results

For the year ended 31 December 2008, the operating revenue of the Company was RMB50.993 billion, representing an increase of RMB15.352 billion or 43.1% over 2007. Revenue from coal operations amounted to RMB37.352 billion, accounting for 73.2% of the total revenue, of which revenue from self-produced commercial coal amounted to RMB33.106 billion, representing an increase of 32.5% over 2007. Gross profit amounted to RMB13.548 billion, representing an increase of 48.0% over 2007, of which gross profit of coal operations amounted to RMB12.397 billion, representing an increase of 56.1% over 2007. Earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to RMB12.968 billion, representing an increase of 24.4% over 2007. Profit attributable to equity holders of the Company amounted to RMB7.141 billion, representing an increase of 18.6% over 2007. Basic earnings per share was RMB0.54 and return on equity was 16.5%. The consolidated gross profit margin of the Company for 2008 was 26.6% which was 0.9 percentage point higher than that of 2007, of which the gross profit margin of coal operations was 32.6%, which was 3.1 percentage points higher than that of 2007; the gross profit margin of coking operations was 7.1%, which was 2.5 percentage points lower than that of 2007; the consolidated gross profit margin of coal mining equipment operations was 16.2%, which was 2.2 percentage points lower than that of 2007.

Business performance

Steady and rapid growth of the core business of coal operations

In view of the rapid increase in domestic and international coal prices in the first half of 2008, the Company adjusted its sales strategy in a prompt manner, including increasing the proportion of spot coal sales appropriately by consolidating its key power customer base, raising the sales price of export coal through a sound management of marketing and price negotiation, enhancing the profitability of self-produced coal by improving the export proportion of self-produced coal, and effectively controlling costs by timely transferring policy-related cost to downstream operations. Since September 2008, the Company took active measures such as increasing the proportion of long-term contract sales, controlling costs and reducing risks to sustain its production and operations results in view of the severe conditions caused by falling demand and coal prices.

- Coal production exceeded 100 million tons for the first time. In 2008, China Coal Energy organised its production scientifically, optimised its production process and achieved steady growth in the production volume of raw coal. During the reporting period, the production volume of raw coal of the Company reached 100.37 million tons, representing an increase of 9.85 million tons or 10.9% over 2007, and exceeded 100 million tons for the first time. The production volume of self-produced raw coal was 91.49 million tons, representing an increase of 8.22 million tons or 9.9% over 2007. Pingshuo Mining Area produced 80.01 million tons of raw coal and was well on the track of achieving production capacity of 100 million tons.

- Coal sales continued to increase and the sales structure continued to be optimised. Coal sales volume of the Company was 88.70 million tons in 2008, representing an increase of 4.4% over 2007, of which domestic sales of 72.70 million tons were recorded, representing an increase of 13.8% over 2007. Sales of self-produced commercial coal were 74.10 million tons, representing an increase of 5.24 million tons or 7.6% over 2007, and its proportion in total sales was 2.4 percentage points higher. By leveraging on the price advantage in the spot market, the Company's domestic spot sales accounted for 23.8% of total domestic sales and increased by 6 percentage points over 2007.

- Construction of safe and highly efficient mines was in steady progress. During the reporting period, the raw coal production efficiency of the Company was 29.25 tons/worker-shift, representing an increase of 9.5% over 2007, and was 5.8 times of the average raw coal production efficiency of key state-owned coal mines. The raw coal production efficiency of Pingshuo Mining Area was 132.34 tons/worker-shift, which was 4.7% higher than that of 2007. Among the 11 existing coal mines, 5 were assessed to be super safe and highly efficient mines in the PRC and 3 were assessed to be first class safe and highly efficient mines in the coal industry.

- Profitability of coal sales was further improved. During the reporting period, the weighted average sales price of self-produced coal of the Company was RMB447/ton, representing an increase of RMB84/ton or 23.1% over 2007. The average domestic sales price of self-produced thermal coal was RMB405/ton, representing an increase of RMB66/ton or 19.5% over 2007. Gross profit margin of coal sales operations was 32.6%, which was 3.1 percentage point higher than that of 2007.

Core competitiveness of coal mining equipment operations was strengthened.

- Maintained a leading position in terms of market shares. Production value of coal mining equipment of China Coal Energy was RMB4.49 billion in 2008, representing an increase of RMB1.27 billion or 39.4% over 2007. The Company's market shares of high-end hydraulic roof supports, heavy-duty armored face conveyors and explosion-proof electric mining motor remained to be No. 1 in the domestic market. The Company continued optimising its product mix and increasing the proportion of purchase orders for high-end products steadily.

- The product mix of "three machines and one roof support" was generally developed. Following the successful reorganisation of Fushun Coal Mining Motor Plant and Shijiazhuang Coal Mining Machinery Company Limited, the Company further reorganised Xi'an Coal Mining Machinery Company Limited (西安煤礦機械有限公司) in cooperation with Shaanxi Coal and Chemical Industry Group Co., Ltd. (陝西煤業化工集團有限責任公司) in August 2008. As a result, the Company initially developed a comprehensive product chain of mining and excavation represented by roof support, armored face conveyor, shearer, road-header and electric mining motor, and established a general structure of "three machines and one roof support" for its coal mining equipment operations.

- Core technology of coal mining equipment was further developed. The Company actively undertook the research and development of the rear armored face conveyor for high seam top level caving longwall mining work face, a major science and technology support project of the PRC for the "eleventh five-year period". The Company also successfully developed the 2210KW high-power shearer, the 300KW model all-rock road header, and obtained the European "CE" certification for rope-driven floor-mounted rail system. Out of the 29 national patent applications made by the Company as to its coal mining equipment operations during the year, 27 have been accepted and 19 have been granted.

Market fluctuations were effectively tackled by the Company regarding its coking operations

The coke market in the PRC experienced sharp fluctuations during 2008. The demand for coke was robust and the price soared in the first half of the year, while a drastic falling in demand, a price plunge and unprecedented market adjustment were seen in the second half of the year. The Company took active and effective measures to increase production volume, revenue and earnings in the first half of 2008, while to decrease costs and improve efficiency in the second half of 2008 by reducing production volume and inventory. Coke sales for the year 2008 amounted to 2.85 million tons, representing a decrease of 6.9% over 2007. The Company's coking operations achieved an operating profit of RMB284 million, representing an increase of 56.9% over 2007.

Construction projects

Significant progress was made in the construction of large coal mine projects. Certain adverse changes in geological conditions of the coal field were encountered in the construction of Antaibao underground mine, which has a production capacity of 6 million tons/year in the Pingshuo Mining Area. The Company took active and effective measures to facilitate the construction of the project. Currently, the project has commenced trial production. The Pingshuo East Open Pit Mine Project has a coal production capacity of 20 million tons/year, a washing and processing capacity of 20 million tons/year and self-owned dedicated railway transportation capacity of 32.50 million tons/year. Construction of this project has commenced with the target of "completing construction in 3 years and achieving designed capacity in the second year". The Company strived to construct this project into the one with fine quality. The Company successfully acquired the entire equity interest in Shanxi

China Coal Dongpo Coal Mine Company Limited held by China National Coal Group Corporation ("China Coal Group"), the Company's controlling shareholder, thereby increasing its production capacity by 1.5 million tons/year. Technology renovation projects for the Wangjialing Coal Mine in the Huajin Mining Area and the Kongzhuang Coal Mine in the Datun Mining Area are also accelerating their progress.

Coal chemical projects progressed smoothly. Substantial progress has been made in the preliminary work of the coal chemical project in Erdos, Inner Mongolia. According to the precise exploration, the total volume of mine reserve is 5.201 billion tons. Currently the Company has obtained the permit of coal mine exploration right for the Menkeqing Coal Field and is in the process of transferring the mining right for the Hulusu Coal Field and applying for the project approval. The methanol project of Heilongjiang Coal Chemical Industry Co., Ltd. of China Coal Energy with a production volume of 250,000 tons/year has commenced trial production.

Corporate governance

China Coal Energy had made continuous efforts to improve the Company's corporate governance and the transparency of its operations. In 2008, the Company established an enquiry and on-site examination mechanism for its independent directors to provide an appropriate platform so as to enable the independent directors to better perform their duties. We further strengthened our internal control responsibility system, reduced operational risks and enhanced operational efficiency. To improve our communication with investors, the Company held roadshows for results announcement, reverse roadshows and investor conferences and made voluntary disclosure of monthly production and operational data so as to allow investors to gain a more thorough understanding of the Company. In 2008, the Company won "Best Investor Relations for IPO 2008" jointly awarded by Shanghai Stock Exchange and Shenzhen Stock Exchange. In addition, the Company received the award of Certificate of Excellence in the contest of 2008 China Investor Relationship Award organised by UK's IR magazine.

Social responsibility

Further enhance the management level of safe production and continue to maintain an advanced level. By upholding the notion that "safety is of vital importance, life is the most valuable", the Company has made solid progress in standardising its safety quality and continuously enhancing the safety responsibility awareness of operators at all levels. Out of the 11 operating mines, 9 mines recorded zero fatality rate, and the fatality rate of raw coal production per million tons was 0.020, which is far below the average level of 1.182 of coal mines in China.

Implement the state policy of energy conservation and discharge reduction, and strive to build a resource-efficient and environmental-friendly enterprise. During the reporting period, the integrated energy consumption per RMB10,000 of production value of the Company decreased by 23.4%, the discharge volume of sulphur dioxide reduced by 12.0%, and the discharge volume of COD reduced by 31.5% over 2007.

As the second largest coal producer in China, China Coal Energy has the largest coal mining equipment manufacturing enterprise in China, the leading coal mine design companies and has an important function of providing services to the Chinese coal industry, which has distinguished China Coal Energy from other companies and is a concrete demonstration of the Company's social responsibilities. In 2008, the Company organised and implemented 31 key technology projects, developed 166 new products and undertook 6 projects at the national technology level, which has made significant contributions for the sustainable development of the coal industry and strengthening the nation's innovation capability.

Actively participate in the earthquake relief and ensure the stable supply of thermal coal. In response to the severe calamity caused by the Wenchuan Earthquake, the Company immediately called on its employees to make donations to the disaster-stricken area and dispatched a reconstruction team to use its best effort to assist in the post-quake reconstruction. The reconstruction team dispatched was awarded with an honourable title of "Earthquake Relief Advanced Unit" by the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC") and the Ministry of Housing and Urban-Rural Development of the PRC. During the blizzards and extreme cold spells and the Beijing Olympics Games, China Coal Energy also strictly performed its social responsibility and used every effort to ensure the coal supply for key power customers. The performance rate of major thermal coal contracts exceeded 100% in this period.

2. Major Tasks in 2009

Adhere to safe and highly-efficient production and continue to maintain the coal production capacity of 100 million tons.

— Speed up technology reforms to enhance system reliability. Modernise technology and equipment and computerise management measures through the monitoring and automated controlling of the production system of major equipments such as mining, excavating, electromechanical, transportation and ventilation, and of safety facilities and major equipments for coal preparation, loading and power supply and distribution.

— Implement professional management to achieve highly efficient production. Properly implement professional management of operations such as road heading equipment removing before fully mechanized longwall mining ended, development and excavation, equipment management and repairing, coal processing and material supply in the two major mining areas, namely Pingshuo Mining Area and Datun Mining Area.

— Strengthen continuous management and ensure balanced production. All mines of the Company will be organised to carry out production in a balanced way and to avoid any deficiency of stripping (road-heading). Active and effective measures will be taken to resolve the key conflicts and major issues hindering our production. The Company will adopt innovative electromechanical management approaches and strengthen equipment check and preventive overhaul. The Company will strengthen the overall coordination of production and adjustments so as to achieve smooth operation of all processes.

Improve marketing ability on a market-oriented basis.

— In response to the changes in market conditions, the Company will strike a comprehensive balance between risks and benefits, make timely adjustments to its sales strategy, uphold a market-oriented and customer-centered operation philosophy, focus on long-term contract sales supplemented by spot sales to ensure stable sales volume.

— Strengthen strategic cooperation with key power customers, expand customer base in the chemical industry, the metallurgy industry and the construction materials industry. The Company will establish and improve the coastal transshipment, storage and distribution channels mainly in the Yangtze River Delta area and the Pearl River Delta area in order to diversify its operational risks and achieve stable profitability.

— Conduct centralised marketing, fully leverage on the Company's capability of offering a wide range of coal products and specifications to coordinate and arrange composite ancillary sales for thermal coal or coking coal, coordinate effectively coal production, transportation and sales, and improve the quality of our customer service. Fully utilise the Company's advantages of coal import and export operations and further expand into the international market.

Strengthen risk and cost control to ensure operational profits.

— Arrange investment projects in strict compliance with the Company's development strategy with a focus on its main business. Adhere to the yield-centered investment principle, strengthen the assessment of investment projects and control investment risk stringently.

— Further control risk relating to accounts receivables, closely monitor and track the credit status of customers, adjust the credit rating of customers timely, and strengthen the collection of accounts receivables.

— Strengthen cost management and control, and significantly reduce non-production expenses.

Speed up the projects construction and promote sustainable enterprise development

— Accelerate the construction of Pingshuo East Open Pit Mine in Pingshuo Mining Area to ensure commencement of production in 2010 as scheduled.

— Speed up the preliminary work of the Erdos coal chemical project in Inner Mongolia to ensure duly commencement of the project construction in 2009.

— Actively advance project construction with respect to power generation using coke oven gas, intensive processing of coal tar, methanol production using oven gas, and further improve the overall utilisation level of resources.

— Acquire regional coal mines under restructuring from China Coal Group, the controlling shareholder of the Company, in a timely manner.

Strengthen the work relating to environment, quality and responsibility for building an intrinsically safe enterprise.

— Establish a simple, efficient and smooth production system. Adopt innovations in mine design models and technology system, accelerate the automation, computerisation reform and the construction pace of the mines so as to provide a good operating environment featuring simple system and reliable equipment.

— Provide more training and build up a team of highly skilled employees to enhance the Company's technology innovation capabilities.

— Develop the system and network of safe production responsibility. Implement safety responsibilities for accountability at all stages including corporate decision-making, implementation, supervision, assessment, disciplinary measures and reward programme.

— Fully implement the standardisation of safe quality. With the focus on standardisation of safe quality, establish a standardised examination and assessment system and target achievement plan, strengthen on-site refined management and enhance the level of safe production management.

3. Future prospect

As the global financial crisis spreads and the risk of global economic slowdown continues to grow in 2009, economic development of China will be facing a more complex and severe situation. The supply and demand of coal will become less balanced, coal prices will fall and the reform of value added tax and resource tax may affect the profitability of coal enterprises to a certain extent. In view of the complex international and domestic economic situations, China Coal Energy will arrange its tasks for the current and future periods based on its own conditions:

(1) Focus on both organic growth and external expansion. Actively accelerate production, operation and project construction and speed up self-development with a focus on the core operations. Realise fast expansion through merger, acquisition, joint venture and cooperation and so on.

(2) Accelerate the implementation of the strategy for coal reserves and project reserves. Actively expand and develop domestic and overseas premier coal reserves with a focus on areas with richer resources and better depositing conditions such as Shanxi, Inner Mongolia, Shaanxi and Xinjiang.

(3) Further develop the Company's three core operations, namely, coal production, coal chemical and coal mining equipment. Accelerate the construction of coal mine projects under construction. Closely monitor the development of the Shuonan Mining Area and the progress of restructuring local mines undertaken by China Coal Group, our controlling shareholder, so as to expand the coal production capacity continuously. Adhere to high standards, thresholds and profits to strengthen economic appraisal and feasibility study of projects. Properly facilitate the construction progress of coal chemical projects to maximise shareholders' value. By seizing the opportunities arising from the support for the equipment manufacturing industry from the PRC government and localisation of major equipments, the Company will strengthen its international cooperation and self-innovation, to actively capture the high-end market and lay a solid foundation with a view to realising its target of being a "global market leader".

(4) Actively expand the Company's power generation operations. The Company will strive to identify power plant locations featuring secured number of consumers, large-scale, high-standard and great expansion potential. The Company will construct some large pit-mouth power plants independently or in cooperation with other power enterprises. Fully develop power generation projects which are equipped with circulating fluidised bed units and are fueled by middling coal, coal slurry and coal gangue and actively develop power generation projects which utilise gas, coke oven gas and residual heat.

Dear shareholders, coal will continue to be the primary energy in the PRC for quite a long time in the future. There will be no change in the fundamental development scenario of the PRC economy. In particular, the implementation of a series of macroeconomic adjustment measures by the PRC government has created favorable conditions for tackling with the global financial crisis. China Coal Energy will firmly adhere to the market-oriented and customer-centered operational philosophy. The Company will uphold the four principles in development by following the direction of "large-scale production, modernisation of technology and equipment, professionalisation of working teams and computerisation of management measures" and meet the five high standards of "high threshold, target, quality, efficiency and profit". The Company will also continuously improve its corporate governance and sustainable development ability to create higher value for its shareholders.

Wang An
Chairman

Beijing, the PRC
27 March 2009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The following discussions and analysis should be read in conjunction with the Group's audited financial statements and the notes thereto. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards.

I. Overview

For the year ended 31 December 2008, the Group optimised its operation structure and production process, strictly controlled the cost and proactively coped with the adverse impact of domestic and international macroeconomic factors and market changes, which led to remarkable operating results, with sales revenue and profitability having achieved historically new high records once again. During the same period, the Group's total revenue (net of inter-segmental sales) amounted to RMB50.993 billion, representing an increase of 43.1% over 2007; the profit before income tax amounted to RMB10.512 billion, representing an increase of 25.8% over 2007 (or an increase of 70.5% over 2007 if the impact of gains and losses on the fair value of shares held were excluded); the profit attributable to equity holders of the Company amounted to RMB7.141 billion, representing an increase of 18.6% over 2007 (or an increase of 64.1% over 2007 if the impact of gains and losses on the fair value of shares held were excluded); and the basic earnings per share of the Company amounted to RMB0.54, representing an increase of RMB0.03 over 2007.

For the year ended 31 December 2008, the operating profit of the Group increased by 26.7% to RMB11.399 billion from RMB9.000 billion for the year ended 31 December 2007. Of the Group's three core businesses of coal, coking and coal mining equipment operations, the operating profit from coal operations increased by 67.7% to RMB11.285 billion for the year ended 31 December 2008 from RMB6.731 billion for the year ended 31 December 2007; the operating profit from coking operations increased by 56.9% to RMB284 million for the year ended 31 December 2008 from RMB181 million for the year ended 31 December 2007; and the operating profit from mining equipment operations increased by 13.7% to RMB341 million for the year ended 31 December 2008 from RMB300 million for the year ended 31 December 2007.

The Group's EBITDA increased by 24.4% to RMB12.968 billion for the year ended 31 December 2008 from RMB10.425 billion for the year ended 31 December 2007. The gearing ratio as at 31 December 2008 (total interest bearing liabilities/(total interest bearing liabilities + interests attributable to shareholders of the Company)) was 15.8%.

II. Operating Results

1. Revenue

(1) Consolidated revenue

For the year ended 31 December 2008, the Group's total revenue net of inter-segmental sales increased by 43.1% to RMB50.993 billion from RMB35.641 billion for the year ended 31 December 2007. Revenues from three core businesses of coal, coking and coal mining equipment operations continued to record relatively rapid growth.

Changes in revenues from the Group's four business segments of coal, coking, coal mining equipment and other operations for the year ended 31 December 2008 in comparison with the year ended 31 December 2007 were set out as follows:

	Revenue net of inter-segmental sales		Growth	
	For the year ended 31 December 2008 RMB100 million	For the year ended 31 December 2007 RMB100 million (Restated)	RMB100 million	%
Coal operations	**373.52**	263.62	109.90	41.7
Coking operations	**66.53**	37.38	29.15	78.0
Coal mining equipment operations	**41.34**	29.93	11.41	38.1
Other operations	**28.54**	25.48	3.06	12.0
Total	**509.93**	356.41	153.52	43.1

The proportions of revenues net of inter-segmental sales generated by various business segments of the Group in the Group's total revenue for the year ended 31 December 2008 and the year ended 31 December 2007 were set out as follows:

	For the year ended 31 December 2008 %	For the year ended 31 December 2007 (Restated) %	Increase/ decrease in percentage points
Coal operations	**73.2**	74.0	-0.8
Coking operations	**13.0**	10.5	2.5
Coal mining equipment operations	**8.1**	8.4	-0.3
Other operations	**5.7**	7.1	-1.4

(2) Segmental revenue

- Coal operations

The total revenue from coal operations increased by 40.9% to RMB38.010 billion for the year ended 31 December 2008 from RMB26.970 billion for the year ended 31 December 2007; the revenue net of other inter-segmental sales increased by 41.7% to RMB37.352 billion for the year ended 31 December 2008 from RMB26.362 billion for the year ended 31 December 2007.

The revenue from the Group's coal operations was 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 coal import and export agency services.

The major coal products of the Group were thermal coal and coking coal.

The Group's revenue from self-produced commercial coal sales was RMB33.764 billion for the year ended 31 December 2008. The Group's revenue net of other inter-segmental sales from self-produced commercial coal sales was RMB33.106 billion for the year ended 31 December 2008, representing an increase of RMB8.114 billion or 32.5% over 2007 (of which, the revenue from domestic sales of self-produced commercial coal was RMB28.445 billion, representing an increase of RMB7.288 billion or 34.4% over 2007; the revenue from export sales of self-produced commercial coal was RMB4.661 billion, representing an increase of RMB826 million or 21.5% over 2007). Revenue from proprietary coal trading of the Group was RMB4.127 billion, representing an increase of RMB2.841 billion or 220.9% over 2007.

The revenue from the Group's coal import and export agency services was RMB119 million, all of which was generated from export agency services, for the year ended 31 December 2008, representing an increase of RMB35 million or 41.7% over 2007.

Changes in the Group's coal sales volume and selling prices for the year ended 31 December 2008 in comparison with the year ended and 31 December 2007 were set out as follows:

		For the year ended 31 December 2008		For the year ended 31 December 2007		Increase/decrease	
		Sales volume (10,000 tons)	Selling price (RMB/ton)	Sales volume (10,000 tons)	Selling price (RMB/ton) (Restated)	Sales volume (10,000 tons)	Selling price (RMB/ton)
1. Self-produced commercial coal	Total	7,410	447	6,886	363	524	84
	(I) Thermal coal	7,216	432	6,724	355	492	77
	1. Exports	656	694	786	479	-130	215
	(1) Long-term agreements	654	692	766	481	-112	211
	(2) Spot trading	2	1,771	20	414	-18	1,357
	2. Domestic sales	6,560	405	5,938	339	622	66
	(1) Long-term agreements	5,484	365	5,218	336	266	29
	(2) Spot trading	1,076	612	720	359	356	253
	(II) Coking coal	194	1,011	162	674	32	337
	1. Exports	5	1,954	9	775	-4	1,179
	2. Domestic sales	189	984	153	668	36	316
2. Proprietary coal trading	Total	541	763	299	430	242	333
	(I) Self-operated exports	18	1,593	4	640	14	953
	1. Long-term agreements	3	606	1	469	2	137
	2. Spot trading	15	1,794	3	669	12	1,125
	(II) Domestic re-sale	521	736	295	428	226	308
	1. Long-term agreements	57	563	35	359	22	204
	2. Spot trading	464	757	260	437	204	320
	(III) Import trading	2	614	☆	☆	2	614
3. Import and export agency	Total	919	13	1,309	6	-390	7
	(I) Import agency	☆	☆	210	5	-210	-5
	(II) Export agency	919	13	1,099	7	-180	6

☆ : Nil

- Coking operations

  The revenue from the Group's coking operations increased by 77.3% to RMB6.653 billion for the year ended 31 December 2008 from RMB3.752 billion for the year ended 31 December 2007. The revenue from the Group's coking operations, net of other inter-segmental sales, increased by 78.0% to RMB6.653 billion from RMB3.738 billion for the year ended 31 December 2007. Despite changes in the macroeconomic conditions which resulted in the decline of the coke products prices since mid August 2008, the overall prices of coke products in the year 2008 still recorded a considerable increase over 2007, which led to a substantial increase in revenue. However, the revenue increase was partly offset by the Group's appropriate adjustments to coke production and sales volumes in light of market changes.

  The Group's coke sales were 2.85 million tons for the year ended 31 December 2008, representing a decrease of 0.21 million tons or 6.9% over 2007. Self-produced coke amounted to 2.20 million tons, representing a decrease of 0.07 million tons or 3.1% over 2007.

  For the year ended 31 December 2008, the Group's average selling price of coke was RMB2,220/ton, representing an increase of RMB1,066/ton over 2007, of which, the average domestic selling price was RMB1,770/ton, representing an increase of RMB738/ton over 2007; and the average export selling price was RMB3,839/ton, representing an increase of RMB2,319/ton over 2007.

- Coal mining equipment operations

  The revenue from the Group's coal mining equipment operations increased by 31.4% to RMB4.633 billion for the year ended 31 December 2008 from RMB3.525 billion for the year ended 31 December 2007. The revenue from the Group's coal mining equipment operations, net of other inter-segmental sales, increased by 38.1% to RMB4.134 billion from RMB2.993 billion for the year ended 31 December 2007. The increase was mainly attributable to the increase in the sales volume of coal mining equipment products and the increase in sales prices.

- Other operations

  The Group's total revenue from other operations such as sales of primary aluminum, electricity and the provision of coal mine design services increased by 9.5% to RMB3.312 billion for the year ended 31 December 2008 from RMB3.024 billion for the year ended 31 December 2007. The total revenue from the Group's other operations, net of other inter-segmental sales, increased by 12.0% to RMB2.854 billion from RMB2.548 billion for the year ended 31 December 2007.

2. Cost of sales

(1) Consolidated cost of sales

The Group's cost of sales increased by 41.4% to RMB37.445 billion for the year ended 31 December 2008 from RMB26.483 billion for the year ended 31 December 2007. The growth rate was 1.7 percentage points lower than that of the revenue for the same period. Changes in major items of cost of sales were set out as follows:

Material costs increased from RMB12.394 billion for the year ended 31 December 2007 to RMB20.512 billion, representing an increase of 65.5%. The increase was mainly attributable to the increase in consumption of materials due to the Group's expansion of production capacity, the increase in coal purchases from third parties and the increase in the prices of raw materials.

Staff costs increased from RMB1.899 billion for the year ended 31 December 2007 to RMB2.524 billion, representing an increase of 32.9%. The increase was mainly attributable to the adjustment made by the Group to staff wages in light of the Group's improvement in performance, which resulted in the corresponding increase in staff costs.

Depreciation and amortisation expenses increased from RMB1.226 billion for the year ended 31 December 2007 to RMB1.374 billion, representing an increase of 12.1%. The increase was mainly attributable to the increase in depreciation and amortisation charges as a result of the Group's expansion of production capacity and operation scale.

Repairs and maintenance expenses increased from RMB443 million for the year ended 31 December 2007 to RMB671 million, representing an increase of 51.5%. The increase was mainly attributable to the increase in the Group's maintenance expenses for ensuring the good status of its machinery and equipment as the Group expanded its production scale.

Transportation expenses increased from RMB6.469 billion for the year ended 31 December 2007 to RMB7.022 billion, representing an increase of 8.5%. The increase was mainly attributable to the increase in the Group's sales volume of self-produced coal which resulted in a corresponding increase in the transportation volume of self-produced coal.

Sales taxes and surcharges increased from RMB657 million for the year ended 31 December 2007 to RMB1.249 billion, representing an increase of 90.1%. The increase was mainly attributable to the increase in the Group's sales volume and sales revenue, and the increase in the export tax of coal and coke.

Other expenses increased from RMB3.395 billion for the year ended 31 December 2007 to RMB4.093 billion, representing an increase of 20.6%. The increase was mainly attributable to the increase in the Group's coal production and sales volume, which resulted in a corresponding increase in other related expenses.

(2) Segmental cost of sales

- Coal operations

The cost of sales of the Group's coal operations increased from RMB19.027 billion for the year ended 31 December 2007 to RMB25.613 billion for the year ended 31 December 2008, representing an increase of 34.6%. The growth rate was 7.1 percentage points lower than that of the total revenue from coal operations for the same period. Changes in the major cost items were set out as follows:

	For the year ended 31 December 2008 RMB100 million	For the year ended 31 December 2007 RMB100 million (Restated)	Growth RMB100 million	%
Material costs	**112.62**	66.07	46.55	70.5
Staff costs	**17.94**	13.40	4.54	33.9
Depreciation and amortisation	**10.01**	9.24	0.77	8.3
Repairs and maintenance	**5.85**	4.23	1.62	38.3
Transportation expenses	**65.47**	61.06	4.41	7.2
Other expenses	**44.24**	36.27	7.97	22.0
Cost of coal sales	**256.13**	190.27	65.86	34.6

For the year ended 31 December 2008, the cost of sales of the Group's self-produced commercial coal increased by RMB3.865 billion to RMB21.674 billion, representing an increase of 21.7% over 2007. The unit sales cost of self-produced commercial coal increased by RMB33.87/ton to RMB292.50/ton, representing an increase of 13.1% over 2007.

The major items in the unit cost of sales of the Group's self-produced commercial coal for the year ended 31 December 2008 in comparison with the year ended 31 December 2007 were set out as follows:

	For the year ended 31 December 2008 RMB/ton	For the year ended 31 December 2007 RMB/ton (Restated)	Growth RMB/ton	%
Production cost	**204.15**	172.87	31.28	18.1
Material costs	**98.83**	81.17	17.66	21.8
Labor cost	**24.22**	19.46	4.76	24.5
Depreciation and amortisation	**13.51**	13.41	0.10	0.7
Repairs and maintenance	**7.90**	6.14	1.76	28.7
Others	**59.69**	52.69	7.00	13.3
Including: Sustainable Development Charge	**14.19**	12.31	1.88	15.3
Transportation expenses	**88.35**	85.76	2.59	3.0
Unit sales cost of self-produced commercial coal	**292.50**	258.63	33.87	13.1

Shanxi province began levying the coal sustainable development charge since March 2007, which drove up the Group's unit sales cost of self-produced commercial coal for the year 2008 by RMB1.88/ton. If the impact of such policy-related cost increase were excluded, the Group's unit sales cost of self-produced commercial coal for the year ended 31 December 2008 would have increased by RMB31.99/ton, representing an increase of 13.0% over 2007. The increase was mainly attributable to the increase in the external purchase of raw coal for washing purpose, raw material prices, labor cost and business taxes and surcharges.

For the year ended 31 December 2008, the Group's unit production cost of self-produced raw coal increased by RMB19.25/ton to RMB110.01/ton from RMB90.76/ton for the year ended 31 December 2007. If the policy-related factor of the coal sustainable development charge were excluded, the unit production cost of self-produced raw coal would have increased by RMB17.82/ton over 2007, which was mainly attributable to the factors such as the increase in raw material prices, labor cost and so on.

- Coking operations

  The cost of sales of coking operations increased from RMB3.390 billion for the year ended 31 December 2007 to RMB6.179 billion for the year ended 31 December 2008, representing an increase of 82.3%. The unit sales cost of coke was RMB1,808/ton, representing an increase of RMB856/ton over 2007, which was mainly attributable to the increase in the prices of feed coal.

- Coal mining equipment operations

  The cost of sales of coal mining equipment operations increased from RMB2.876 billion for the year ended 31 December 2007 to RMB3.884 billion for the year ended 31 December 2008, representing an increase of 35.0%. The increase was mainly attributable to the increase in the production and sales volume of coal mining equipment products, and the increase in the prices of raw materials such as steel.

3. Gross profit

For the year ended 31 December 2008, the Group's gross profit increased from RMB9.157 billion for the year ended 31 December 2007 to RMB13.548 billion, representing an increase of 48.0%. The Group's gross profit margin increased from 25.7% for the year ended 31 December 2007 to 26.6%, representing an increase of 0.9 percentage point.

For the year ended 31 December 2008, benefiting from the efforts made to optimise operation structure and production process, enhance productivity, strengthen refined management and improve sales structure, the core business of the Group, coal operations, fully tackled the market changes. The gross profit of coal operations increased from RMB7.943 billion for the year ended 31 December 2007 to RMB12.397 billion, representing an increase of 56.1% and the gross profit margin increased by 3.1 percentage points to 32.6% from 29.5% for the year ended 31 December 2007.

The gross profit margin for the sales of self-produced commercial coal increased by 5.4 percentage points to 35.8% from 30.4% for the year ended 31 December 2007; while the gross profit margin for proprietary coal trading decreased by 0.7 percentage point to 4.6% from 5.3% for the year ended 31 December 2007.

As coal operations maintained a satisfactory profitability, the Group's consolidated gross profit margin recorded an increase of 0.9 percentage point over 2007 despite the decrease in the gross profit margins of coal mining equipment operations (due to the cost increase), coking operations and other operations (both due to market changes).

The gross profit and gross profit margins of the Group's four business segments of coal, coking, coal mining equipment and other operations for the year ended 31 December 2008 in comparison with the year ended 31 December 2007 were set out as follows:

	Gross Profit			Gross profit margin		
	For the year ended 31 December 2008 RMB 100 million	For the year ended 31 December 2007 RMB 100 million (Restated)	Increase/ decrease RMB 100 million	For the year ended 31 December 2008 %	For the year ended 31 December 2007 % (Restated)	Increase/ decrease in percentage points
Coal operations	**123.97**	79.43	44.54	32.6	29.5	3.1
Coking operations	**4.74**	3.62	1.12	7.1	9.6	-2.5
Coal mining equipment operations	**7.49**	6.49	1.00	16.2	18.4	-2.2
Other operations	**-0.11**	2.56	-2.67	-0.3	8.5	-8.8

Note: The data of gross profit and gross profit margins of the Group's business segments in the chart above were recorded without excluding inter-segmental sales.

4. Selling, general and administrative expenses

The Group's selling, general and administrative expenses increased by 26.4% to RMB2.845 billion for the year ended 31 December 2008 from RMB2.251 billion for the year ended 31 December 2007. The increase was mainly attributable to the expansion of the Group's production capacity and operation scale, and the corresponding increases in its selling and administrative expenses.

5. Loss from fair value changes of other financial assets

For the year ended 31 December 2008, the Group held 40 million A shares of China COSCO Holdings Company Limited ("COSCO"). As at 31 December 2008, the closing price of the shares was RMB7.50/share, representing a decrease of RMB35.16/share as compared to the closing price of RMB42.66/share as at 28 December 2007 (the last trading day in 2007). Therefore, the Group recognised a loss on fair value change of RMB1.406 billion in 2008. And for the year ended 31 December 2007, gains from fair value change of RMB1.367 billion were generated due to an increase in the share price of the above shares of COSCO held by the Group.

6. Other income

Other income of the Group increased by 203.8% to RMB1.671 billion for the year ended 31 December 2008 from RMB550 million for the year ended 31 December 2007. The increase was mainly attributable to the increase in the Group's interest income from fixed deposits.

7. Other gains, net

The Group's other net gains increased by 145.5% to RMB432 million for the year ended 31 December 2008 from RMB176 million for the year ended 31 December 2007. The increase was mainly attributable to the debt restructuring of subsidiaries of the Group.

8. Profit from operations

The Group's profit from operations increased by 26.7% to RMB11.399 billion for the year ended 31 December 2008 from RMB9.000 billion for the year ended 31 December 2007.

9. Financial costs, net

The Group's net finance costs increased by 33.1% to RMB994 million for the year ended 31 December 2008 from RMB747 million for the year ended 31 December 2007. The increase was mainly due to net foreign exchange losses (as offset by gains from forward foreign exchange contracts) and the increase in loan interest.

10. Profit before income tax

The Group's profit before income tax increased by 25.8% to RMB10.512 billion for the year ended 31 December 2008 from RMB8.356 billion for the year ended 31 December 2007. Because of the share price change during the reporting period, the Group recorded a loss of RMB1.406 billion due to changes in the fair value of the 40 million A shares of the "COSCO" held by the Group, while in 2007, the Group recorded a gain from fair value change of RMB1.367 billion. If such impact were excluded, profit before income tax of the Group would have increased by 70.5%.

11. Income tax expense

The Group's income tax expense increased by 27.8% to RMB2.492 billion for the year ended 31 December 2008 from RMB1.950 billion for the year ended 31 December 2007.

12. Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company increased by 18.6% to RMB7.141 billion for the year ended 31 December 2008 from RMB6.020 billion for the year ended 31 December 2007. If the impact of the aforementioned fair value change in the "COSCO" shares were excluded, profit attributable to equity holders of the Company would have increased by 64.1%.

III. Cash Flow

As at 31 December 2008, the Group had cash and cash equivalents amounting to RMB7.885 billion, a net increase of RMB3.607 billion as compared to the cash and cash equivalents of RMB4.278 billion as at 31 December 2007.

Net cash generated from operating activities increased by 106.1% from RMB4.673 billion for the year ended 31 December 2007 to RMB9.632 billion for the year ended 31 December 2008. This was mainly attributable to the increase in sales volume, higher profitability level and the better control over receivables.

Net cash used in investing activities increased from RMB13.775 billion for the year ended 31 December 2007 to RMB31.306 billion for the year ended 31 December 2008. This was mainly attributable to the increase in the capital expenditures used in property, plant and equipment as well as equity acquisition during the Group's business expansion, and the increase in the fixed deposits with an initial term of over three months arranged by the relevant banks in the PRC in accordance with the fund utilisation arrangements.

Net cash outflow from financing activities amounted to RMB4.356 billion for the year ended 31 December 2007. Net cash inflow from financing activities amounted to RMB25.413 billion for the year ended 31 December 2008. This was mainly attributable to the inflow of RMB25.320 billion as proceeds raised from the issue of the Company's A shares and the inflow of RMB2.189 billion as proceeds of borrowings. The net cash inflow from financing activities was offset by dividend distribution and repayment of borrowings.

IV. Liquidity and Sources of Capital

For the year ended 31 December 2008, the Group's capital was mainly derived from proceeds generated from business operations, bank loans and net amounts of funds raised in the global and domestic capital markets. The Group's capital was mainly used for investments in production facilities and equipment for coal, coking and coal mining equipment operations, repayment of the Group's debts, and used as the Group's working capital and general recurring expenditures.

The cash generated from the Group's self-operated business, the net proceeds from the global and domestic offering, and the relevant banking facilities obtained will provide sufficient capital guarantee for the future production and operation activities as well as project construction.

V. Assets and Liabilities

1. Property, plant and equipment

As at 31 December 2008, the net value of property, plant and equipment of the Group was RMB28.848 billion, representing an increase of 6.845 billion as compared to RMB22.003 billion as at 31 December 2007, representing an increase of 31.1%.

The composition of the Group's property, plant and equipment (net) as at 31 December 2008 and 31 December 2007 was set out as follows:

	As at 31 December 2008 RMB 100 million	Percentage %	As at 31 December 2007 RMB 100 million (Restated)	Percentage %
Buildings	54.62	18.9	48.86	22.2
Mining shaft structures	43.82	15.2	24.94	11.3
Plant, machinery and equipment	95.02	32.9	76.41	34.7
Railway	3.77	1.3	3.93	1.8
Vehicles, fixtures and other equipment	6.83	2.4	4.40	2.0
Construction in progress	84.42	29.3	61.49	28.0

2. Trade receivables and notes receivables

As at 31 December 2008, the net trade receivables and notes receivables of the Group amounted to RMB5.582 billion, representing an increase of RMB1.301 billion or 30.4% compared with RMB4.281 billion as at 31 December 2007. The increase was mainly attributable to the increase in the Group's sales volume. Of these, the net trade receivables of the Group amounted to RMB4.458 billion, representing an increase of RMB1.070 billion compared with RMB3.388 billion as at 31 December 2007, which was mainly attributable to an increase of RMB1.056 billion in the Group's trade receivables of ages not exceeding six months resulted from an increase in sales volume.

3. Borrowings

As at 31 December 2008, the borrowings of the Group amounted to RMB10.981 billion, representing an increase of RMB1.072 billion as compared to RMB9.909 billion as at 31 December 2007. Of these, the balance of long-term borrowings (including the portion due within one year) was RMB10.713 billion, representing an increase of RMB1.113 billion as compared to the balance of RMB9.600 billion as at 31 December 2007. The balance of short-term borrowings amounted to RMB268 million, representing a decrease of RMB41 million as compared to the balance of RMB309 million as at 31 December 2007.

VI. Significant Investment

Save for the material acquisition as disclosed below, for the year ended 31 December 2008, the Group did not make any new significant investment.

VII. Material Acquisition and Disposal

Upon approval by the 2007 annual general meeting convened on 20 June 2008, the Group acquired 100% equity interest in China Coal Shanxi Dongpo Coal Company Limited ("Dongpo Coal") held by China Coal Import and Export Company, a wholly-owned subsidiary of China Coal Group, for a total consideration of RMB1.332 billion and the consideration was fully paid on 23 July 2008. The financial statements set out in this report have been restated to reflect this acquisition. Please refer to note 2(d) to the audited consolidated financial statements for the year of 2008 for further details.

The Group did not have any material disposal during the year ended 31 December 2008.

VIII. Exchange Rate Risks

The business operations of the Group are affected by changes in the exchange rate of Renminbi. The Group mainly accepts payments for export sales in US Dollars, with liabilities denominated in foreign currencies, including Japanese Yen and US Dollar. Meanwhile, the Group also has to make payments for imported equipment and spare parts in foreign currencies, mainly in US Dollar. Therefore exchange rate fluctuations of foreign currencies against RMB may have favorable or adverse impact on the operating results of the Group. The appreciation of Renminbi will lead to a decline in the revenue derived by the Group from exports, but will also lower the cost of equipment and spare parts imported by the Group, as well as lowering the costs for the repayment of foreign debts.

IX. Commodity Price Risks

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

X. Industry Risks

Similar to the operations of other coal companies and coking companies in China, the Group's operating activities are regulated by the Chinese government in the aspects of industry policy, project approval, granting of permits, industry specific tax and levy, environmental protection and safety standards and so on. Therefore, the Group may be restricted in expanding its business or increasing its earnings. Certain future policies adopted by the Chinese government in relevant industries relating to the Group's coal and chemical operations may have an impact on the Group's operations.

XI. Contingent Liabilities

1. Bank guarantees

For the year ended 31 December 2008, the Group provided a guarantee of RMB250 million for a bank loan extended to its associated company, ShanXi Ping Shuo Gangue-fired Power Generation Co., Ltd. in accordance with the shareholding.

2. Environmental protection responsibilities

Environmental protection laws and regulations are fully implemented in China. However, the management of the Group is of the opinion that, save for those amounts accounted for in the financial statements, no other environmental protection responsibilities are currently in existence which may impose a material adverse effect on the financial conditions of the Group.

3. Contingent legal liability

As at 31 December 2008, the Group was not involved in any material litigation or arbitration, and to the best knowledge of the Group, there is no material litigation or claim pending, threatening or occuring against the Group.


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I. COAL OPERATIONS

In 2008, the Company proactively coped with both the domestic and global changes in economic conditions and coal market conditions, seized the favorable opportunity brought by the increase in coal demand and strived to increase its coal output in the first half of the year. The Company also organised its production and operations appropriately and streamlined its main three operation stages, namely, coal production, coal transportation and coal sales, in the second half of 2008. Coal operations achieved a remarkable performance and the Company's annual production volume of raw coal exceeded 100 million tons for the first time. Sales volume of coal operations has also recorded a steady growth.

1. Coal Production

- *Production volume of raw coal exceeded 100 million tons*

In 2008, the Company's raw coal production volume was 100.37 million tons, representing an increase of 9.85 million tons or 10.9% over 2007. The production volume of self-produced raw coal was 91.49 million tons, representing an increase of 8.22 million tons or 9.9% over 2007, and accounting for 91.2% of the Company's production volume of raw coal.

Production volume of self-produced raw coal (10,000 tons)	**2008**	2007	% of Change
Pingshuo Mining Area	**7,854**	7,161	9.7
Including: Antaibao Open Pit Mine	**2,417**	2,270	6.5
Anjialing Open Pit Mine	**1,970**	1,813	8.7
Anjialing Underground Mines	**3,467**	3,078	12.6
Datun Mining Area	**780**	780	—
Liliu Mining Area	**245**	266	-7.9
Dongpo Mine	**150**	—	—
Nanliang Mining Area	**120**	120	—
Total	**9,149**	8,327	9.9

- *Production cost under effective control*

  In 2008, the unit production cost of self-produced raw coal was RMB110.01/ton, representing an increase of RMB19.25/ton over 2007. If the policy-related cost incurred due to the coal sustainable development charge levied by Shanxi province were excluded, the unit production cost of self-produced raw coal would have increased by RMB17.82/ton, representing an increase of 22.1% over 2007. Cost has been effectively controlled although prices of raw materials increased significantly in 2008. The unit cost of sales of self-produced commercial coal was RMB292.50/ton, representing an increase of RMB33.87/ton over 2007. The unit sales cost increase of self-produced commercial coal was mainly due to the increased amount of external coal purchase for washing purpose, the price increase of feed coal for washing plants and the increase of labor cost and so on.

2. Coal Sales

In 2008, sales in coal market were strong and supply of thermal coal was tight on balance. By leveraging on the Company's advantages in coal production and sales, the Company increased the supply of thermal coal to key users. As a result, the Company's market position and its relationship with customers was further strengthened. Meanwhile, by ensuring the performance rate of key thermal coal contracts, the Company seized the favorable opportunity brought by long-standing high price in the spot coal market and increased the proportion of spot sales of coal appropriately, which significantly enhanced the profitability level of its coal operations.

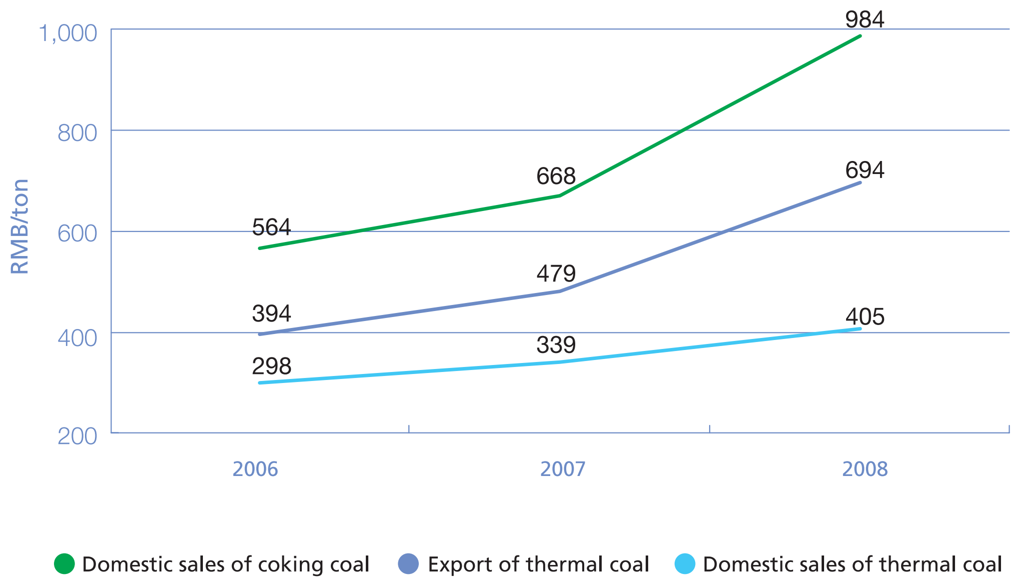
Sales volume of commercial coal (10 thousand tons)	2008	2007 (Restated)	% of Change	Percentage of total sales in 2008 (%)
By sales market	**8,870**	8,494	4.4	100.0
Domestic sales	**7,270**	6,386	13.8	82.0
Of which: self-produced coal	**6,749**	6,091	10.8	76.1
Export sales	**1,598**	1,898	-15.8	18.0
Of which: self-produced and proprietary coal	**679**	799	-15.0	7.7
Import sales	**2**	210	-99.0	0.0
By product source	**8,870**	8,494	4.4	100.0
Self-produced coal	**7,410**	6,886	7.6	83.5
Non self-produced coal	**1,460**	1,608	-9.2	16.5
Of which: proprietary coal trading	**541**	299	80.9	6.1
Agency sales	**919**	1,309	-29.8	10.4
– Export	**919**	1,099	-16.4	10.4
– Import	**—**	210	-100.0	—

- *Significant increase in coal prices*

  In 2008, the average sales price of the Company's self-produced commercial coal was RMB447/ton, representing an increase of RMB84/ton or 23.1% over 2007. The average domestic sales price of self-produced thermal coal was RMB405/ton, representing an increase of RMB66/ton or 19.5% over 2007; the average domestic sales price of self-produced coking coal was RMB984/ton, representing an increase of RMB316/ton or 47.3% over 2007; the average export price of self-produced thermal coal was RMB694/ton, representing an increase of RMB215/ton or 44.9% over 2007, and the average export price of self-produced coking coal was RMB1,954/ton, representing an increase of RMB1,179/ton or 152.1% over 2007.

  The average domestic sales price of self-produced thermal coal under long-term contracts was RMB365/ton, representing an increase of RMB29/ton or 8.6% over 2007; the average domestic spot sales price of self-produced thermal coal was RMB612/ton, representing an increase of RMB253/ton or 70.5% over 2007.

The weighted average sales price of self-produced commercial coal of the Company from 2006 to 2008



- *Continued optimisation of sales structure*

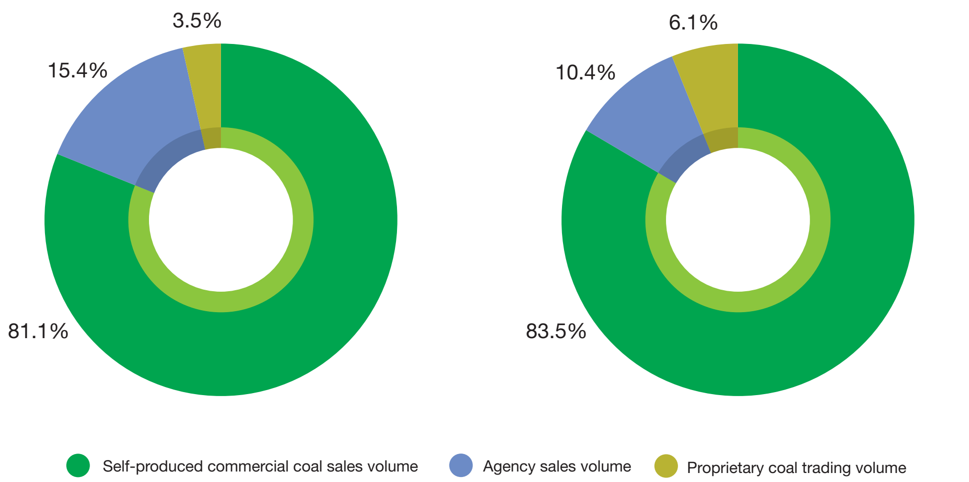
In 2008, the Company's coal sales volume was 88.70 million tons, representing an increase of 3.76 million or 4.4% over 2007.

Domestic coal sales volume increased significantly. The Company seized the favorable opportunities brought by the tight domestic coal supply and the rise of coal price by increasing the supply of thermal coal to key users. The domestic coal sales volume of 2008 amounted to 72.70 million tons, accounting for 82.0% of total coal sales volume; Export coal sales volume amounted to 15.98 million tons, accounting for 18.0% of the total coal sales volume. The volume of import coal was 20,000 tons.

The proportion of self-produced coal sale in the total coal sales increased in 2008. The sales volume of self-produced commercial coal of 2008 was 74.10 million tons, representing an increase of 5.24 million tons or 7.6% over 2007, and accounting for 83.5% of the total coal sales. The sales volume of self-produced commercial coal increased by 2.4 percentage points over 2007. Proprietary coal trading volume and import and export agency sales volume together amounted to 14.60 million tons, accounting for 16.5% of the total coal sales and decreasing by 2.4 percentage points over 2007.

Sales structure of commercial coal in 2007

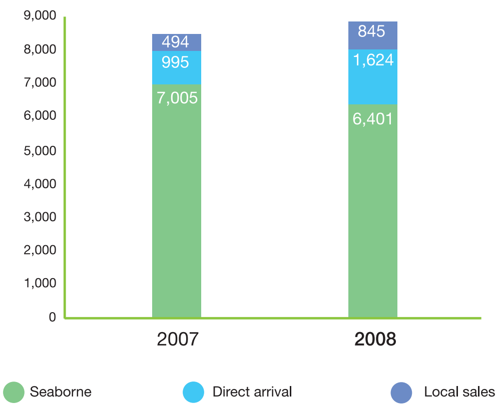
Sales structure of commercial coal in 2008



Spot sales volume of coal continued to increase in 2008. Spot sales of coal amounted to 19.31 million tons in 2008, representing an increase of 5.66 million tons or 41.5% over 2007. Spot sales volume of coal accounted for 21.8% of the total sales volume of coal and increased by 5.7 percentage points over 2007. The domestic spot sales amounted to 17.29 million tons, representing an increase of 5.95 million tons or 52.5% over 2007, and accounting for 23.8% of the total domestic sales of coal which increased by 6.0 percentage points over 2007.

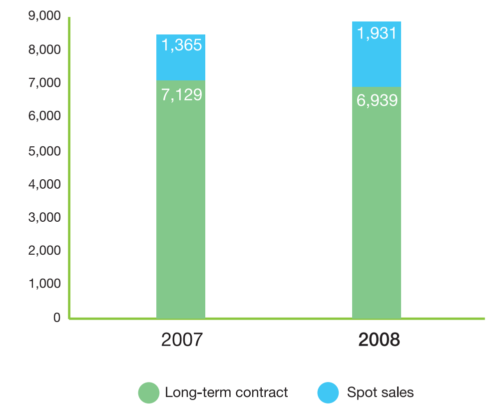
Analysis of commercial coal sales-by transportation

Unit: 10 thousand tons



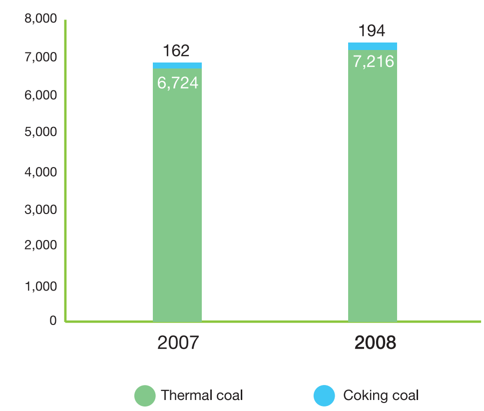
Analysis of commercial coal sales-by contract

Unit: 10 thousand tons



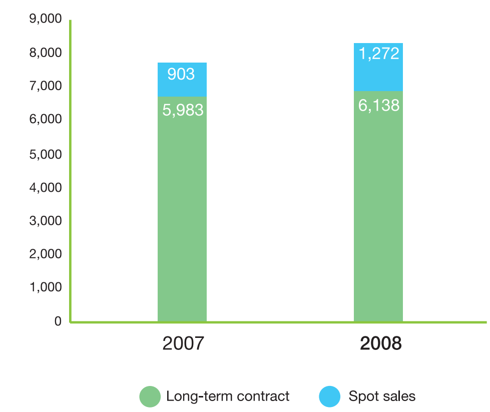
Analysis of self-produced commercial coal sales-by type of coal

Unit: 10 thousand tons



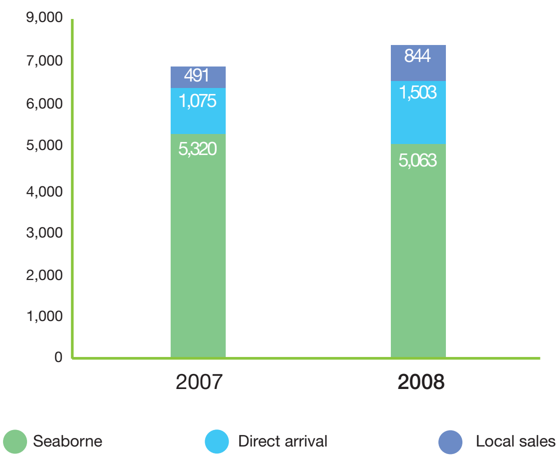
Analysis of self-produced commercial coal sales-by contract

Unit: 10 thousand tons



Analysis of commercial coal sales-by transportation

Unit: 10 thousand tons



- *Increased production and sales volume by independent coal washing plants*

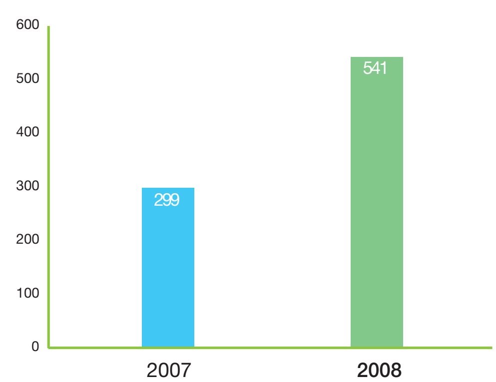
  In 2008, external purchases of raw coal by the Company's independent coal washing plants amounted to 6.5 million tons, representing an increase of 11.3% over 2007. Sales volume of commercial coal by the independent coal washing plants amounted to 4.48 million tons, representing an increase of 4.4% over 2007. The unit cost of coal sales by the independent coal washing plants was RMB424/ton, representing an increase of 53.8% over 2007. Gross profit margin was 19% and represented a decrease of 9.4 percentage points over 2007.

- *Increased volume in proprietary coal trading*

  In 2008, the Company recorded proprietary coal trading of 5.41 million tons, representing an increase of 2.42 million tons or 80.9% over 2007. The unit cost of coal sales in proprietary coal trading was RMB728/ton, representing an increase of 79.6% over 2007. The average sales price of coal in proprietary coal trading was RMB763/ton, representing an increase of 77.4% over 2007. Gross profit margin in proprietary coal trading was 4.6%.

Proprietary coal trading volume

Unit: 10 thousand tons



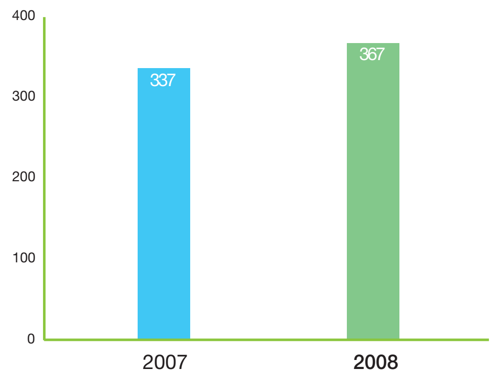
II. COKING OPERATIONS

In 2008, the domestic coke market experienced significant fluctuations. Both production and sales volume increased and coke price continued to rise in the first half of 2008. However, after August 2008 the market demand for coke declined which resulted in both the inventory increase and the price decrease. The Company adopted a flexible business strategy to cope with the market change proactively and leveraged on its advantages in production capacity in the first half of 2008, which led to a rapid increase in its production and sales volume. The Company reduced its production volume in the coking operations in the fourth quarter of 2008 appropriately and its operational achievement was therefore realised to the maximum extent.

In 2008, the production of coke reached 3.67 million tons, representing an increase of 8.9% over 2007, of which equity production reached 2.83 million tons, representing an increase of 6.0% over 2007. Total coke sales amounted to 2.85 million tons, representing a decrease of 210,000 tons or 6.9% over 2007. Sales of self-produced coke amounted to 2.2 million tons and accounted for 77.2% of the total sales of coke, representing an increase of 3.0 percentage points over 2007.

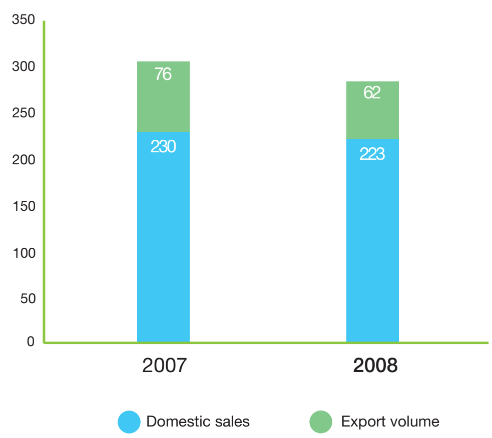
Production volume of coke

Unit: 10 thousand tons



Sales volume of coke

Unit: 10 thousand tons



The Company's coke sale price increased significantly in 2008. The weighted average price was RMB2,220/ton, representing an increase of 92.4% over 2007, of which the average domestic sales price was RMB1,770/ton and represented an increase of 71.5% over 2007. The average coke export price was RMB3,839/ton, representing an increase of 152.6% over 2007. The average domestic sale price of self-produced coke was RMB1,730/ton, representing an increase of 68.5% over 2007. The average export price of self-produced coke was RMB3,833/ton, representing an increase of 156.9% over 2007.

III. COAL MINING EQUIPMENT OPERATIONS

In 2008, the total value of production of the Company's coal mining equipment operations amounted to RMB4.49 billion, representing an increase of RMB1.27 billion or 39.4% over 2007. The production volume of coal mining equipment reached 213,000 tons, representing an increase of 5.4% over 2007, of which 15,205 units (sets) of major coal mining equipment were produced. In 2008, the total value of newly signed contracts amounted to RMB5.2 billion, representing an increase of 67% over 2007.

The Company reorganised Xi'an Coal Mining Machinery Company Limited (西安煤礦機械有限公司) jointly with Shaanxi Coal and Chemical Industry Group Co., Ltd. (陝西煤業化工集團有限責任公司), as a result of which, a comparatively complete integrated mining and excavation products chain represented by roof support, armored face conveyor, shearer, road header and electric mining motor was generally formed. The market share of high-end hydraulic roof support, heavy-duty armored face conveyor and explosion-proof electric mining motor remained as No. 1 in the domestic market.

IV. DESIGN OF COAL MINES AND OTHER OPERATIONS

In 2008, the Company entered into 384 new contracts, including the contracts for prospecting design of coal mines, general contracting service, construction supervision and rock soil projects with the total contract value of RMB1.02 billion. The production volume of primary aluminum was 100,000 tons. Electricity generated was 2.45 billion kwh.

I. PERFORMANCE OF CAPITAL EXPENDITURE BUDGETED FOR 2008

For the year ended 31 December 2008, the Company's capital expenditure, comprising infrastructure projects, purchase and maintenance of fixed assets, equity investments, preliminary expenses and special expenses (including maintenance cost, safety fund and so on.), was mainly invested in its core businesses of coal, coal chemical, coal mining equipment and power generation operations. The actual investment made by the Company amounted to RMB12.453 billion, of which RMB6.976 billion, RMB2.708 billion, RMB0.967 billion, RMB72 million and RMB1.73 billion were invested to each of the above items, respectively.

Business Segment	Amount invested in 2008 (RMB 100 million)	% to Total
Coal	88.04	70.7
Coal chemical	15.46	12.4
Coal mining equipment	6.61	5.3
Power generation	8.03	6.5
Other segments	6.39	5.1
Total	124.53	100.0

Progress of major investment projects in 2008 is set out as follows:

Antaibao Underground Mine has a production capacity of 6 million tons/year with a total expected investment amount of RMB1.013 billion. Construction work was commenced in August 2006. The aggregated amount of investment contributed was RMB1.22 billion, of which the investment made in 2008 amounted to RMB820 million. The increase in investment was mainly for the water prevention due to changes in the hydrogeological condition encountered during the construction process. As at 31 December 2008, all the roadway works, installation works and surface works of the project were completed and the trial production was commenced after passing the operation testing of equipments.

Pingshuo East Open Pit Mine has a designed production capacity of 20 million tons/year with a total expected investment amount of RMB10.57 billion. The aggregated amount of investment contributed was RMB700 million, of which the investment made in 2008 amounted to RMB600 million. The project was approved by the National Development and Reform Commission ("**NDRC**") on 28 April 2008. As at 31 December 2008, pre-construction preparation for the surface works of the open pit mine was carried out. As at the date of this report, the construction of such works has been officially commenced.

Wangjialing Mine has a production capacity of 6 million tons/year with a total expected investment amount of RMB2.311 billion. Construction work was commenced in April 2007. The aggregated amount of investment contributed was RMB847 million, of which the investment made in 2008 amounted to RMB566 million. As at 31 December 2008, roadway drivage completed in Wangjialing Mine was approximately 12,000 meters.

Kongzhuang Mine renovation and expansion work has a production capacity of 1.8 million tons/year and a net increase of 750,000 tons/year in capacity. The total expected investment amount was RMB532 million, and the aggregated amount of investment contributed was RMB163 million, of which the investment made in 2008 amounted to RMB100 million. As at 31 December 2008, the accumulated drivage of mixed vertical shafts reached 980 meters and the installation work of the transformer station was completed.

The Heilongjiang methanol project has a production capacity of 250,000 tons/year with a total expected investment amount of RMB1.182 billion. Construction work was commenced in April 2007. The aggregated amount of investment contributed was RMB960 million, of which the investment made in 2008 amounted to RMB493 million. As at 31 December 2008, the project passed the trial operation and produced methanol product that is of acceptable quality. At present, the construction work of ancillary facilities is in the final stage of completion.

The project of the comprehensive utilisation of the Heilongjiang coal mine associated waste materials involves the building of a shale fluidised retorting device with an annual processing capacity of 600,000 tons, a production capacity of 11,800 tons/year of naphtha and 40,200 tons/year of light fuel oil, with a total expected investment amount of RMB557 million. Construction work was commenced in April 2007. The aggregated amount of investment contributed was RMB51 million, of which the investment made in 2008 amounted to RMB4 million. As at 31 December 2008, the interim trial operation of shale oil refining and the oil-sludge separation test had been completed, while the patent application for the shale fluidised retorting technology was in progress.

Phase 2 of the coking project of China Coal and Coke Xuyang Limited has a production capacity of 1.1 million tons/year with an expected total investment amount of RMB725 million. The aggregated amount of investment contributed was RMB905 million (the increase in investment was mainly due to market impact, increase in the prices of materials such as steel, compensation for land requisition for the dedicated rail line project, alteration and relocation of the rail lines and so on), of which the investment made in 2008 amounted to RMB370 million. As at 31 December 2008, the project was completed and production had been commenced.

The Erdos project and ancillary engineering facilities have an annual production capacity of 25 million tons of coal, 4.2 million tons of methanol and 3 million tons of dimethyl ether with a total expected investment amount of RMB35.766 billion. The aggregated amount of investment contributed was RMB500 million. As at 31 December 2008, the aggregated amount of investment made by the Company in the project was RMB194 million, which was in proportion to its 38.75% shareholding interest in the project.

II. ARRANGEMENT FOR CAPITAL EXPENDITURE IN 2009

In 2009, the Company has a capital expenditure budget of RMB15.399 billion, of which (i) RMB8.443 billion will be invested in infrastructure projects; (ii) RMB1.081 billion will be invested in the purchase of fixed assets, small-sized construction, renovation and maintenance; (iii) RMB1.81 billion will be invested in equity investments; (iv) RMB0.121 billion will be invested in the preliminary works prior to the commencement of projects; and (v) RMB3.944 billion will be invested in special expenditures such as maintenance cost, safety fund and so on.

Business Segments	Amount to be invested in 2009 (RMB 100 million)	% to Total
Coal	**102.82**	66.8
Coal chemical	**23.04**	15.0
Coal mining equipment	**6.39**	4.1
Power generation	**12.67**	8.2
Related engineering and technological services	**0.82**	0.5
Comprehensive utilisation of resources and others	**8.25**	5.4
Total	**153.99**	100.0

The major infrastructure projects in 2009 are listed below:

No.	Name of the Project	Production Capacity	Expected Total Amount of Investment (RMB 100 million)	Investment Budgeted for 2009 (RMB 100 million)
1	Antaibao Underground Mine	6 million tons/year	10.13	**0.15**
2	Pingshuo East Open Pit Mine	20 million tons/year	105.70	**15.00**
3	The renovation work on the raw coal transportation system of Antaibao Open Pit Mine	25 million tons/year	6.57	**3.85**
4	The renovation and expansion work of Kongzhuang Mine of Shanghai Energy	1.8 million tons/year	5.32	**0.80**
5	Wangjialing Coal Mine	6 million tons/year	23.11	**12.12**
6	The transformation work on the ventilation system of Shaqu Mine		1.50	**0.99**
7	Mining method upgrades and transformation of Nanliang Mine	1.2 million tons/year	2.21	**0.64**
8	The renovation and expansion project of Xinjiang 106# Mine	1.8 million tons/year	6.77	**2.28**
9	The expansion and renovation project for coal preparation plant of Anjialing No.1 Underground Mine	10-15 million tons/year	1.41	**1.30**
10	Coal preparation plant of Yaoqiao Mine	3 million tons/year	1.38	**0.65**
11	Pingshuo comprehensive surface mining equipment maintenance plant		3.38	**1.16**
12	The methanol project of China Coal Lingshi Chemical Company Limited	300,000 tons/year	9.17	**6.94**
13	The project with combined production of 300,000 tons/year of methanol and synthetic ammonia and 200,000 tons/year of dimethyl ether in Jizhou, Hebei	200,000 tons /year methanol, 100,000 tons/year synthetic ammonia, 200,000 tons/year dimethyl ether	17.47	**3.69**
14	250,000 tons/year methanol project in Heilongjiang	250,000 tons/year	11.82	**2.22**
15	The project of the comprehensive utilization of the Heilongjiang coal mine associated waste materials	Annual process of 600,000 tons of oil shale	5.57	**1.80**
16	Xinjiang Wujiaqu 2 X 135MW cogeneration project	2 X 135MW	13.86	**6.87**
17	Great coal gangue-fired power plant	2 X 135MW	14.09	**2.37**
18	Phase 2 of Shaqu gas-fired power plant	63 MW	5.18	**3.38**
19	High-precision aluminum sheets project	100,000 tons/year	17.01	**6.60**

Major equity investments in 2009 are as follows: RMB630 million for the 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; RMB480 million for the capital funds of Zhundong coal field project company; RMB250 million for the Mengji railway and RMB150 million for the Southern Erdos railway.

In 2008, China Coal made great efforts in technological innovation to enhance its core technology competitiveness and to improve its capability for independent technology innovation, which provided strong support to its marketing and production, and promoted sustainable, healthy and rapid development of the Company.

1. Enormous Efforts in Key Technology Research and Development of New Products

In order to strengthen the research and development of the key technology and improve the development of new products, the Company, targeting at overcoming major technological hurdles which constrained the development of its principal business in 2008, increased its technology investments. In the reporting period, the Company invested RMB1.1 billion in technology, which amounted to 2.25% of the revenue from the core businesses of the Company. The Company implemented 31 key technology research projects in 2008, representing an increase of 5 projects over 2007. Among these 31 projects, there were 15 projects of coal production, 4 projects of coal chemical, 8 projects of coal mining equipment and 4 projects of coal mine design. The Company developed 166 new products and applied for 4 national technology projects, of which 3 projects were approved. The development of innovation abilities for the Technical Centre of Zhangjiakou Coal Mining Machinery Co., Ltd., one of the Company's subsidiaries, was included in the plan of "Key Program of Technology Innovation Abilities" of the NDRC. The Supply of Conveyor System for High Efficiency Longwall Face and Research on the Localization of Roof Support Equipment for 10 Million Ton/year Fully Mechanised Longwall Face were both included in the plan of "National Key New Product Program" of the Ministry of Science and Technology of the PRC. In addition, the Company undertook a project of the "National 863 Program" and a project of the National Science and Technology Support Program in cooperation with China Coal Research Institute and China University of Mining & Technology.

2. New Achievements in Technology Research and Development

In 2008, the Company won 7 awards of "China Coal Industry Technology Progress", 2 awards of "National Security Technology Achievement", 1 golden award of "National Excellent Engineering Survey and Design", 19 awards of "Excellent Coal Industry Consulting Achievements" and 7 awards of "China Enterprise New Records (13th batch)". A total of 80 patent applications, including 16 inventions, were made in 2008, representing an increase of 34 items and 2 items over 2007, respectively. A total of 49 patents, including 3 inventions, were granted, representing an increase of 16 items and 3 items over 2007, respectively. Through strengthening technology research and development, developing new products and making great efforts in patent development, the Company overcame a number of technology difficulties as to safe and highly-efficient coal production and construction, and promoted the localisation of manufacturing of key coal mining equipments. In 2008, 81 items of technology research projects were certified, of which 18 items were certified by relevant coal departments at national or provincial level. As one of the national key technological development programs, "Development of the Key Technology for Monitoring Mine Ventilation Network" was approved and certified by the China National Coal Association. The "Research Project on the Stability Assessment of the Side Slopes of the Open Pit Mines under Difficult Engineering Conditions and Key Technology for Safe Mining" was approved and certified by Shanxi Science and Technology Bureau, which facilitated safe production and achieved better economic performance. The integrated full package equipment project "SGZ1000/3 x 700 Type Armoured Face Conveyor System for High Efficiency Fully Mechanised Longwall Face" was approved and certified as a new product by the China National Coal Association, and its overall technology performance had reached an international advanced level after appraisal, which was unprecedented in the domestic market and was able to be applied to high production and high efficiency coal production mines with a minimum annual production volume of 8 million tons in China.

3. New Progress in the Development of the Technology Innovation System

The establishment of research and development institution has been strengthened continuously. With 2 original state-level technology development centers and 3 provincial-level centers which passed annual review by the competent departments, the Company helped its subsidiary, China National Coal Mining Equipment Co., Ltd., complete the certification application for the technology development center at the provincial level. China National Coal Mining Equipment Co., Ltd. was certified as a Beijing enterprise technology center in August 2008 after being assessed by Beijing Municipal Bureau of Industrial Development. The quality inspection center of the Company's Shandong branch received the National Lab's Accreditation and was granted CNAS Accreditation qualification by China National Accreditation Service for Conformity Assessment. The coal mining equipment subsidiaries of the company accelerated their product research, brand cultivation and technology industrialisation through forming a strategic alliance for technology innovation jointly with several universities and technology institutes such as China University of Mining and Technology and China Coal Research Institute to undertake key national technology projects and establishing R&D institutions. A technology expert consultancy committee was formed to participate in formulating the Company's technology development strategy and plan, setting up key technology projects, and assessing and reviewing technology achievements, which refined the decision consulting mechanism on key technology issues.

4. Broad Application of Advanced Technology Achievements

The Company actively promoted advanced technology achievements and broadly applied new technologies, processes, equipments and materials in respect of safe production, technology reforms, energy conservation and discharge reduction, environmental protection and informationisation. As a result, the technology level of the Company was further improved. The subsidiaries of the Company improved their informationisation level through informationisation reforms. The wide application of positioning system for undermine personnel, safety monitoring system, corporate information management system and other information technologies significantly improved the Company's technology capabilities as to its production and management. Advanced open mining equipments were introduced into Antaibao Open Pit Mine and Anjialing Open Pit Mine to maintain the world-advanced level in respect of the open mining technology and equipment of the Company.

The Company places great emphasis on its investor relationship management and takes the maintenance of investor relationships as a continuing management strategy. Through comprehensive communications with investors, the Company fully demonstrates its business conditions and prospects to existing and potential investors, so as to increase investors' understanding and recognition of the Company, to improve the corporate governance and to maximise the Company's interest and shareholders' value as a whole.

The year 2008 was extremely unusual. The financial crisis triggered by the US sub-prime mortgage crisis spread rapidly to the real economy. The lack of market liquidity and credit crisis has caused wide investor concern. As an economy indicator, the stock market experienced a long-term depression. In 2008, HK stocks plummeted and Hangseng Index sank from 27,519.69 at close in 2007 to 14,387.48 at close in 2008, down 45.34%. A shares plunged in the meanwhile with Shanghai Composite Index falling from 5,261.56 at close in 2007 to 1,820.81 at close in 2008, a total fall of 65.39%.

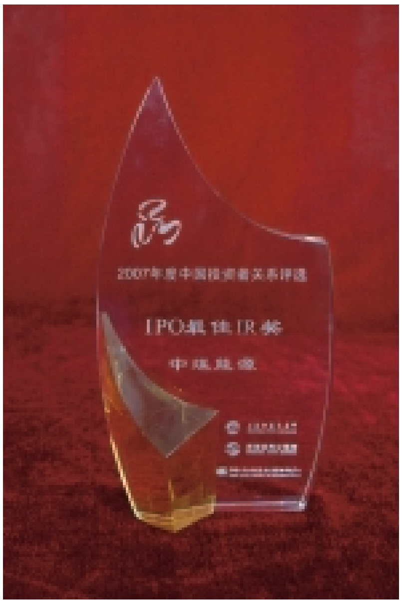
The significant change in the fundamentals of the PRC's macro-economy and the capital market imposed a huge challenge on the Company's management of investor relations. The Company conducted detailed analysis and studies on the external economic environment for the Company's development, strengthened communications with investors and its investor relationship management focused on the rebuilding of investors' confidence so that the Company's intrinsic value would be recognised and accepted by investors. In 2008, the Company carried out the following activities:

Successful listing of the Company's A shares. The Company's A shares were listed on the Shanghai Stock Exchange on 1 Feb 2008, raising net proceeds of RMB25.320 billion. It was the largest single-market initial public offering in Asia in 2008.

Organising results announcements and roadshows. In April 2008, the Company held its 2007 A+H annual results announcement briefings and roadshows in Hong Kong, Shanghai and Beijing respectively. Through holding results briefings, investor luncheons and one-on-one meetings, the Company communicated with 311 fund managers and analysts worldwide. In September 2008, the Company held its 2008 interim results announcement briefing in Hong Kong with attendance by 41 units of the news media and 86 analysts. Through various ways, the Company communicated with 100 fund managers and analysts from all over the world. Subsequently, the Company held the briefing on its A share interim results in Beijing , which was attended by 41 analysts and fund managers of A share.

Conducting first reverse roadshow for A share investors. At the end of April 2008, the Company successfully organised a reverse roadshow for A share investors. 73 fund managers and analysts from 60 domestic investment institutions visited Antaibao Open Pit Mine, Anjialing Open Pit Mine, Anjialing Underground Mine, coal washing plants and Daqin railway loading stations, to have a more thorough understanding and knowledge on the Company's current production and operation conditions, business operations and future development strategies. This reverse roadshow enhanced the confidence of institutional investors in the Company.

Participating in various investment fora. In 2008, the Company participated in 14 investment fora of various types organised by Morgan Stanley, J.P. Morgan Chase, Credit Lyonnais, BOC International, CICC, Shenyin Wanguo and so on. The Company also made 8 presentations at public conferences, conducted 48 interviews and seminars on one-on-one or one-to-many basis, and communicated with 1,111 fund managers and analysts.



Best Investor Relations for IPO

Dealing with daily visits and phone calls from investors properly. In 2008, the Company hosted investor visits and telephone conferences for 149 groups of 329 H-share investors and 28 groups of 59 A-share investors. With the help of the column "investor relations" on the Company's website and the investor hotline, the information on the latest developments of the Company was delivered in a timely manner and the questions raised by investors were replied with patience and in details. Meanwhile, investors' valuable comments and advice were communicated to the management in a timely manner. Considering the current situation of the capital market and the general expectation of ordinary investors, the Company's controlling shareholder, China Coal Group, increased its holding in the Company's A shares twice in September 2008, and thereby raised its shareholding from 57.52% to 57.58%, which boosted the market confidence positively.

Fully utilising the mainstream media to enhance the Company's reputation. The Company emphasised the organic integration between investor relations and public relations. In 2008, the Company was interviewed by five domestic mainstream media, including China Securities Journal. Interviews were also arranged in the HK-TVB "Finance Magazine" programme and the South China Morning Post in Hong Kong. A special visit of the Company and an on-site shooting in Pingshuo Mining Area were also arranged, which effectively enhanced the Company's reputation.

Certificate of Excellence

Investor relations awards. The Company was granted the "Best Investor Relations for IPO 2008" Award jointly by the Shanghai Stock Exchange, the Shenzhen Stock Exchange and China Listed Company Investor Relations Management Center. In addition, the Company won the award of "Certificate of Excellence" in the contest of 2008 China investor relations organised by UK's IR Magazine. The winning of these awards has demonstrated that the Company's efforts in investor relations are highly recognised in both domestic and overseas capital markets.

Looking ahead, both opportunities and challenges are emerging in 2009. China will face increasingly severe challenges to its economic development posed by the increased risk of global economic slowdown. To cope with the rapid slowdown of economic growth, the PRC government has already launched an investment plan of RMB4 trillion to implement a proactive fiscal policy and a moderate monetary policy, and adopted ten measures to stimulate domestic demands and support economic growth. Faced with opportunities, the Company will attach more importance to its organic development, utilisation of its advantages, and internal capabilities so that its profitability level can be further enhanced. Meanwhile, the Company is prepared to facilitate closer communications and ties with domestic and overseas investors for better recognition in the capital markets and make itself well prepared for another booming capital market.

I. Production Safety

The Company continued to maintain an advanced standard in its production safety. By upholding the core philosophy of "safety is of vital importance, life is the most valuable", the Company adhered to the principle of people-oriented, safe development and harmonious development. Out of the 11 producing mines, 9 mines recorded zero fatality rate, and the fatality rate of coal production per million tons was 0.020 which was far below the average level of 1.182 of coal mines in China.

Operation environment continued to improve. The Company actively promoted the application of new technologies, materials and equipments. RMB850 million was invested to reform the basic safety technology and improve the overall operational environment. 5 national super safe and highly efficient pits and 3 first-class safe and highly efficient pits in the industry were constructed to improve the Company's ability to prevent and cope with accidents.

Risk management was strengthened continuously. The Company applied a safety system broadly, with a focus on risk pre-control, initiated hazard alarming and risk pre-control activities, conducted more intensive risk checks, strengthened the management and control of the sources of major risks, and set up a three-layer monitoring systems consisting of pits, enterprises and the Company as well as a live monitoring.

Safety management and control capability were enhanced significantly. The Company implemented safety objective management, strengthened the performance review of the personnel in charge of safety, continued to promote the mechanism of appointing the director-generals in charge of safety, implemented a strict review of safety duty fulfillment, intensified supervision inspection and implemented multi-layer and focused monitoring to the sources of major risks and hidden risks to promote the improvement of safety work.

Working skills of the Company's staff improved significantly. We have generally established a training system on safety, which highlights "three main procedures" for on-duty staff, operation standards and trainings on working skills. The Company organised trainings on safety with 8,561 attendances including key executives, management personnel of safety production and special-work staff.

II. Occupational Health

The Company attached great importance to occupational health. The Company adhered to the policy of "proactive prevention supplemented with cure", strictly complied with the legal requirements regarding occupational disease prevention and treatment. The Company persistently protected occupational health of employees, monitored working sites which were at a risk of harmful occupational diseases and created healthy work environment and conditions for the employees.

The Company made great efforts to educate on occupational health. The Company promoted and implemented the Law on the Prevention and control of Occupational Diseases and other relevant laws, organised "special week for publicising the Law on the Prevention and Control of Occupational Diseases" every year, continually publised basic knowledge on how to prevent occupational diseases and gradually improved workers' occupational hygiene awareness and self-protection ability.

The Company also attached importance to the construction of the management system of occupational safety health. The Company has gradually established an occupational health management model, which relies mainly on prevention and continuing improvement. Currently, all major production enterprises of the Company have obtained the occupational health system certifications. Through the establishment of occupational health system, the health monitoring and testing capabilities and technical service capabilities have been improved significantly.

III. Environmental Protection

Continue constructing an environmental-friendly enterprise. The Company, focusing on the goal of constructing a resource-efficient and environmental-friendly enterprise, invested RMB330 million in ecological construction and environmental protection measures in 2008 and actively carried out environment protection to promote the harmonious development of the enterprise, the local community and the environment.

Greater efforts were made for environmental protection. The Company attached great importance to reasonable exploration and utilisation of coal resources and integrated uses of coal associated resources, the development of recycled economy and ecological construction. Source control and production procedure control were intensified and management on the operation of environmental protection facilities were strictly strengthened in order to eliminate all kinds of pollution accidents.

Actively improved the environment of production facilities. Coking enterprises of the Company enhanced on-site production management and implemented comprehensive environmental protection so that the environmental quality has been improved significantly. A total of 300 hectares of reclaimed green area were added in Pingshuo Mining Area, where the reclamation rate reached 41%.

Significantly reduced pollutant emission. Coal production and coking enterprises of the Company treated and recycled pit water and living sewage, implemented the transformation of boiler flue gas desulphurization, dust elemination, wind suppression and dust suppression networks, which effectively controlled the emission of pollutants. Chemical oxygen demand of main pollutants and sulfur dioxide emission decreased by 31.5% and 12.0% respectively as compared to 2007.

The Company strictly adhered to the "3-simultaneous" principle of "design, construct, produce and use the main-body of the project simultaneously with the environmental protection facilities". All the newly constructed, renovated and expanded projects passed environmental impact assessment and were approved by the environmental protection departments of the government in 2008.

IV. Social Responsibility

By adhering to the principle of "creating values for the shareholders and creating wealth for the society", the Company has actively performed its social responsibilities while accelerating its own development at the same time.

After the severe earthquake occurred at Wenchuan, the Company participated actively in the rescue and relief work by dispatching a commando team of 36 members and transferring 17 sets of equipment to station in the Jiange County of Sichuan Province to provide full support for post-disaster reconstruction. The reconstruction supporting team dispatched by the Company was granted the honour of "Outstanding Team in Earthquake Relief" by SASAC and the Ministry of Housing and Urban-Rural Development respectively. China Coal Group, the Company's controlling shareholder, made donations of RMB37.04 million in aggregate to the disaster stricken area, of which approximate RMB3 million was the aggregated amount of donations made by the subsidiaries of China Coal Energy. During the blizzards and extreme cold spells and the period of the Beijing Olympics Games, China Coal Energy performed its social responsibilities strictly by ensuring the coal supply to key power customers, and as a result of which the performance rate for major thermal coal contracts exceeded 100%.

The Company and its subsidiaries strived to provide benefits to local residents by actively support local economic development, promoting joint development between the Company and the local community. An aggregated amount of RMB122 million was invested in recent years in the projects of road construction, bridges and local water works and so on at the places where the Company operates. The Company has always been keen at providing social welfare services. Donations of RMB8.2 million were made in 2008 to the local governments of 12 provinces, municipalities and counties in Shanxi Province, Shaanxi Province, Heilongjiang Province, Inner Mongolia Autonomous Region and Xinjiang Uygur Autonomous Region, and so on, for the construction of public facilities and provision of welfare for the under-privileged.

The Company adhered to its principles of "operating in compliance with the law, being honest and keeping promises". The Company not only presented remarkable operation results, but also actively performed its duty as a tax payer. In 2008, the total amount of various taxes paid by the Company was RMB8.192 billion, including value added tax, corporate income tax, business tax, resource tax, urban construction tax and levy for sustainable development fund and so on.

1. Directors

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

WANG An

aged 50, is the Chairman and Executive Director of the Company. He is also the Director and General Manager of China Coal Group. He graduated in August 1982 from Shanxi Mining Institute with a bachelor degree majoring in underground coal mining. He also holds a master degree in Engineering from Liaoning Technical University. He is a Professorate Senior Engineer, a Senior Professional Manager in coal industry and is entitled to special government allowance granted by the State Council. Mr. Wang served as the Chief Engineer of Wuda Coal Bureau; the Vice-Chairman of the Board, the General Manager and Chief Engineer of Shengfu Dongsheng Coal Co., Ltd. of Shenhua Group Corporation Limited; the General Manager of Shendong Coal Branch of China Shenhua Energy Company Limited; the Deputy General Manager of Shenhua Group Corporation Limited. Mr. Wang has long term experience in the field of technology management regarding coal production and management of coal production enterprises. Mr. Wang has in-depth knowledge and academic achievements with respect to coal production technology and extensive experience in managing large scale enterprises and is an excellent entrepreneur in the coal industry of China.

ZHANG Baoshan

aged 55, is a Non-Executive Director and Vice Chairman of the Company. He is also the Deputy General Manager and Chief Engineer of China Coal Group. He graduated in September 1977 from Zhejiang University and majored in applied hydraulic technology. Mr. Zhang is a Senior Engineer and a Senior Professional Manager in the coal industry and enjoys a special government allowance granted by the State Council. He is the Chairman of Shanxi China Coal Pingshuo Antaibao Coal Company Limited, and held various offices including Mine Manager, Deputy Director-General and Director-General of Datong Coal Mining Bureau, and the General Manager, Chairman of Pingshuo Coal Industry Company. Mr. Zhang is familiar with coal mining technology and has profound understanding of the coal mining industry in China. Mr. Zhang has over 30 years of operational and management experience in the industry.

YANG Lieke

aged 51, is an Executive Director and President of the Company. He graduated in June 1982 from Xi'an Mining Institute (now known as Xi'an University of Science and Technology), with a bachelor's degree and majored in mining engineering. He is a Senior Engineer and a Senior Professional Manager in the coal industry. Mr. Yang is currently a Director of Shanghai Datun Energy Company Limited, and Sunfield Resources Pty. Limited. He served as the General Manager of China Coal Import & Export Company, the Manager of the logistics department and planning department of China National Coal Industry Import & Export Corporation. Mr. Yang is familiar with the process of production, operation and management of coal enterprises as well as the domestic and international coal mining market. He has extensive experience in enterprise production operation and management, and has more than 20 years of experience in the industry.

GAO Shangquan

aged 79, is an Independent Non-Executive Director of the Company. Mr. Gao graduated in 1952 from the Department of Economics of Shanghai St. John University. Mr. Gao is a Professor, Senior Researcher and enjoys a special government allowance granted by the State Council. He is currently an Independent Director of China Minsheng Bank Limited, China Unicom Limited. He served as Vice Minister of the State Commission for Restructuring the Economic Systems, the President of the China Society of Economic Reform; the Chairman of China Enterprise Reform and Development Society; the head of China (Hainan) Reform and Development Institute; a member of the United Nations Development Policies Committee; an Adjunct Professor and the Professor directing PhD students at Beijing University, Shanghai Jiaotong University and Nankai University; the Dean and Professor of the Management Department of Zhejiang University, and an Independent Director of Baoshan Iron and Steel Company Limited and Minmetals Development Company Limited. He has been involved in the analysis of the economic systems and reforms at the China Society of Economic Reform since 1982, and headed a number of research projects.

ZHANG Ke

aged 55, is an Independent Non-Executive Director of the Company. He obtained a Bachelor's degree in Economics from the Industrial Economics Department of Renmin University of China in 1982. He possesses the qualifications of securities practitioners and is a Certified Public Accountant and a Senior Accountant. He currently serves as an Independent Director of China Minsheng Bank Ltd, Air China Limited, Hua Rong Securities Company Limited and Zhuhai Zhongfu Enterprise Co. Ltd. Mr. Zhang is the Chairman and the Principal Partner of ShineWing Certified Public Accountant Company Limited; Vice President of China Institute of Certified Public Accountants; Vice President of Beijing Judicial Appraisal Association; a Committee Member of the Examination Board of the Certified Accountants of the Ministry of Finance; Adjunct Professor at the Department of Accounts of Renmin University of China. He served as the Department Manager of China International Economics Consultants; the Deputy Executive Officer of Zhongxin Accountants Firm; Deputy General Manager of Zhongxin Yongdao Accountants Firm; a Partner of Coopers & Lybrand International; General Manager of Zhongxin Yongdao Accountants Firm, Vice Executive Director of Coopers & Lybrand, China. Mr. Zhang has more than 20 years of experience in reviewing and analyzing financial statements of listed companies. He has supervised a number of domestic and overseas listings and large scale management consultation and investment projects, and has given professional opinions in the course of work. He has extensive experience in dealing with internal and external auditors regarding the supervision of internal control and the auditing of financial statements.

PENG Ru Chuan

aged 60, is an Independent Non-Executive Director of the Company, He has a Master of Arts degree in statistics and a Master's degree in biology statistics from the University of California, United States. Mr. Peng currently serves a Director of Brescia International Ltd., Brescia International (Hong Kong) Ltd. and Artemis International Group Ltd. He served as a Senior Inspector General of the Nomura International (Hong Kong), a Director of The Stock Exchange of Hong Kong (China), a Senior Supervisor of the China Development and Listing Promotion Department of the Hong Kong Stock Exchange, and has engaged in investment and research work in entities such as China National Aviation Corporation in China and the LAREI research institute in the United States.

WU Rongkang

aged 69, is an Independent Non-Executive Director of the Company. He graduated from the Mining Department of Huainan Mining Institute in September 1961, and is a Professorate Senior Engineer, and serves in the China National Coal Association as an adviser. Mr. Wu served as the Engineer, Chief Engineer and Deputy General Manager of Liyi Coal Mine in Huainan Coal Mining Bureau, Deputy Director-General in Anhui Coal Mining Industry Company, Deputy Director-General of Huaibei Coal Mining Bureau, Director-General of Production Coordination Department of the Ministry of Coal Industry, Director of Economic Operation Center of the State Administration of Coal Industry, and Deputy Director of China Coal Industry Technology Consulting Council as a deputy director. Mr. Wu has extensive professional knowledge in the coal industry and has working experience of over 40 years related to coal production and technological management.

LI Yanmeng

aged 64, is an Independent Non-Executive Director of the Company, he is also the Outside Director of China Coal Group. He graduated from the Electric Engineering Department of Wuhan School of Water Resource and Hydropower in September, 1981 with a major in power plant and electric system, and is a Senior Engineer. He was a Deputy Director, a Deputy Manager and a Manager in the Second Engineering Department of Shandong Electric Construction Corp., the head of Huangtai Power Plant, an Assistant Director of Shandong Electricity Power Bureau, Deputy Director-General of Construction Coordination Department of the Ministry of Electric Industry, Deputy Director-General of Key Construction Department, Deputy Director-General of Investment Department, Director-General of Basic Industry Development Department of the State Planning Commission, Director-general of the Office of the National Electric Reform Working Team, and Vice President of State Grid Corporation. Mr. Li has extensive working experience for substantive periods in various power enterprises and State departments of macro-economic controls relating to basic energy management.

2. Supervisors

DU Ji'an

aged 47, is the Chairman of the Supervisory Committee of the Company and the Deputy General Manager of China Coal Group. Mr. Du obtained a Bachelor's degree in Mine Construction from Shandong Mining Institute (now known as Shandong University of Science and Technology) in July 1983. He is a Senior Engineer and a Senior Professional Manager in the coal industry, and enjoys a special government allowance granted by the State Council. Mr. Du is also the Vice Chairman of the China University of Mining and Technology, and a member of the Committee of China Association for Education of Coal Industry. He has extensive working experience in the Department of Construction, Department of Personnel and the General Office of the Ministry of Coal Industry. He joined China National Coal Industry Import and Export Corporation in 1994, and has accumulated experience in enterprise management, team building, human resources development and management.

ZHOU Litao

aged 48, is a Supervisor of the Company. He is also the General Legal Counsel of China Coal Group. He graduated in 1983 from Hubei Institute of Finance (now known as Zhongnan University of Economics and Law) with a Law Degree. He finished the management science and engineering course for Master's degree in the China University of Mining and Technology in September 2000, and was granted Executive MBA degree by HEC Business School Paris in December 2007. He is a Senior Economist and a Qualified Consultant on Enterprise Law. He served as General Manager of Legal Affairs Department of China Coal Group. Mr. Zhou is familiar with PRC Civil Law, Commercial Law, International Commercial Principles, and has rich experience in corporate legal matters.

CHEN Xiangshan

aged 53, is the Employee Representative Supervisor of the Company and Union President of the headquarter of the Company. He obtained a Master's degree in International Politics from China Communist Party School in July 2000. Mr. Chen once held leading positions at Silaogou Mine of Datong Coal Mining Bureau as well as in Datong Coal Mining Bureau, at Antaibao Mine of Pingshuo Coal Industry Company and Pingshuo Coal Industry Company, and served as General Manager of China Coal Products Group Corporation and Deputy General Manager and General Manager of China National Coal Production Technology Development Corporation, and the Deputy General Manager of China Coal and Coking Holdings Limited. Mr. Chen has worked in the coal mining industry for an extensive period, and has gained a thorough understanding of the coal mining industry.

3. Senior management

GAO Jianjun

aged 50, is the Vice President of the Company. Mr. Gao obtained a Bachelor's degree in mining from Shandong Mining Institute (now known as Shandong University of Science and Technology) in 1982, and a Master's degree in engineering from Liaoning University of Engineering and Technology in 1998. He is a Senior Engineer and a Senior Professional Manager in the coal industry. He is the Director of Huajin Coking Coal Company, GreenGen Company, Zhongtian Synergetic Energy Company, and the Vice Chairman of Tianjin Port China Coal Huaneng Coal Terminal Co., He was the Assistant General Manager of China Coal Group, General Manager of the department of enterprise development and Manager of the human resources department of China Coal Group, and served as an officer in the Human Resources Division and New Technology Promotion Division of the China Coal Research Institute; and worked in the General Office of China National Coal Corporation and the General Office of the Ministry of Coal Industry. Mr. Gao has worked in the coal mining industry for an extensive period, has gained a thorough understanding of the coal mining industry, and has developed rich management skills in respect of enterprise development strategies, restructuring and project investment.

LI Fuyou

aged 53, is the Vice President of the Company. He graduated in June 1991 from Harbin Normal University specializing in economic management. He is a Senior Engineer, Senior Economist, Senior Professional Manager in the coal industry and enjoys a special government allowance granted by the State Council. He served as the Assistant General Manager, head of the Safety Supervisory Bureau, Director of the department of production coordination for China Coal Group, the General Manager of China Coal Group Heilongjiang Branch and Qinhuangdao Branch and Chairman of China National Coal Industry Qinhuangdao Import and Export Co., Ltd. He held leading positions at mines including the Hengshan Mine and the Muleng Mine of Jixi Coal Mining Bureau. Mr. Li has been involved in the production, operation and management of coal mining work for an extensive period, and has accumulated rich knowledge of the industry, has over 30 years of operational and management experience in the industry.

QI Hegang

aged 50, is the Vice President of the Company. He graduated from Datun Coal and Electricity (Group) Company Limited Intermediate Specialized Institute in August 1986. He obtained a Master's degree in Industrial Engineering from China University of Mining and Technology in 2005. He is a Senior Engineer and a Senior Professional Manager in the coal industry. He served as the Vice Chief engineer, deputy head, and head for the Yaoqiao Mine of Datun Coal Power (Group) Company Limited, and the Chief Engineer of Datun Coal Power (Group) Company Limited. Mr. Qi has been involved in the production, operation and management of coal mining work for an extensive period and has developed extensive knowledge of the coal industry. He has over 30 years of operational and management experience in the industry.

NIU Jianhua

aged 46, is the Vice President of the Company. He graduated from Shandong Mining Institute (now known as Shandong University of Science and Technology) in 1984, majoring in Calculating Mathematics. He is a Senior Engineer and a Senior Professional manager in the coal industry. He is the Vice Chairman of Zhejiang China Coal Zhoushan Coal Power Company. He served as the Assistant General Manager and Director of the General Office of China Coal Group. He also served at the Human Resources Division of the China Coal Research Institute and as a Deputy Director of the Technical Cadre Division of the Personnel Department of the Ministry of Coal Industry, and Secretary of the General Office of the Ministry of Coal Industry. Mr. Niu has worked in this industry for an extensive period, has developed extensive understanding of the industry, and has rich experience in administrative management.

ZHOU Dongzhou

aged 50, is the Secretary to the Board and the Joint Company Secretary. Mr. Zhou obtained a Bachelor's degree in English from China Mining College (now known as China University of Mining and Technology) in July 1982. He also obtained a Master degree of engineering in management science from the same university in May 1997. He is an Associate Professor of translation and a Senior Professional Manager in the coal industry. He served at China University of Mining and Technology, the Science and Education Division of the Ministry of Coal Industry, and served as the Secretary of the General Office of the Ministry of Coal Industry and the General Office of State Administration of Coal Industry, the Manager of the Market Development Department and the deputy head of the Coal Trading Division of China Coal Group, and the Deputy General Manager of China Coal Import & Export Company.

4. New appointment and resignation of Directors, Supervisors and other Senior Management Officers

On 16 October 2008, Mr. Jing Tianliang resigned from the positions of Executive Director and Chairman of the First Session of the Board of Directors ("the Board") and related Board duties for the reason of job transfer. On the same day, Mr. Peng Yi resigned from the post of Executive Director of the First Session of the Board and relevant Board duties for the reason of job transfer. According to the Articles of Association of the Company ("Articles of Association"), the above resignations of Mr. Jing Tianliang and Mr. Peng Yi were effective from the date of due delivery of the above resignation report to the Board. Mr. Peng Yi also resigned from the posts of Executive Vice President and Chief Financial Officer of the Company at the same time. At the fifth meeting of the First Session of the Board in 2008, the request of Mr. Peng Yi's resignation from the posts of Executive Vice President and Chief Financial Officer was accepted.

On 19 December 2008, Mr. Wang An was elected as an Executive Director for the First Session of the Board at the first extraordinary general meeting of the Company in 2008. On the same day, Mr. Wang An was elected as the Chairman of the First Session of the Board of China Coal Energy in the sixth meeting of the First Session of the Board of the Company in 2008.

5. Joint company secretary

WANG Yuanheng

aged 47, is the Joint Company Secretary of the Company. He obtained a Bachelor's degree in Laws from the University of Wales and a Postgraduate Certificate in Laws from the University of Hong Kong. He is a Registered Professional Lawyer in Hong Kong as well as in England and Wales. He is a Consultant in W.H. Chik & Co., Solicitors and a Senior Foreign Lawyer in Qiankun Law Firm in Beijing. Mr. Wang has developed expertise in mergers and acquisitions, listing and financing, project finance, international investments and commercial law for 10 years.

6. Qualified accountant

XU Guannan

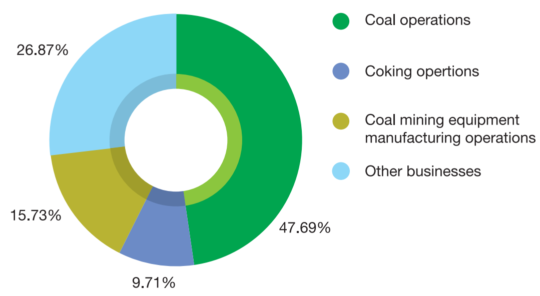
female, aged 31, is the Qualified Accountant of the Company. She graduated from Jiangxi University of Finance and Economics with a Bachelor Degree in Economics, where she majored in international finance and international accounting and is a full member of the ACCA. Ms. Xu was responsible for the internal finance and auditing work of Jinjiang Metro Cash & Carry Co., Ltd; and served at Beijing Yongtuo Accountants' Firm and the International Business Department of the Chengjian Office of Construction Bank Beijing Branch before joining the Company.

7. Employees

As at 31 December 2008, the Company had 50,805 employees. The number of our employees is set out as follows:

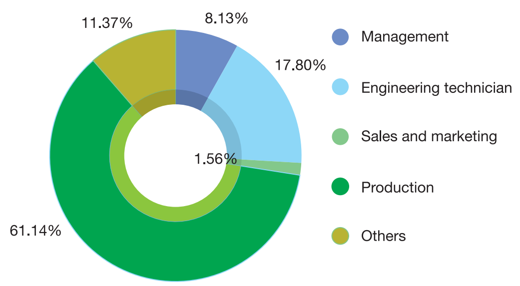
(1) Breakdown by Profession

	As at 31 December 2008 Number of Employees	% of Total
Coal operations	24,231	47.69
Coking operations	4,935	9.71
Coal mining equipment operations	7,994	15.73
Other businesses	13,645	26.87
Total	50,805	100.0



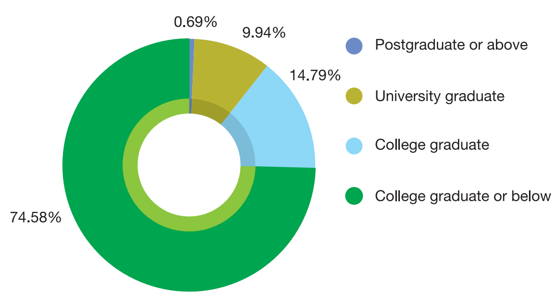
(2) Breakdown by Function

	As at 31 December 2008 Number of Employees	% of Total
Management	4,131	8.13
Engineering technician	9,046	17.80
Sales and marketing	792	1.56
Production	31,061	61.14
Others	5,775	11.37
Total	50,805	100.0



(3) Breakdown by degrees of education

	As at 31 December 2008 Number of Employees	% of Total
Postgraduate or above	353	0.69
University graduate	5,051	9.94
College graduate	7,514	14.79
Below College graduate	37,887	74.58
Total	50,805	100.0



Dear shareholders,

The Board of China Coal Energy is pleased to present the directors' report of the Company and the audited consolidated financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2008 prepared in accordance with International Financial Reporting Standards.

1 Principal operations

The Group is principally engaged in coal operation, coking operation, coal mining equipment operation, pithead power generation operation and other related operations in China. Our coal operation includes coal production, sales and trading. Our coking operation includes the production and sales of coke and coal chemical products. Our coal mining equipment operation includes design, research and development, manufacturing, marketing and sales and after-sales services of coal mining equipment. Other operations include provision of coal mine design services. Details of the principal activities of the Company's principal subsidiaries are set out in note 44 to the financial statements.

2 Operating results

The financial and operating results of the Group for the year ended 31 December 2008 are set out in the section headed "Financial Statements".

3 Dividends and distributable profits, Closure of Share Register

On 27 March 2009, pursuant to the relevant laws and regulations of the PRC, the Board recommended the payment of cash dividends of RMB2,043,558,900 for 2008 to the shareholders of the Company, equal to 30% of the net profit attributable to equity holders of the Company which was RMB6,811,863,000 as set out in the consolidated financial statements prepared in accordance with the PRC Accounting Standards of business enterprises. The dividend distribution will be made based on the Company's entire issued share capital of 13,258,663,400 shares, representing a dividend of RMB0.15413 per share. The profit distribution proposal is subject to shareholders' consideration and approval at the annual general meeting of 2008 to be convened on 26 June 2009. The dividends will be paid to shareholders whose names appear on the register of members on 27 May 2009. The share registrar of the Company will be closed from 27 May 2009 to 26 June 2009 (both days inclusive). In order to qualify for attending the annual general meeting and receiving the dividends, all transfer in respect of H shares must be lodged at our share registrar for H shares in 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 26 May 2009.

Pursuant to the "Notice Regarding Questions on Withholding Enterprise Income Tax When PRC Resident Enterprises Distribute Dividend to Foreign Non-resident Enterprise Shareholders of H Shares" (Guo Shui Han [2008] No. 897) issued by the State Administration of Taxation of the PRC, when the Company distributes annual dividends for 2008 and future dividends, the Company shall withhold enterprise income tax at a uniform tax rate of 10% on dividends paid to foreign non-resident enterprises as shareholders of H shares. Pursuant to the provisions of the State Administration of Taxation and the Ministry of Finance of the PRC, cash dividends to natural persons of the shareholders of A shares of the Company shall also be subject to withholding income tax at a tax rate of 10%.

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 dividends payable in Hong Kong dollars shall be based on the average exchange rate of Renminbi and Hong Kong dollars announced by the People's Bank of China in the five business days before 27 March 2009 (Friday), being the date of dividend declaration. The above dividends are expected to be paid on or about 7 August 2009.

Under relevant regulations of China Securities Depository and Clearing Corporation Limited Shanghai Branch and in line with the market practice adopted with respect to 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 set out the record date and ex-rights date after the annual general meeting of 2008.

4 Directors and senior management of the Company

The table sets out the information on directors and senior management of the Company as at the date of this report:

Name	Age	Position held in the Company	Date of appointment
Wang An	50	Chairman, Executive Director	19 December 2008
Zhang Baoshan	55	Non-Executive Director Vice-Chairman	18 August 2006 21 November 2006
Yang Lieke	51	Executive Director, President	18 August 2006
Gao Shangquan	79	Independent Non-Executive Director	23 August 2006
Zhang Ke	55	Independent Non-Executive Director	23 August 2006
Peng Ru Chuan	60	Independent Non-Executive Director	23 August 2006
Wu Rongkang	69	Independent Non-Executive Director	21 November 2006
Li Yanmeng	64	Independent Non-Executive Director	21 November 2006
Gao Jianjun	50	Vice-President	18 August 2006
Li Fuyou	53	Vice-President	18 August 2006
Qi Hegang	50	Vice-President	18 August 2006
Niu Jianhua	46	Vice-President	18 August 2006
Zhou Dongzhou	50	Secretary to the Board and Joint Company Secretary	18 August 2006

For details of directors and senior management of the Company, please refer to the "Directors, Supervisors, Senior Management and Employees" section in this report.

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

5 Supervisors of the Company

The table sets out the information of the supervisors of the Company as at the date of this report:

Name	Age	Position held in the Company	Date of appointment
Du Ji'an	47	Chairman of the Supervisory Committee	18 August 2006
Zhou Litao	48	Supervisor	18 August 2006
Chen Xiangshan	53	Employee Representative Supervisor	18 August 2006

For details of the supervisors of the Company, please refer to the section headed "Directors, Supervisors, Senior Management and Employees" of this report.

6 Share capital

As at 31 December 2008, the structure of the share capital of the Company is as follows:

Type of shares	Number of shares	Percentage %
A shares	9,152,000,400	69.03
Inclusive of A shares Held by China National Coal Group Corporation	7,634,177,114	57.58
H shares	4,106,663,000	30.97
Total	**13,258,663,400**	**100.00**

7 Shareholdings of substantial shareholders

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

8 Directors' and supervisors' interests and short positions in the shares, underlying shares and debentures of the Company

As at 31 December 2008, none of our directors and supervisors had any interests or short positions in shares, underlying shares of equity derivatives or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) as recorded in the register of interests required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

As at 31 December 2008, the Company had not granted any rights to any directors, supervisors of the Company or their spouses or children under 18 years of age to acquire shares or debentures of the Company or its associated corporations nor did they exercise any such rights to acquire the aforesaid shares or debentures.

9 Public float

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

10 Service contracts of directors and supervisors

Each of the directors and supervisors of the Company has entered into a service contract with the Company for a term of three years, except for Mr. Wang An, the chairman of the Company, whose term of service as set out in the service contract commenced from 19 December 2008 and will end upon the election of the second session of the Board. Save as disclosed above, none of our directors or supervisors has entered into a service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

11 Directors' and supervisors' interests in contracts

Other than the service contracts, for the year ended 31 December 2008, no director or supervisor had any direct or indirect material interest in any contract of significance entered into by the Company or any of its holding companies or any of its subsidiaries or fellow subsidiaries.

12 Remuneration of directors and supervisors

The details of the remuneration of directors and supervisors of the Company for the year ended 31 December 2008 are set out in note 38 to the consolidated financial statements.

For the year ended 31 December 2008, no directors or supervisors of the Company had agreed to waive any remuneration.

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

13 Purchase, sale or redemption of shares of the Group

For the year ended 31 December 2008, the Company and its subsidiaries had not purchased, sold or redeemed any securities (the term "securities" has the meaning ascribed to it under the Listing Rules) of the Group.

14 Use of Proceeds

(1) Use of proceeds of H shares

After deducting related expenses, the net proceeds from H share issue of the Company was RMB14.466 billion. For the year ended 31 December 2008, the net proceeds are being used in accordance with the usage plans as disclosed in the prospectus of H shares, details of which are listed below:

Approximately RMB7.4 billion was invested in the construction of open pit mines and underground mines, related coal washing plants and dedicated railways planned for development in Pingshuo Mining Area;

Approximated RMB1.76 billion was invested in the development of the Company's coal production equipments and other ancillary facilities;

Approximately RMB2.82 billion was used to repay bank loans; and

Approximately RMB1.58 billion was used to fund the Group's working capital.

The applications of the above proceeds were incurred in 2007 and the reporting period. As at 31 December 2008, the construction of open pit mines and underground mines, related coal washing plants and dedicated railways in Pingshuo Mining Area, Heilongjiang Project with an annual production capacity of 250,000 tons of methanol and the project of the comprehensive utilization of coal mine associated waste materials located in Heilongjiang province were still under construction and no revenue were generated.

As at 31 December 2008, unapplied proceeds from H shares issue amounted to RMB906 million, representing 6.3% of the total proceeds. The Company intends to apply these proceeds mainly to develop the Company's coal production and construct the ancillary facilities in light of the project construction progress and actual needs of the Company.

(2) Use of proceeds of A shares

As at 31 December 2008, the proceeds from A shares issue had been applied in accordance with proposed applications as set out in the Company's prospectus of A shares. Actual investment involved proceeds from A shares issue amounted to RMB4.339 billion, representing approximately 17.1% of the net proceeds, details of which are listed below:

Unit: RMB Billion

proceeds		25.320	Total proceeds applied during the reporting period Total proceeds applied			4.339 4.339
Committed project	Any change in project	Intended investment	Actual investment	Whether meets the schedule	Expected revenue	Actual revenue
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	No	4.158	0.194	No	—	—
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	No	17.029	0.012	No	—	—
Supplementing the working capital of the Company for general corporate purpose or for the acquisitions of core business related assets	No	4.133	4.133	Yes	—	—
Total	—	25.320	4.339	—	—	—
Reasons for failure to meet schedule (by project)	1. Erdos project and ancillary engineering projects with an annual production capacity of 25 million tons of coal, 4.2 million tons of methanol and 3 million tons of dimethyl ether: The "Four Connections and One Leveling" works of the project are underway. Because the application for approvals of mine ownership transfer, project approval and safety and environmental assessment are in the process, the construction of the project hasn't commenced. The project company will actively accelerate the application procedures for these approvals to ensure the construction of the project to commence within 2009. 2. Heilongjiang project and ancillary engineering projects with an annual production capacity of 10 million tons of coal, 1.8 million tons of methanol and 0.6 million tons of olefin: In accordance with the requirements of the "Notice relating to the commencement of preparation work for projects with an annual production capacity of 1.8 million tons of methanol and 0.6 million tons of olefin" issued by NDRC, the Company conducted project preparation work including resource allocation, general planning for projects, feasibility studies for individual project and application for project approval. With the spread of the global financial crisis since the second half of 2008, there were significant changes in the domestic and international macro-economic conditions. In light of current economic condition, the Company conducted further economic feasibility studies, forecast and assessment for the project. The forecast and assessment demonstrated that the expected level of profitability of the Heilongjiang Project may not be achieved if the Company were to continue with the project in Yongqing Mining Area, Jixi, Heilongjiang. In order to maximise the Company's commercial interests and protect shareholders' interests, any further investment in the project has been suspended by the Board and the Company has urged relevant departments to work out an improved plan or an alternative plan. The Company has made relevant disclosure in accordance with relevant regulations.					
Intended use of unapplied proceeds	Deposited as time deposit with the bank with which the special account for proceeds was maintained.					

The applications of the above proceeds were incurred during the reporting period. As at 31 December 2008, the coal chemical projects in Erdos and Heilongjiang were still at an early stage and no revenue were incurred.

15 Property, plant and equipment

The details of the changes in the property, plant and equipment of the Company for the year ended 31 December 2008 are set out in note 7 to the audited financial statements for the year.

16 Donation

For the year ended 31 December 2008, the charitable and other donations made by the Company amounted to RMB12.9256 million.

17 Subsidiaries and associates

The details of subsidiaries and associates of the Company as at 31 December 2008 are set out in note 44 to the audited financial statements for the year.

18 Employee retirement plan

To comply with the applicable regulations, the Company has participated in various retirement plans organized by the municipal and provincial government. The details are set out in note 34 to the audited financial statements for the year.

19 Pre-emptive rights and share option arrangement

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

20 Major customers and suppliers

For the year ended 31 December 2008, the revenues derived from the Company's largest external customer and its top five external customers accounted for approximately 5.5% and 21.5% of the operating revenue of the Company, respectively.

For the year ended 31 December 2008, the purchases from the Company's top five suppliers represented less than 30% of the total purchases made by the Company during the year.

To the knowledge of the Company, none of the directors of the Company and their associates and any shareholders holding more than 5% of the issued share capital of the Company held any interests in any of the above customers and suppliers.

21 Material Contracts

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

22 Connected transactions

The major connected transactions of the Group for the year ended 31 December 2008 are set out below.

(1) Continuing connected transactions

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

i. Coal Export and Sales Agency Framework Agreement

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

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

The annual cap for the coal export agency fee paid to China Coal Group for the year ended 31 December 2008 was RMB70 million. The actual agency fee incurred in 2008 was RMB29 million.

ii. Coal Supplies Framework Agreement

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

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

The annual cap of the fees for 2008 paid by the Company to China Coal Group in respect of the supply of coal products produced at the coal mine under restructuring by China Coal Group to the Company for the year ended 31 December 2008 was RMB1.2 billion. The actual expenses incurred were RMB31 million.

iii. *Integrated Materials and Services Mutual Provision Framework Agreement*

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

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

For the year ended 31 December 2008, (1) the annual cap of the expenses paid as a result of production materials and ancillary services provided by China Coal Group to the Company for 2008 was RMB1.315 billion and the actual expenses incurred were RMB1.04 billion; (2) the annual cap of the expenses paid as a result of social and support services provided by China Coal Group for 2008 was RMB100 million and the actual expenses incurred were RMB38 million;(3) the annual cap of the income generated as a result of integrated materials and services provided to China Coal Group by the Company for 2008 was RMB50 million and the actual income was RMB42 million; (4) the annual cap of the service fee receivable in respect of coal export related services provided by the Company to China Coal Group for 2008 was RMB160 million and the actual fee generated was RMB118 million.

iv. *Mine Construction and Design Framework Agreement*

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

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

Upon approval by shareholders at the first extraordinary general meeting in 2008 held on 19 December 2008, the Company revised the exempted annual cap for 2008 for the coal mine construction services provided by China Coal Group to the Company under the Mine Construction and Design Framework Agreement signed between China Coal Group and the Company, with the main reasons as follows:

(i) Chinese government has imposed stricter requirements on mine construction related business access restrictions, land uses, environmental protection and security measures, and as a result, the progress of certain planned mine construction projects such as Pingshuo East open pit mine project was delayed and the amounts of relevant connected transactions under the Mine Construction and Design Framework Agreement were included in the calculation of the revised cap for 2008;

(ii) New projects increased the demand for mine construction (such as the renovation project for coal transportation system at Pingshuo Antaibao surface mine); and

(iii) The cost of services provided by China Coal Group increased as a result of the increase in labor and raw material costs.

For the year ended 31 December 2008, (1) the revised annual cap of the expenses paid by the Company in respect of the coal mine construction services provided by China Coal Group and its associates for 2008 was RMB1.5 billion, and the actual expenses incurred were RMB944 million; and (2) the annual cap of the income receivable as a result of providing coal mine design services to China Coal Group and its associates by the Company in 2008 amounted to RMB50 million, and the actual income generated was RMB19 million.

v. *Property Leasing Framework Agreement*

The Company and China Coal Group entered into a property leasing framework agreement on 5 September 2006. The agreement has a term of 10 years and is renewable upon expiry. Pursuant to the agreement, China Coal Group and its associates shall lease to the Company structures and properties, which shall mainly be used for production and operations.

Pricing principles: the Company or its relevant subsidiaries shall pay China Coal Group and its associates for the structures and properties leased with annual cap of RMB71 million payable by the end of each year. The rental charges are subject to re-examination and adjustment every three years within the term of the property leasing framework agreement. The rental payable after adjustment shall not exceed comparable market rates confirmed by an independent property valuer.

The annual cap for 2008 of property rentals paid by the Company to China Coal Group and its associates in respect of the structures and properties leased for the year ended 31 December 2008 amounted to RMB71 million. The actual rentals incurred were RMB57 million.

vi. *Land Use Rights Leasing Framework Agreement*

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

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

The annual cap for 2008 of the land use rights rental paid by the Company to China Coal Group and its associates for the year ended 31 December 2008 amounted to RMB9 million. The actual rental incurred was RMB8,852,500.

vii. *Trademark Licensing Framework Agreement*

The Company and China Coal Group entered into a "Trademark Licensing Framework Agreement" on 5 September 2006 . The agreement has a term of 10 years and is renewable automatically for 10 years upon expiry. Pursuant to the Agreement, China Coal Group shall grant to the Company non-exclusive right and license of the trademarks which are registered in the PRC and overseas or in the process of application for registration by China Coal Group before the date of executing the Agreement for use both inside and outside the PRC, and within the scope of the registered category of the licensed trademark. China Coal Group has the right and privilege of utilizing the trademarks solely or sub-licensing to any of its subsidiaries.

The nominal license fee paid by the Company to the China Coal Group is RMB1 per year.

viii. *Coal/Coke Product Sales Framework Agreements*

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

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

For the year ended 31 December 2008, (1) the annual cap for 2008 of the expenses paid by the Company for purchasing coal/coke products from the substantial shareholders of the Company's subsidiaries amounted to RMB1.214 billion and the actual expenses incurred were RMB263 million; and (2) the annual cap for 2008 of the income generated from sales of coal/coke products by the Company to the substantial shareholders of the relevant subsidiaries amounted to RMB261 million and the actual income generated was RMB13 million.

ix. *Railway Leasing and Management Entrustment Service Framework Agreement*

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

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

The annual cap for 2008 of the total railway leasing fees paid by Pingshuo Luda to the Company for the year ended 31 December 2008 amounted to RMB156 million, and the actual income generated were RMB116 million. The annual cap for 2008 of the total railway management entrustment service fees paid by the relevant subsidiaries of the Company to Pingshuo Luda for the same period amounted to RMB416 million, and the actual fees incurred were RMB375 million.

(2) The auditor of the Company has issued a letter to the Board stating the following:

i. The terms of these transactions are determined in accordance with the relevant provisions of the agreements and documents governing the transactions;

ii. The value of these transactions conforms to the pricing criteria stated in the relevant agreements;

iii. These transactions have been approved by the Board; and

iv. The relevant actual amounts do not exceed the relevant waiver limits.

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

These continuing connected transactions were entered into

i. in the Company's usual and ordinary course of business;

ii. on normal business terms; and

iii. in accordance with the relevant agreements governing them and on terms that are fair and reasonable and in the interests of shareholders of the Company as a whole.

(4) New connected persons

During the reporting period, three companies and their respective associates ("associate" as defined in the Listing Rules became connected persons of the Company under the Listing Rules (they are not, however, connected persons under the rules of A shares of the Company in accordance with the listing rules of Shanghai Stock Exchange), details of which are as follows:

i. Jizhong Energy Group Co., Ltd.: It holds 50% of the equity interest in Shijiazhuang Coal Mining Machinery Company Limited, which is held as to 50% by China National Coal Mining Equipment Company Limited, a wholly-owned subsidiary of the Company. Therefore, it is a connected person of the Company. It is principally engaged in investment in energy industry, coal sales, equipment leasing, import and export.

ii. Shaanxi Coal and Chemical Industry Group Co., Ltd.: It holds 50% of the equity interest in Xi'an Coal Mining Machinery Company Limited, which is held as to 50% by China National Coal Mining Equipment Company Limited, a wholly-owned subsidiary of the Company. Therefore, it is a connected person of the Company. It is principally engaged in coal exploitation, coal processing, coal sales, power generation, coal chemistry, coal mining equipment manufacturing as well as relevant engineering and technical services; and

iii. Shanxi Coking Coal Group Co., Ltd.: It holds 50% of the equity interest in Huajin Coking Coal Co., Ltd, which is a 50%-owned subsidiary of the Company. Therefore, it is a connected person of the Company. It is principally engaged in coal exploitation, coal processing, coal sales, coal mining technology and services.

(5) Renewing the continuing connected transactions from 2009 to 2011 and their annual caps

The Company entered into certain continuing connected transactions framework agreements at the listing of H shares and, in accordance with relevant provisions of the Listing Rules, had applied to the Hong Kong Stock Exchange for and had been granted waivers from strict compliance with the relevant provisions of the Listing Rules with respect to the annual caps of continuing connected transactions under these framework agreements from 2006 to 2008.

Some of these continuing connected transactions framework agreements expire on 31 December 2008. Renewals of such agreements are required for the continuing connected transactions from 2009 to 2011.

Furthermore, the annual caps of these connected transactions also expired on 31 December 2008. Pursuant to the Listing Rules, the Company is required to estimate and report to the Hong Kong Stock Exchange the amount to be incurred under these continuing connected transactions from 2009 to 2011, to make announcements thereon and obtain approvals from the Board and shareholders at general meetings, so as to obtain waivers with respect to the annual caps for the next 3 years of the continuing connected transactions.

China Merchants Securities (HK) Co., Ltd. has been appointed as the independent financial advisor with respect to the renewal of these continuing connected transactions and their annual caps. After due inquiry, China Merchants Securities (HK) Co., Ltd. is of the opinion that, the renewal of these connected transactions and their annual caps are in the interests of the Company and the independent shareholders as a whole, are agreed in the ordinary and usual course of business of the Company, on normal commercial terms and is fair and reasonable so far as the Company and the independent shareholders are concerned. The directors of the Company (including independent non-executive directors) are of the opinion that the proposed annual caps of these continuing connected transactions are fair and reasonable.

In accordance with the requirements of the Listing Rules and the stock listing rules of the Shanghai Stock Exchange, the "Proposal concerning the renewal of the annual caps of the continuing connected transactions of China Coal Energy Company Limited from 2009 to 2011" was considered and approved at the 5th meeting in 2008 of the First Session of the Board; the annual caps of continuing connected transactions for each year from 2009 to 2011 were approved by poll by independent shareholders at the first extraordinary general meeting in 2008 of the Company. The announcements concerning the above board meeting and general meeting were published on China Securities Journal, Shanghai Securities News and the websites of the Hong Kong Stock Exchange, the Shanghai Stock Exchange and the Company on 24 October 2008 and 19 December 2008, respectively.

(6) Non-continuing connected transactions

In July 2008, the Company acquired the 100% equity interest in Dongpo Coal and the 5% equity interest in China National Coal Industry Qinhuangdao Imp. & Exp. Co., Ltd. ("Qinhuangdao Co.") held by wholly-owned subsidiaries of China Coal Group, which constituted connected transactions of the Company. Please refer to the section headed "Assets acquisition" in this report for details.

23 Employees

As at 31 December 2008, the Group had 50,805 employees in total (2007: 51,527 employees in total). The details are set out in the section headed "Directors, Supervisors, Senior Management and Employees".

24 Significant Events

(1) Share capital structure

The Company was listed on the Shanghai Stock Exchange on 1 February 2008, with an initial public offering of 1,525,333,400 A shares. Immediately following the initial public offering and listing of A shares, the Company's total share capital was increased to 13,258,663,400 shares, including 7,626,667,000 A shares held by China Coal Group, the controlling shareholder of the Company, 4,106,663,000 H shares held by holders of H shares and 1,525,333,400 A shares held by holders of A shares issued pursuant to the initial public offering, which represented 57.52%, 30.97% and 11.51% of the Company's total share capital respectively.

China Coal Group, the controlling shareholder of the Company, increased its shareholding in the Company through its purchase of 4,049,947 A shares and 3,460,167 A shares (7,510,114 A shares in total) in the open market on the Shanghai Stock Exchange on 23 September 2008 and 24 September 2008, respectively.

As at 31 December 2008, the structure of the share capital of the Company was as follows:

Type of shares	Number of shares	Percentage %
A shares	9,152,000,400	69.03
Inclusive of A shares Held by China National Coal Group Corporation	7,634,177,114	57.58
H shares	4,106,663,000	30.97
Total	**13,258,663,400**	**100.00**

(2) Distribution of final dividends for 2007

The Company's 2007 final profit distribution plan was considered and approved by the Company's 2007 annual general meeting on 20 June 2008. Total profits of the Company available for distribution as at 31 December 2007 were RMB825,469,000. Dividends were distributed based on the Company's total issued share capital of 13,258,663,400 shares, with a dividend of RMB0.06226 per share. The amount of distributed dividends for 2007 was RMB825,484,000 in total.

As at the date of this report, all above final dividends for 2007 had been duly paid to the shareholders of the Company.

(3) Amendments to the Articles of Association

Upon listing of A shares on 1 February 2008, the Company's registered capital increased from RMB11,733,330,000 to RMB13,258,663,400. Pursuant to the resolution approved at the first extraordinary general meeting held on 7 September 2007, the Board was authorized by the shareholders of the Company at the meeting to amend the Articles of Association based on the results of the A share issue. On 20 March 2008, the Company obtained its updated business license from the State Administration of Industry and Commerce which reflects the change of its registered capital.

To address both domestic and international market demands and to satisfy the Company's own development and business needs, the "Resolution regarding Amendments to the Articles of Association" with "Coal Mining" added into the Company's business scope was considered and approved at the fourth meeting in 2007 of the First Session of the Board convened on 14 September 2007. At the second extraordinary general meeting held on 9 November 2007, the resolution regarding "Amendments to the Articles of Association" was approved. "Coal Mining" has been added into the Company's business scope. On 20 May 2008, the Company filed its revised Articles of Association with the State Administration of Industry and Commerce.

(4) Assets acquisition

The following assets acquisitions during the reporting period constitute the Company's connected transactions.

On 25 April 2008, the Company entered into a "share purchase agreement" with China Coal Import and Export Company, a wholly-owned subsidiary of China Coal Group, to acquire the 100% equity interest in Dongpo Coal held by China Coal Import and Export Company. The transaction has been approved by SASAC, and the consideration for the equity transfer was paid on 23 July 2008. The audited net book value of Dongpo Coal as at the valuation date of 29 February 2008 was RMB718,880,000, and the equity value of Dongpo Coal as appraised by China United Assets Appraisal Co. Ltd. and filed with SASAC was RMB1,331,510,100. The Company acquired the 100% equity interest in Dongpo Coal for RMB1,331,510,100. Upon completion of the acquisition, the Company's coal reserves will increase by approximately 158 million tons and its coal production capacity will increase by 1.5 million tons/year.

On 25 April 2008, the Company entered into a "share purchase agreement" with China Coal Trade and Industry Co., Ltd., a wholly-owned subsidiary of China Coal Group, to acquire the 5% equity interest in Qinhuangdao Co. held by China Coal Trade and Industry Co., Ltd.. The transaction has been approved by SASAC, and the consideration for the equity transfer was paid on 28 July 2008. The audited net book value of Qinhuangdao Co. as at the valuation date of 30 June 2007 was RMB36,861,300, and the equity value as appraised by China United Assets Appraisal Co. Ltd. and filed with SASAC after making adjustments was RMB131,632,100. The appraised value of the relevant equity interest subject to such transfer was RMB6,581,600, and the consideration paid was RMB6,581,600. Upon completion of the acquisition, the Company holds 100% equity interest in Qinhuangdao Co..

The above transactions had been considered and approved at the second meeting in 2008 of the first session of the Board of the Company convened on 25 April 2008 and the 2007 annual general meeting convened on 20 June 2008, and announcements had been published on the website of the Stock Exchange of Hong Kong and the website of the Shanghai Stock Exchange, China Securities Journal and Shanghai Securities News, respectively.

The above acquisitions will strengthen the Company's development strategy of making coal mining as its principal operation, enlarging the Company's coal reserves, increasing the Company's coal output, and further reducing connected transactions and eliminating or reducing competition between the Company and its controlling shareholder, optimising the Company's equity structure, and enhancing the Company's competitiveness and profitability.

25 Material Legal Proceeding

As at 31 December 2008, the Company had not been involved in any material litigations or arbitrations, and to the best knowledge of the Company, there was no pending, threatened or ongoing material litigation or claim against the Company as at 31 December 2008.

26 Auditors

The Company has appointed PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company as its international and domestic auditor, respectively, for the year ended 31 December 2008. The financial statements for the year 2008 prepared by the Company in accordance with International Financial Reporting Standards have been audited by PricewaterhouseCoopers.

The resolution regarding the reappointment of PricewaterhouseCoopers as the Company's international auditor and PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the Company's domestic auditor for the year ending 31 December 2009 will be proposed at the Company's annual general meeting of 2008 to be held on 26 June 2009.

27 Taxation

In accordance with relevant tax laws and regulations in the PRC, 10% enterprise income tax rate is applicable to the distribution of final dividend for 2008 by the Company to its non-resident enterprise shareholders of H shares. In accordance with relevant tax laws and regulations in the PRC, the Company is obligated to withhold the enterprise income tax upon the distribution of final dividend for 2008 of RMB0.15413 per share to the shareholders being non-resident enterprises whose names appear on the register of members for H shares as at the record date. The "non-resident enterprise" in this report has the meaning ascribed to it under relevant tax laws and regulations in the PRC. The dividends to be paid to the individual shareholders whose names appear on the register of members for H shares of the Company as at the record date are not subject to the enterprise income tax of 10%.

Shareholders are recommended to consult their taxation advisors regarding owning and disposing H shares in the PRC and in Hong Kong and other tax effects.

28 Reserves

Details of movements in the reserves of the Group during the year are set out in note 24 to the consolidated financial statements and the consolidated statement of changes in equity, respectively.

29 Financial Summary

A summary of the Group's financial information for the last five financial years was extracted from the audited financial statements. The summary does not form part of the audited financial statements.

30 Subsequent Events

Details on the Group's subsequent events are set out in note 46 to the financial statements.

By order of the Board

China Coal Energy Company Limited
Wang An
Chairman and Executive Director

Beijing, China
27 March 2009

As at the date of this directors' report, the executive directors of the Company are Wang An, Yang Lieke; 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.

In 2008, all members of the supervisory committee of the Company have duly discharged their duties, actively carried out their works and performed their obligations in accordance with the relevant requirements of the Company Law of the People's Republic of China (the "Company Law"), the Articles of Association and the Rules of Procedures for Supervisory Committee.

I. During the reporting period, the supervisory committee of the Company convened four meetings, details of which are set out as follows:

(1) With full attendance of the supervisors, the first meeting for 2008 of the first session of the supervisory committee convened on 9 April 2008 considered and approved "Resolution on Report of the Supervisory Committee of China Coal Energy Company Limited for 2007", "Resolution on Annual Report of China Coal Energy Company Limited for 2007 and its summary, Results Announcement for 2007","Resolution on Final Accounts of China Coal Energy Company Limited for 2007", "Resolution on Proposed Profit Distribution Plan of China Coal Energy Company Limited for 2007" and "Resolution on Management Measures on the shares (and its changes thereof) of China Coal Energy Company Limited held by the Directors, Supervisors, Senior Management Members and Insiders".

(2) With full attendance of the supervisors, the second meeting for 2008 of the first session of the supervisory committee convened on 25 April 2008 considered and approved "Resolution on the First Quarterly Report for 2008 of China Coal Energy Company Limited", "Resolution on the Acquisition of 100% Equity Interest in Shanxi China Coal Dong Po Coal Company Limited by China Coal Energy Company Limited", "Resolution on the Acquisition of 5% Equity Interest in China National Coal Industry Qinhuangdao Import and Export Co., Ltd. by China Coal Energy Company Limited".

(3) With full attendance of the supervisors, the third meeting for 2008 of the first session of the supervisory committee convened on 28 July 2008 considered and approved "Resolution on the Interim Report for 2008 of China Coal Energy Company Limited", "Resolution on Corporate Governance Report and Rectification Plan of China Coal Energy Company Limited" and "Resolution on Self-examination Report and Rectification Plan for Preventing Recurrence of Funds Appropriation of China Coal Energy Company Limited". The meeting heard a briefing on the Report of Internal Audit Progress during January to June in 2008 and the plan of internal audit for the Second Half of the Year of China Coal Energy Company Limited.

(4) On 24 October 2008, the fourth meeting for 2008 of the first session of the supervisory committee was convened. Two supervisors attended the meeting in person, and one attended by proxy. The meeting considered and approved "Resolution on the Third Quarterly Report for 2008 of China Coal Energy Company Limited", "Resolution on Renewal of Exempted Annual Caps for Continuing Connected Transactions from 2009 to 2011 of China Coal Energy Company Limited", "Resolution on Revision of Exempted Annual Cap for Transactions in 2008 in respect of the Provision of Coal Mine Construction Service by China National Coal Group Corp. to China Coal Energy Company Limited".

II. Independent opinions have been given by the supervisory committee of the Company in respect of the following issues in 2008:

(1) Lawful Operation of the Company in 2008

Supervisors of the Company had attended all meetings of the Board and shareholders' general meetings convened by the Company in 2008. Pursuant to the relevant laws and regulations, supervisors of the Company had duly supervised and examined the procedures for convening the Board meetings, the resolutions, the implementation by the Board of resolutions approved at shareholders' general meetings, the performance of duties by the directors and senior management of the Company, the establishment, enhancement and enforcement of the internal management system of the Company. The supervisory committee is of the view that the Board and senior management have been able to operate in compliance with the relevant laws, regulations and the Articles of Association of the Company and the decision-making process is legitimate; the Company has continuously improved its internal control system and the internal control system of the Company is healthy and effective. The supervisory committee is not aware of any act of the directors and senior management of the Company which is in violation of any laws, regulations and the Articles of Association of the Company or is prejudicial to the interests of the Company.

(2) Examination on the financial affairs of the Company

Having carefully reviewed the financial report for 2008 and the proposed profit distribution plan for 2008, the supervisory committee believes that financial report for 2008 audited by PricewaterhouseCoopers (PricewaterhouseCoopers Zhong Tian CPAs Limited Company) has given a true and objective picture of the financial condition and operating results of the Company, and the audit report issued with standard unqualified opinions gives an objective and fair view.

(3) Use of proceeds

During the reporting period, the net proceeds raised by the Company recently from issuance of A shares in January 2008 was RMB25.32 billion, of which RMB4.339 billion was applied in the year. The actual use is in line with the commitment set out in the prospectus of the Company.

(4) Acquisition or disposal of assets by the Company

During the reporting period, the Company acquired 100% equity interest in Dongpo Coal held by China Coal Import and Export Company, a wholly-owned subsidiary of China Coal Group and 5% equity interest in Qinhuangdao Co. held by China Coal Trade and Industry Company, a wholly-owned subsidiary of China Coal Group, at fair and reasonable prices. The Company did not have any material transactions involving the disposal of assets. The Supervisory Committee did not identify any insider dealing or any circumstances that were detrimental to the interests of shareholders or resulted in a dissipation of assets of the Company.

(5) Connected transactions

During the reporting period, the ordinary connected transactions of the Company were carried out in the Company's usual and ordinary course of business in accordance with the relevant terms in the executed connected transactions framework agreements and the contents of the agreements were on normal commercial terms. The considerations of these transactions conform to the pricing criteria stated in the relevant agreements. The actual amount incurred under each ordinary connected transaction does not exceed the relevant annual caps.

During the reporting period, the Company acquired 100% equity interest in Dongpo Coal and 5% equity interest in Qinhuangdao Co. which constitute connected transactions of the Company and have been considered and approved by the Board of the Company and the supervisory committee and have been proposed and approved at the annual general meeting of 2007.

Connected transactions of the Company in 2008 were conducted in compliance with the principles of fairness and impartiality at fair and reasonable prices. No acts were found to be detrimental to the interests of the Company and shareholders.

(6) Implementation of resolutions of shareholders' general meetings

The supervisory committee of the Company has no dissenting views in respect of the reports and resolutions submitted for consideration at the shareholders' general meeting by the Board during the reporting period. The supervisory committee has conducted supervision over the implementation of the resolutions passed by the shareholders' general meeting, and is of the opinion that the Board has duly implemented the relevant resolutions of the shareholders' general meeting.

In 2009, the supervisory committee will continue to fulfill its duties diligently in strict compliance with the Company Law, the Articles of Association of the Company and relevant provisions, to further bring forth new working ideas and step up its efforts in supervision and examination so as to safeguard the interests of shareholders and the benefits of the Company.

By Order of the Supervisory Committee

Du Ji'an
Chairman of the Supervisory Committee

Beijing, China
27 March 2009

As a dual listed company in Hong Kong and Shanghai, the Company has been operating in strict compliance with the overseas and domestic regulatory provisions and has committed to enhancing the corporate governance level to maximise the operational efficiency, company values and shareholder returns. In 2008, the Company continued to implement the relevant requirements under the "Code on Corporate Governance Practices" as set out in Appendix 14 of the Listing Rules and the listing rules of the Shanghai Stock Exchange, formulated and amended various basic rules of the Company under the guidance of the regulatory documents such as the Articles of Association, upgraded the Company's internal control and management system, strengthened risk control management and further improved the corporate governance structure.

I. OVERVIEW OF CORPORATE GOVERNANCE

(1) Overview of Corporate Governance

During the reporting period and as at the date of this report, the Company duly implemented the regulatory requirements of the listing places to enhance the level of corporate governance. Pursuant to the requirements of China Securities Regulatory Commission and Securities Regulatory Bureau of Beijing, the Company initiated works on improving the governance of the listed company and preventing recurrence of funds appropriation with an aim to rectify problems and prepared a self-examination report and a rectification report, details of which were released on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company. In accordance with the requirements of China Securities Regulatory Commission and the listing rules of the Company's listing places and in light of the Company's actual condition, the Company formulated investment management measures and internal reporting systems of significant information, revised and improved a number of fundamental management systems, such as financial management rules, accounting calculation method and internal control auditing systems so as to strengthen the regulation of corporate governance.

During the reporting period, the Company's shareholders' general meeting, the Board and the supervisory committee operated in accordance with the Articles of Association and the respective rules and procedures. Currently, the Company's regulatory documents on corporate governance practices include but not limited to the following documents:

1. "The Articles of Association of China Coal Energy Company Limited"
2. "The Rules and Procedures of the Shareholders' General Meetings of China Coal Energy Company Limited"
3. "The Rules and Procedures of Meetings of the Board of Directors of China Coal Energy Company Limited"
4. "The Rules and Procedures of Meetings of the Supervisory Committee of China Coal Energy Company Limited"
5. "The Rules and Procedures of Senior Management of China Coal Energy Company Limited"
6. "Work System of Independent Directors of China Coal Energy Company Limited"

7. "Work Manual of the Strategic Planning Committee of the Board of China Coal Energy Company Limited"

8. "Work Manual of the Audit Committee of the Board of China Coal Energy Company Limited"

9. "Work Manual of the Remuneration Committee of the Board of China Coal Energy Company Limited"

10. "Work Manual of the Safety, Health and Environmental Protection Committee of the Board of China Coal Energy Company Limited"

11. "Work Manual of the Nomination Committee of the Board of China Coal Energy Company Limited"

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

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

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

15. "Investment Management Measures of China Coal Energy Company Limited"

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

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

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

19. "Internal Reporting System of Significant Information of China Coal Energy Company Limited"

20. "Investor Relations Management System of China Coal Energy Company Limited"

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

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

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

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

1. In addition to the audit committee and remuneration committee, the Company has also set up a strategic planning committee, a nomination committee and a safety, health and environmental protection committee.

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

II. COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company was dedicated in enhancing the quality of its corporate governance. As at 31 December 2008, the Company had strictly complied with the "Code on Corporate Governance Practices" set out in Appendix 14 of the Listing Rules then in force.

III. SUBSTANTIAL INTERESTS AND SHORT POSITIONS

As at 31 December 2008, according to the records required to be entered in the register as referred to under section 336 of the Securities and Futures Ordinance, the interests or short position of the parties (excluding directors or supervisor of the Company) who are entitled to exercise or control the exercise of 5% or more of the voting rights in the Company's general meetings in the Company's shares or underlying shares of the Company's equity derivatives were as follows:

Name of shareholders	Number of shares	Class of shares	Nature of interest	Capacity	Percentage of the respective type of shares %	Percentage in the total shares in issue %
China National Coal Group Corporation	7,634,177,114	A shares	N/A	Beneficial owner	83.42	57.58
National Council for Social Security Fund	373,333,000	H shares	Long positions	Beneficial owner	9.09	2.82
Barclays Global Investors UK Holdings Limited	294,485,316	H shares	Long positions	Interest in corporation controlled by substantial shareholders	7.17	2.22
	10,685,716		Short positions	Interest in corporation controlled by substantial shareholders	0.26	0.08
Barclays PLC	294,485,316	H shares	Long positions	Interest in corporation controlled by substantial shareholders	7.17	2.22
	10,685,716		Short positions	Interest in corporation controlled by substantial shareholders	0.26	0.08
Davis Selected Advisers, L.P. (d/b/a: Davis Advisors)	248,098,000	H shares	Long positions	Investment Manager	6.04	1.87
AMCI Capital GP Limited	239,995,000	H shares	Long positions	Interest in corporation controlled by substantial shareholders	5.84	1.81
AMCI Capital L.P.	239,995,000	H shares	Long positions	The interest required to be disclosed under sections 317(1)(a) and 318 by a party of an agreement for acquiring interests in a listed corporate	5.84	1.81
AMCI H&F (Cayman) Ltd	239,995,000	H shares	Long positions	Interest in corporation controlled by substantial shareholders	5.84	1.81
First Reserve Corporation	239,995,000	H shares	Long positions	The interest required to be disclosed under sections 317(1)(a) and 318 by a party of an agreement for acquiring interests in a listed corporate	5.84	1.81
FR XI Offshore AIV, L.P.	239,995,000	H shares	Long positions	Interest in corporation controlled by substantial shareholders	5.84	1.81
FR XI Offshore GP Limited	239,995,000	H shares	Long positions	Interest in corporation controlled by substantial shareholders	5.84	1.81
FR XI Offshore GP, L.P.	239,995,000	H shares	Long positions	Interest in corporation controlled by substantial shareholders	5.84	1.81

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

Save as disclosed above, as at 31 December 2008, according to the records required to be kept in the register of interests pursuant to section 336 of the Securities and Futures Ordinance, there were no other parties who were interested or held short positions in the Company's shares or underlying shares of equity derivatives of the Company.

IV. Model Code for Securities Transactions by Directors

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 as at 31 December 2008. The Company confirmed that all directors of the Company, following a specific enquiry conducted by the Company, had complied with the Model Code then in force all the time for the year of 2008.

V. BOARD OF DIRECTORS

(1) Composition and terms of office

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

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

The Board is responsible for supervising the preparation of financial statements for every financial period so as to enable the financial statements give a true and fair view of the financial position, operating results and cash flows of the Company during the period. When preparing the financial statements for the year ended 31 December 2008, the Board has selected applicable accounting policies, and made prudent, fair and reasonable judgment and estimations and prepared the financial statements on a going concern basis. The statement of reporting responsibilities of the international auditors is set out in the independent auditor's report of this annual report.

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

(2) Convening of board of directors' meetings in 2008

In 2008, the Company convened seven meetings of the Board, with average attendance rate of 100% (including attendance by written proxy). The table below sets out the record of attendance rates of Board meetings:

Name	Position in the Company	Attendance in person	Attendance by proxy	Attendance rate %
Wang An*	Chairman, Executive Director	2/2		100
Jing Tianliang*	Ex-Chairman, Executive Director	4/4		100
Zhang Baoshan	Vice Chairman, Non-Executive Director	7/7		100
Yang Lieke	Executive Director, President	7/7		100
Peng Yi*	Ex-Executive Director, Ex-Executive Vice President and Ex-Chief Financial Officer	4/4		100
Gao Shangquan	Independent Non-Executive Director	4/7	3/7	100
Zhang Ke	Independent Non-Executive Director	6/7	1/7	100
Peng Ru Chuan	Independent Non-Executive Director	7/7		100
Wu Rongkang	Independent Non-Executive Director	7/7		100
Li Yanmeng	Independent Non-Executive Director	7/7		100

*Note: Mr. Jing Tianliang and Mr. Peng Yi resigned from all their positions in the Board and respective specialized committees of the Board on 16 October 2008. Mr. Wang An was appointed as an executive director and the chairman of the Company on 19 December 2008.

During the reporting period, the Board of the Company convened seven meetings, details of which are set out as follows:

- The first meeting for 2008 of the first session of the Board convened on 9 April 2008 considered and approved the following resolutions:

  1. "Resolution on Annual Report of China Coal Energy Company Limited for 2007 and its summary, Results Announcement for 2007";
  2. "Resolution on Directors' Report of China Coal Energy Company Limited for 2007";
  3. "Resolution on Final Accounts of China Coal Energy Company Limited for 2007";
  4. "Resolution on Proposed Profit Distribution Plan of China Coal Energy Company Limited for 2007";
  5. "Resolution on Production and Operation Plans of China Coal Energy Company Limited for 2008";
  6. "Resolution on Capital Expenditure Plans of China Coal Energy Company Limited for 2008";

7. "Resolution on Financial Plans of China Coal Energy Company Limited for 2008";

8. "Resolution on Remuneration of Directors, Supervisors of China Coal Energy Company Limited for 2008";

9. "Resolution on Remuneration of Senior Management for 2007 and Performance Appraisal Measures for 2008 of China Coal Energy Company Limited";

10. "Resolution on Engaging Auditors to Review Interim Financial Report and Audit Annual Report for 2008";

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

12. "Resolution on the Provision of a Guarantee to ShanXi PingShuo Coal Gangue Electricity Generation Co., Ltd.";

13. "Resolution on the Provision of a Guarantee to ShuoZhou Great Trade and Industry Co., Ltd.";

14. "Resolution on Work Measures of Independent Directors with regard to Annual Reports of China Coal Energy Company Limited";

15. "Resolution on Regulations for Reviewing the Annual Financial Report by the Audit Committee under the Board of China Coal Energy Company Limited";

16. "Resolution on General Mandates to Issue Shares of China Coal Energy Company Limited";

17. "Resolution on the Establishment of the Infrastructure Management Department of China Coal Energy Company Limited"; and

18. "Resolution on the Convening of the Annual General Meeting for 2007 of China Coal Energy Company Limited".

- The second meeting for 2008 of the first session of the Board convened on 25 April 2008 considered and approved the following resolutions:

  1. "Resolution on the First Quarterly Report for 2008 of China Coal Energy Company Limited";

  2. "Resolution on the Acquisition of 100% Equity Interest in Shanxi China Coal Dong Po Coal Company Limited by China Coal Energy Company Limited"; and

  3. "Resolution on the Acquisition of 5% Equity Interest in China National Coal Industry Qinhuangdao Import and Export Co., Ltd. by China Coal Energy Company Limited".

- The third meeting for 2008 of the first session of the Board convened on 28 July 2008 considered and approved the following resolutions:

  1. "Resolution on the Interim Report for 2008 of China Coal Energy Company Limited",

  2. "Resolution on Corporate Governance Report and Rectification Plan of China Coal Energy Company Limited" and

  3. "Resolution on Self-examination Report and Rectification Plan for Preventing Recurrence of Funds Appropriation of China Coal Energy Company Limited".

- The fourth meeting for 2008 of the first session of the Board convened on 10 September 2008 by way of communication voting considered and approved "Resolution on the Issues in relation to Merger and Restructuring of the Enterprises in Pingshuo Mining Area by China Coal Energy Company Limited", agreed to carry out merger and restructuring on two wholly-owned subsidiaries of the Company in the Pingshuo Mining Area, namely, Shanxi China Coal Pingshuo Antaibao Coal Company Limited and Shanxi Pingshuo Anjialing Surface Mine Company Limited, and to establish a wholly-owned subsidiary, China Coal Pingshuo Coal Industry Company Limited.

- The fifth meeting for 2008 of the first session of the Board convened on 24 October 2008 considered and approved the following resolutions:

  1. "Resolution on the Third Quarterly Report for 2008 of China Coal Energy Company Limited";

  2. "Resolution on Renewal of Exempted Annual Caps for Continuing Connected Transactions from 2009 to 2011 of China Coal Energy Company Limited";

  3. "Resolution on Revision of Exempted Caps for Transactions in 2008 in respect of the Provision of Coal Mine Construction Service by China National Coal Group Corp. to China Coal Energy Company Limited";

  4. "Resolution on By-Election of Directors of China Coal Energy Company Limited"; and

  5. "Resolution on Convening the First Extraordinary Shareholders' General Meeting of the Company for 2008".

- The sixth meeting for 2008 of the first session of the Board convened on 19 December 2008 considered and approved "Resolution on Election of the Chairman of the First session of the Board of Directors of China Coal Energy Company Limited" and "Resolution on By-Election of Members of Special Committees of the First Session of the Board of Directors of China Coal Energy Company Limited".

- The seventh meeting for 2008 of the first session of the Board convened on 29 December 2008 by way of communication voting considered and approved "Resolution on the Rectification Report in Relation to Corporate Governance of China Coal Energy Company Limited" and "Resolution on Revision of Work System of Independent Directors of China Coal Energy Company Limited".

For the year ended 31 December 2008, all relevant matters (such as the number of board meetings, board meeting procedures, board meeting minutes and records and rules for convening the meetings) of the Company complied with the provisions of relevant codes. The relevant attendance rate reflected the fact that all directors of the Company were diligent and responsible, and dedicated to promoting the interests of the Company and shareholders as a whole.

(3) Implementation of resolutions of shareholder's general meetings by the Board

All members of the Board of the Company have, in accordance with relevant domestic and overseas laws and regulations and the Articles of Association of the Company, duly and diligently discharged their obligations as directors, duly implemented the resolutions of shareholders' general meetings and completed all work arrangements authorised by shareholders' general meetings.

VI. THE CHAIRMAN AND THE PRESIDENT

The Company's chairman is Mr. Wang An and the president is Mr. Yang Lieke. The chairman and the president are two different positions with different responsibilities. The chairman shall not be the president at the same time, and the responsibilities of the chairman and the president are clearly defined in written terms. Please refer to the Articles of Association of the Company for more details. Apart from the directors and supervisors, other senior management members of the Company are responsible for the Company's daily operations and their duties are set out in the section headed "Directors, Supervisors, Senior Management and Employees" in this report.

VII. INSURANCE ARRANGEMENT

Pursuant to the recommended best practice A1.9 under the "Code on Corporate Governance Practices", the issuer shall purchase appropriate insurance to cover potential legal actions against its directors. The Company has renewed its liability insurance purchased for its directors, supervisors and senior management.

VIII. REMUNERATION OF DIRECTORS

The Board has set up a remuneration committee, the major responsibility of which is to formulate, supervise and verify the remuneration policies for the Company's senior management. The remuneration committee comprises three independent non-executive directors, with Mr. Peng Ru Chuan as the chairman, and the members are Mr. Peng Ru Chuan, Mr. Zhang Ke and Mr. Li Yanmeng. In the year ended 31 December 2008, the remuneration committee held one meeting on 8 April 2008, and considered the "Resolution on the remuneration of directors and supervisors for 2008", "Resolution on Remuneration of Senior Management for 2007 and Performance Appraisal Measures of the Company for the year 2008", "Resolution on the 2007 Annual Report of the Company" and "Resolution on Annual Report of the Company for 2007 and its summary, Results Announcement for 2007" respectively.

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

The remuneration committee held one meeting in 2008 and the attendance rates of the members in the meeting are set out below:

Member	Attendance in person	Attendance by proxy	Attendance Rate %
Peng Ru Chuan	1	—	100
Zhang Ke	1	—	100
Li Yanmeng	1	—	100
Peng Yi *	1	—	100

*Note: Mr. Peng Yi resigned as an executive director of the first session of the Board and a member of the remuneration committee on 16 October 2008.

IX. NOMINATION OF DIRECTORS

The Board has set up a nomination committee, the main responsibilities of which are to select and recommend the candidates, selection criteria and procedure of selecting the Company's directors and senior management. The nomination committee considers the election conditions, selection procedure and term of office for directors and senior management of the Company in accordance with the relevant laws and regulations and the Articles of Association with reference to the Company's actual condition. Any resolution made as a result will be filed and submitted to the Board for approval and will be implemented accordingly after approval. The nomination committee comprises two independent non-executive directors and one executive director, with Mr. Gao Shangquan as the chairman. The members of the nomination committee are Mr. Gao Shangquan, Mr. Wang An and Mr. Wu Rongkang. For the year ended 31 December 2008, the nomination committee held one meeting by way of communication voting on 23 October 2008 to consider and approve "Resolution on By-Election of Directors of China Coal Energy Company Limited".

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

X. AUDIT COMMITTEE

The Board has set up an audit committee, the main responsibilities of which are to appoint auditors and to supervise their work. The audit committee comprises three independent non-executive directors and one non-executive director, with Mr. Zhang Ke as the chairman, and the members are Mr. Zhang Ke, Mr. Gao Shangquan, Mr. Peng Ru Chuan and Mr. Zhang Baoshan. As at 31 December 2008, three meetings were held by the audit committee on 8 April 2008, 28 July 2008 and 18 December 2008, and the following resolutions were considered respectively: "Resolution on Final Accounts of the Company for 2007", "Resolution on the Profit Distribution Plan of the Company for 2007", "Resolution on Annual Report of the Company for 2007 and its summary and Results Announcement for 2007","Resolution on Production and Operation Plans of the Company for 2008", "Resolution on Financial Plans of the Company for 2008", "Resolution on Engaging Auditors to Review Interim Financial Report and Audit Annual Report for 2008", "Resolution on the Provision of a Guarantee to Shanxi Pingshuo Coal Gangue Electricity Generation Co., Ltd.", "Resolution on the Provision of a Guarantee to Shuozhou Great Trade and Industry Co., Ltd.", "Resolution on Management Measures on the shares (and its changes thereof) of the Company held by the Directors, Supervisors, Senior Management Members and Insiders", "Resolution on Regulations for Reviewing the Annual Financial Report by the Audit Committee under the Board of the Company", "Resolution on the Interim report of the Company for 2008", "Resolution on 'Report on Self-examination of Corporate Governance and Rectification Plan of the Company'", "Resolution on Self-examination Report and Rectification Plan for Preventing Recurrence of Funds Appropriation of China Coal Energy Company Limited", and the following reports were debriefed: "Report on Self-assessment of Internal Control by the Company for 2007", "Report of Internal Audit Progress during January to June in 2008 and the Plan for the Second Half Year of the Company". The "Report on Audit of the Financial Report of the Company for 2007" and "Report on 2008 Audit Plan for China Coal Energy Company Limited" were debriefed by PricewaterhouseCoopers (PricewaterhouseCoopers Zhong Tian CPAs Limited Company).

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

The audit committee held a total of three meetings in 2008 and the attendance rates of the members in the meetings are set out below:

Member	Attendance in person	Attendance by proxy	Attendance Rate %
Zhang Ke	2	1	100
Gao Shangquan	1	2	100
Peng Ru Chuan	3	0	100
Zhang Baoshan	3	0	100

The audit committee of the Company has reviewed the Company's Annual Report for the year ended 31 December 2008.

XI. STRATEGIC PLANNING COMMITTEE

The Company's board of directors has set up a strategic planning committee, the main responsibilities of which are to conduct researches on, make recommendations to and supervise the Company's long and mid-term development strategies, significant investment and financing decisions, and capital expenditures, and asset disposal projects. The strategic planning committee comprises two executive directors, one non-executive director and three independent non-executive directors, with Mr. Wang An as the chairman. The members are Mr. Wang An, Mr. Gao Shangquan, Mr. Wu Rongkang, Mr. Li Yanmeng, Mr. Zhang Baoshan and Mr. Yang Lieke. As at 31 December 2008, two meetings were held by the strategic planning committee on 8 April 2008 and 28 July 2008, and "Resolution on Capital Expenditure Plans of the Company for 2008" and "Resolution on Annual Report of the Company for 2007 and its summary, Results Announcement for 2007" were considered respectively; and the "Report on and Brief Analysis of the Implementation of the Capital Expenditures Plan of the Company from January to June 2008" was debriefed.

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

XII. SAFETY, HEALTH AND ENVIRONMENTAL PROTECTION COMMITTEE

The Board has set up a safety, health and environmental protection committee, the main responsibilities of which are to implement the Company's safety, health and environmental protection plans, and monitor the potential liabilities regarding safety, health and environmental protection, regulatory changes and technology reforms. The safety, health and environmental protection committee comprises one independent non-executive director, one non-executive director and one executive director, namely Mr. Wu Rongkang, Mr. Zhang Baoshan and Mr. Yang Lieke with Mr. Wu Rongkang, an independent non-executive director, as the chairman. As at 31 December 2008, two meetings were held by the safety, health and environmental protection committee on 8 April 2008 and 28 July 2008, and the "Resolution on Annual Report of the Company for 2007 and its summary, Results Announcement for 2007" was considered, and the "Report on Safety, Health and Environmental Protection Work undertaken by the Company in 2007" and the "Report on the Implementation of Safety, Health and Environmental Protection Work of the Company from January to June 2008 and the Major Work Arrangements for the Second Half Year" were debriefed.

The terms of the members of the safety, health and environmental protection committee are the same as those of directors, and upon expiry, the members may be eligible for re-election.

XIII. REMUNERATION OF AUDITORS

In 2008, the Company's international auditor was PricewaterhouseCoopers, and domestic auditor was PricewaterhouseCoopers Zhong Tian CPAs Limited Company. The Company's annual audit fees for the year ended 31 December 2008 were RMB25,350,000. The Company did not incur any non-audit fees in 2008.

The annual general meeting of 2008 will be held on 26 June 2009 to consider the resolution on the re-appointment of PricewaterhouseCoopers as the Company's international auditors for 2009, and PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the Company's domestic auditor for 2009.

XIV. SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETING

In order to ensure that all shareholders of the Company can be equally treated and effectively exercise their own rights, the Company convenes shareholders' general meetings every year in accordance with the Articles of Association. In 2008, two shareholders' general meetings were held, including the 2007 annual shareholders' general meeting and one extraordinary shareholders' general meeting.

1. At the 2007 annual shareholders' general meeting held on 20 June 2008, the following 10 resolutions and reports were considered and approved: "Resolution on Directors' Report of China Coal Energy Company Limited for 2007", "Resolution on Report of Supervisory Committee of China Coal Energy Company Limited for 2007", "Resolution on Final Accounts of China Coal Energy Company Limited for 2007", "Resolution on Proposed Profit Distribution Plan of China Coal Energy Company Limited for 2007", "Resolution on Capital Expenditure Plans of China Coal Energy Company Limited for 2008", "Resolution on Remuneration of Directors, Supervisors of China Coal Energy Company Limited for 2008", "Resolution on Engaging Auditors to Review Interim Financial Report and Audit Annual Report for 2008", "Resolution on General Mandates to Issue Shares of China Coal Energy Company Limited", "Resolution on the Acquisition of 100% Equity Interest in Shanxi China Coal Dongpo Coal Company Limited by China Coal Energy Company Limited" and "Resolution on the Acquisition of 5% Equity Interest in China National Coal Industry Qinhuangdao Import and Export Co, Ltd. by China Coal Energy Company Limited". The independent non-executive directors of the Company, namely, Mr. Gao Shangquan, Mr. Peng Ru Chuan, Mr. Zhang Ke, Mr. Wu Rongkang and Mr. Li Yanmeng submitted "2007 Work Report of Independent Directors of China Coal Energy Company Limited" to the annual general meeting and reported their performance of duties in 2007.

2. At the first extraordinary shareholders' general meeting held on 19 December 2008, the following three resolutions were considered and approved: "Resolution on Renewal of Exempted Annual Caps for Continuing Connected Transactions from 2009 to 2011 of China Coal Energy Company Limited", "Resolution on Revision of Exempted Caps for Connected Transactions in 2008 in Respect of the Provision of Coal Mine Construction Service by China National Coal Group Corp. to China Coal Energy Company Limited" and "Resolutions on By Election of Directors of China Coal Energy Company Limited ".

XV. SUPERVISORS AND SUPERVISORY COMMITTEE

The supervisory committee of the Company comprises three supervisors, including two supervisors as shareholders' representatives and one employee representative supervisor. The supervisory committee is accountable to the shareholder's general meeting and reports its work to the general meeting.

The principal duties of the supervisory committee are to supervise, inspect and assess the Company's operation in accordance with the law, financial affairs of the Company and whether the directors and senior management of the Company have performed their duties lawfully.

Members of the supervisory committee

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

Number of meetings held by the supervisory committee during the reporting period: 4

	Attendance in person	Attendance by proxy	Attendance rate %
Du Ji'an	4	0	100
Zhou Litao	3	1	100
Chen Xiangshan	4	0	100

XVI. ESTABLISHMENT AND IMPLEMENTATION OF ANCILLARY MECHANISM

1. Management of Connected Transactions

During the reporting period, the Company further strengthened its management on connected transactions, strictly observed the various agreements signed with the connected parties and managed connected transactions in accordance with the requirements of the listing rules of the Hong Kong Stock Exchange and the Shanghai Stock Exchange and the "Management Measures on Connected Transactions of China Coal Energy Company Limited".

The Company formulated the "Management Measures on Connected Transactions of China Coal Energy Company Limited" to set up the detailed procedures and requirements for the review, decision-making, implementation and management of connected transactions. The Company established a team at the Company level directly led by the board secretary to manage the connected transactions; all affiliates of the Company also established their corresponding internal bodies to manage their respective connected transactions which built up an effective management and control mechanism on connected transactions.

The Company continued to improve its management over continuing connected transactions and to ensure that the caps for each type of continuing connected transaction were not exceeded. Firstly, the Company and all its affiliates were required to review the necessity and rationality of each proposed continuing connected transaction. All necessary continuing connected transactions were performed, priced, and conducted by the Company in strict compliance with the framework agreements signed with the connected parties at the time of listing and, in accordance with the price determination principles and the general commercial principles. Secondly, the actual value of continuing connected transactions were controlled and budgeted in advance, through which budgeted values of the continuing connected transactions of all affiliates of the Company for the full year were calculated. A monthly reporting system and an early alarming system were implemented for each type of continuing connected transactions budgeted. All affiliates contemplating an unbudgeted continuing connected transaction must submit such transaction to the connected transaction management team prior to its occurrence, whereupon the internal control and approval procedure and the information disclosure procedure of the Company will be followed after consideration and approval by the connected transaction management team.

Through optimizing the organizational structure and strategic staffing, as well as the adoption of various other management and control measures, the Company further improved the connected transaction management and control system, enhanced internal control and ensured the compliance with legal and regulatory requirements for all connected transactions during the reporting period.

In addition, the Company entered into a "Non-Competition Agreement" with China Coal Group to set up a decision-making mechanism to avoid conflict of interests.

2. Development of Internal Control System

In 2008, the Company strengthened the development of internal control system. On the basis of the established governance structure for legal persons and the relevant rules of procedures, the Company further defined the duties and powers for decision-making, implementation, supervision, feedback and assessment, etc., and formulated detailed management rules and operation procedures during the course of management. Corresponding measures are adopted to handle the economic activities. Meanwhile, the Company also attached importance to internal communication of information as well as risk assessment, and put more emphasis on self-examination and self-assessment of its internal control. Self-assessment of internal control was conducted by both the Company and its subsidiaries which covered, among others, the structure of corporate governance and the rules of procedures, organisational structure, division of duties and human resources policies with emphasis on testing and assessing the particulars of funds, purchases and sales, inventories, engineering projects, fixed assets, fund-raising activities, investments, guarantees, budgets, costs and expenses, derivatives, connected transactions and control of subsidiaries. Through a comprehensive self-check and assessment of the establishment and healthiness and effectiveness of implementation of internal control system, the Company could effectively find the bottleneck in its management. By carefully analysing the reasons, the Company could eliminate loopholes, improve various measures and regulate corporate management, so as to ensure an effective internal control system.

The Board of the Company, after its self-assessment under the internal control system of the Company in 2008, is of the opinion that during the period from 1 January 2008 to the end of the current reporting period, no significant deficiency has been discovered in the design or implementation of the internal control system of the Company, and the internal control system of the Company is healthy and its enforcement is effective. The Company will continue to push forward the development of internal control system through continuous improvements.

3. Risk Management System

The Company attaches great importance to the development of risk management system and has commenced the development of a comprehensive risk management program in accordance with relevant requirements of the Hong Kong Stock Exchange regarding internal control and enterprises risk management and with reference to the "Basic Rules for Corporate Internal Control" jointly issued by the Ministry of Finance, China Securities Regulatory Commission, National Audit Office, China Banking Regulatory Commission and China Insurance Regulatory Commission and standards stipulated in the "Comprehensive Risk Management Guidance for Central Enterprises" issued by SASAC.

The Company is in the process of setting up a fundamental supporting system for the Company's risk management and a risk management system including the risk strategy, organisational function, internal control, risk financing, information system for risk management and risk standardization system in accordance with the principle and philosophy for implementation of comprehensive risk management and in light of the organisational structure and actual management condition of the Company. The Company will also create ideology and corporate risk culture in relation to risk management, define a clear-cut objective and work procedure and approach guidance for risk management of the Company, incorporate the risk management process into the daily operation management of the Company, enhance the risk management ability of the Company through continuous learning, comprehensive improvements and organisational optimation and strengthen the effective control of significant risks and emergencies, so as to achieve the Company's goals.

4. Information Disclosure System

The Company attaches great importance to high transparency of information disclosure, and the "Information Disclosure Management System of China Coal Energy Company Limited" and "Internal Reporting System of Significant Information of China Coal Energy Company Limited" approved by the Board constitute the information disclosure management system together with other relevant rules. The Company has strictly complied with the information disclosure requirements on listed companies by the regulatory authorities, and made disclosures on important information of the Company to investors through various channels in a timely manner. During the reporting period, the Company made a total of 132 announcements on the Company's website, a total of 132 disclosures including announcements, overseas regulatory announcements, circulars to shareholders and notices on the website of the Hong Kong Stock Exchange, a total of 41 disclosures including temporary reports and regular reports on the website of the Shanghai Stock Exchange and a total of 26 disclosures in newspapers designated by the China Securities Regulatory Commission. Apart from statutory information disclosures, the Company also, in compliance with relevant overseas and domestic regulatory requirements and the principles of fairness and openness, voluntarily disclosed key monthly operational data through the website of the Company, with an aim to enhance the transparency of the corporate governance of the Company and facilitate the investors' understanding of the operation status of the Company from time to time, which guaranteed the openness, fairness and impartiality of information disclosure.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

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

We have audited the consolidated financial statements of China Coal Energy Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 103 to 210, which comprise the consolidated and company balance sheets as of 31 December 2008 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as of 31 December 2008, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other matters

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2009

Balance Sheets

As at 31 December 2008
(Amounts expressed in thousands of RMB)

		Group		Company	
	Note	2008	2007 (restated)	2008	2007
ASSETS					
Non-current assets					
Property, plant and equipment	7	28,847,672	22,002,618	4,072,499	2,808,512
Investment properties	8	33,725	—	—	—
Land use rights	9	591,408	350,700	56,345	36,166
Mining rights	10	3,680,836	3,511,426	535,678	535,678
Intangible assets	11	41,374	44,759	15,151	16,317
Investments in subsidiaries	12	—	—	31,745,198	24,417,580
Investments in associates	13	1,301,783	1,146,263	1,217,259	1,092,879
Investments in jointly controlled entities	14	596,109	260,003	8,416	8,416
Available-for-sale financial assets	15	557,168	378,972	170,062	11,667
Deferred income tax assets	27	780,949	1,891,828	455,985	462,810
Loans to subsidiaries	16	—	—	4,375,820	5,272,025
Long-term receivables	17	701,022	476,529	60,000	—
		37,132,046	30,063,098	42,712,413	34,662,050
Current assets					
Inventories	18	4,170,512	3,315,727	86,648	172,677
Trade and notes receivables	19	5,582,365	4,281,220	1,052,993	1,056,289
Prepayments and other receivables	20	3,609,748	2,831,293	7,088,331	3,582,117
Derivative financial instruments and other financial assets at fair value through profit or loss	21	300,000	2,037,572	300,000	2,037,572
Restricted bank deposits	22	2,121,593	342,303	286,703	—
Term deposits with initial terms of over three months	22	27,383,030	6,046,119	27,187,000	5,992,832
Cash and cash equivalents	22	7,884,873	4,277,958	3,964,402	926,110
		51,052,121	23,132,192	39,966,077	13,767,597
TOTAL ASSETS		88,184,167	53,195,290	82,678,490	48,429,647
EQUITY					
Equity attributable to the equity holders of the Company					
Share Capital	23	13,258,663	11,733,330	13,258,663	11,733,330
Reserves	24	36,458,034	12,119,839	47,140,099	22,962,556
Retained earnings					
– Dividends proposed after the balance sheet date	37	2,043,559	825,484	2,043,559	825,484
– Others		6,781,338	3,371,822	1,604,983	65,003
		58,541,594	28,050,475	64,047,304	35,586,373
Minority interests		4,228,695	2,954,375	—	—
Total equity		62,770,289	31,004,850	64,047,304	35,586,373

Balance Sheets

As at 31 December 2008
(Amounts expressed in thousands of RMB)

		Group		Company	
	Note	2008	2007 (restated)	2008	2007
LIABILITIES					
Non-current liabilities					
Long-term borrowings	25	10,193,510	8,928,339	4,361,000	4,361,000
Long-term payables	26	336,432	400,343	319,347	390,041
Deferred income tax liabilities	27	875,725	1,833,657	—	426,992
Deferred revenue		29,099	27,949	9,949	9,949
Provision for employee benefits		180,304	28,706	14,072	8,202
Provision for close down, restoration and environmental costs	30	1,054,703	611,526	—	—
		12,669,773	11,830,520	4,704,368	5,196,184
Current liabilities					
Trade and notes payables	28	6,706,777	4,650,758	2,155,812	1,981,910
Accruals and other payables	29	3,940,294	3,496,398	11,355,546	5,665,180
Taxes payable		1,278,011	1,191,180	415,460	—
Short-term borrowings	25	268,296	309,465	—	—
Current portion of long-term borrowings	25	518,715	671,560	—	—
Current portion of provision for close down, restoration and environmental costs	30	32,012	40,559	—	—
		12,744,105	10,359,920	13,926,818	7,647,090
Total liabilities		25,413,878	22,190,440	18,631,186	12,843,274
TOTAL EQUITY AND LIABILITIES		88,184,167	53,195,290	82,678,490	48,429,647
NET CURRENT ASSETS		38,308,016	12,772,272	26,039,259	6,120,507
TOTAL ASSETS LESS CURRENT LIABILITIES		75,440,062	42,835,370	68,751,672	40,782,557

These financial statements have been approved for issue by the Board of Directors on 27 March 2009.

Wang'an
Chairman of the Board
Executive Director

Weng Qing'an
Vice Chief Financial Officer
Manager of Finance Department

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

Consolidated Income Statement

For the year ended 31 December 2008
(Amounts expressed in thousands of RMB, except per share data)

	Note	2008	2007 (restated)
Revenue	6	50,992,807	35,640,525
Cost of sales			
Materials		(20,511,614)	(12,393,908)
Staff costs		(2,523,890)	(1,899,189)
Depreciation and amortisation		(1,374,173)	(1,226,450)
Repairs and maintenance		(671,121)	(442,692)
Transportation costs		(7,021,593)	(6,469,445)
Sales taxes and surcharges		(1,249,031)	(656,732)
Others		(4,093,237)	(3,394,947)
Cost of sales		(37,444,659)	(26,483,363)
Gross profit		13,548,148	9,157,162
Selling, general and administrative expenses		(2,845,118)	(2,250,894)
Gain / (Loss) from fair value changes of other financial assets	21	(1,406,400)	1,367,200
Other income	33	1,670,638	550,215
Other gains, net		431,961	176,039
Profit from operations		11,399,229	8,999,722
Finance costs, net	32	(993,547)	(747,337)
Share of profits of associates and jointly controlled entities	13,14	106,142	103,913
Profit before income tax		10,511,824	8,356,298
Income tax expense	35	(2,491,651)	(1,950,067)
Profit for the year		8,020,173	6,406,231
Attributable to:			
Equity holders of the Company		7,140,836	6,019,805
Minority interests		879,337	386,426
		8,020,173	6,406,231
Basic and diluted earnings per share for the profit attributable to the equity holders of the Company (RMB)	36	0.54	0.51
Dividends distributed	37	825,484	1,048,959
Dividends proposed after the balance sheet date attributable to all shareholders including holders of A shares	37	2,043,559	825,484

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008
(Amounts expressed in thousands of RMB)

	Attributable to equity holders of the Company				Minority interests	Total equity
	Share Capital	Reserves	Retained Earnings	Subtotal		
Balance at 1 January 2007 (as previously reported)	11,733,330	9,789,902	50,156	21,573,388	1,064,365	22,637,753
Acquisition of a subsidiary under common control	—	718,880	—	718,880	—	718,880
Balance at 1 January 2007 (restated)	11,733,330	10,508,782	50,156	22,292,268	1,064,365	23,356,633
Deferred tax charged directly to equity resulting from change of income tax rate (Note 27(a))	—	(440,857)	—	(440,857)	—	(440,857)
Fair value change in available-for-sale financial assets, net of deferred tax	—	7,198	—	7,198	—	7,198
Cumulative translation adjustment	—	(11,787)	—	(11,787)	—	(11,787)
Net expense recognised directly in equity	—	(445,446)	—	(445,446)	—	(445,446)
Profit for the year	—	—	6,019,805	6,019,805	386,426	6,406,231
Total recognised income for the year	—	(445,446)	6,019,805	5,574,359	386,426	5,960,785
Adjustments on the assumption of control of certain subsidiaries, including fair value adjustments (Note 2(a))	—	1,238,169	—	1,238,169	1,440,572	2,678,741
Appropriations	—	823,696	(823,696)	—	—	—
Purchase of equity from a minority shareholder and others	—	(5,362)	—	(5,362)	7,537	2,175
Contributions	—	—	—	—	206,700	206,700
Dividends (Note 37)	—	—	(1,048,959)	(1,048,959)	(151,225)	(1,200,184)
Balance at 31 December 2007 (restated)	11,733,330	12,119,839	4,197,306	28,050,475	2,954,375	31,004,850
Fair value change in available-for-sale financial assets, net of deferred tax	—	5,762	—	5,762	—	5,762
Cumulative translation adjustment	—	(12,975)	—	(12,975)	—	(12,975)
Net expense recognised directly in equity	—	(7,213)	—	(7,213)	—	(7,213)
Profit for the year	—	—	7,140,836	7,140,836	879,337	8,020,173
Total recognised income for the year	—	(7,213)	7,140,836	7,133,623	879,337	8,012,960
Issuance of new A shares (Note 23)	1,525,333	23,794,576	—	25,319,909	—	25,319,909
Appropriations	—	1,687,761	(1,687,761)	—	—	—
Common control business combination (Note 2(d))	—	(1,123,898)	—	(1,123,898)	—	(1,123,898)
Purchase of equity from a minority shareholder and others	—	(13,031)	—	(13,031)	3,682	(9,349)
Contributions	—	—	—	—	444,600	444,600
Dividends (Note 37)	—	—	(825,484)	(825,484)	(53,299)	(878,783)
As at 31 December 2008	13,258,663	36,458,034	8,824,897	58,541,594	4,228,695	62,770,289

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

For the year ended 31 December 2008
(Amounts expressed in thousands of RMB)

	Note	2008	2007 (restated)
Cash flows from operating activities			
Cash generated from operations	39	11,738,358	6,640,969
Interest paid		(685,103)	(410,587)
Interest income received		445,004	190,590
Income tax paid		(1,866,633)	(1,748,454)
Net cash generated from operating activities		9,631,626	4,672,518
Cash flows from investing activities			
Purchases of property, plant and equipment		(7,936,465)	(5,791,020)
Proceeds from disposal of property, plant and equipment		69,885	55,705
Purchases of land use rights, mining rights and intangible assets		(320,068)	(128,272)
Purchases of financial assets at fair value through profit or loss		—	(339,200)
Proceeds from disposal of financial assets at fair value through profit or loss		355,998	8,014
Purchase of available-for-sale financial assets		(170,345)	(116,620)
Prepayment for investment		(271,530)	—
Purchase of minority interest in subsidiaries		(9,881)	(11,646)
Cash inflow from assumption of control of certain subsidiaries (Note 2(a))		—	301,629
Acquisition of a subsidiary (Note 2(b))		(57,010)	—
Amount paid to a former joint venture partner		—	(1,252,005)
Increase in investments in associates		(154,615)	(717,305)
Proceeds from disposal of associates		—	116,680
Dividends received		37,397	8,816
Proceeds from disposal of available-for-sale financial assets		7,897	—
Acquisition of a jointly controlled entity (Note 2(c))		(245,000)	—
Loans to jointly controlled entities		(151,192)	—
Net cash outflow from acquisition of Dongpo Coal (Note 2(d))		(1,123,898)	—
Increase in term deposits with initial terms of over three months		(21,336,911)	(5,909,557)
Net cash used in investing activities		(31,305,738)	(13,774,781)

Consolidated Cash Flow Statement

For the year ended 31 December 2008
(Amounts expressed in thousands of RMB)

	Note	2008	2007 (restated)
Cash flows from financing activities			
Proceeds from short-term borrowings		584,200	1,335,684
Repayments of short-term borrowings		(590,600)	(3,201,673)
Proceeds from long-term borrowings		1,605,000	358,102
Repayments of long-term borrowings		(836,860)	(631,175)
Contributions from minority shareholders		230,000	206,700
Issue of new A shares		25,671,361	—
Dividends paid to the Company's shareholders		(825,484)	(2,089,243)
Dividends paid to minority shareholders		(72,669)	(151,225)
Share issue expenses		(351,451)	(182,701)
Net cash generated from/(used in) financing activities		25,413,497	(4,355,531)
Net increase/(decrease) in cash and cash equivalents		3,739,385	(13,457,794)
Cash and cash equivalents, at beginning of the year		4,277,958	18,333,416
Net foreign exchange losses		(132,470)	(597,664)
Cash and cash equivalents at end of the year		7,884,873	4,277,958

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

1 ORGANISATION AND PRINCIPAL ACTIVITIES

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

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

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

(i) Coal and coke production, including the operating mines and planned mines as well as China Coal Group's equity interest in certain mining companies and coking companies;

(ii) Trading of coal and coke to customers in the PRC and overseas;

(iii) Manufacturing and sales of coal mining machinery; and

(iv) Others (including, among others, power plants, a primary aluminium factory and coal mine design institutes).

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

The H shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited in December 2006. The A shares of the Company were listed on the Shanghai Stock Exchange in February 2008.

2 BASIS OF PRESENTATION

(a) The assumption of control of certain subsidiaries and acquisition of a subsidiary in 2007

Effective from 1 January 2007, the Company obtained effective control over certain formerly jointly controlled entities, and as such these 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. The assets and liabilities of these subsidiaries were adjusted to their fair values on 1 January 2007 based on the valuation reports issued by two qualified independent valuers.

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 in the Group's consolidated financial statements, was proportionately consolidated in the Group's consolidated financial statements, from 1 January 2007. As a consequence of the change in accounting policy for the accounting of interest in jointly controlled entities (Note 2(e)), this entity was accounted for using the equity method in the Group's consolidated financial statement from 1 January 2008, and comparative information was restated as if the equity method had been applied since the acquisition date.

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

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

2 BASIS OF PRESENTATION (continued)

(a) The assumption of control of certain subsidiaries and acquisition of a subsidiary in 2007 (continued)

Summary of the additional consolidated assets, liabilities, net assets and the relevant fair value adjustments, at the date of assumption of control and the date of acquisition of Fushun Motor respectively, are set out below:

	Assumption of control of certain subsidiaries		Acquisition of Fushun Motor	
	Book value (restated)	Fair value adjustment (restated)	Book value and Fair value	Total (restated)
Cash and cash equivalents	283,205	—	176,424	459,629
Trade and other receivables	276,340	—	303,570	579,910
Inventories	94,919	—	124,740	219,659
Available-for-sale financial assets	116,201	—	—	116,201
Investment in jointly controlled entities	57,231	35,549	—	92,780
Property, plant and equipments	1,062,259	91,431	57,602	1,211,292
Mining rights	—	2,932,263	—	2,932,263
Land use rights	1,179	170,875	—	172,054
Deferred tax assets	24,520	—	—	24,520
Short-term loans	(68,083)	—	(59,128)	(127,211)
Trade and other payables	(665,152)	—	(162,594)	(827,746)
Long-term borrowings	(1,135,713)	—	(48,440)	(1,184,153)
Deferred tax liabilities	(18,900)	(803,777)	(9,780)	(832,457)
Net assets acquired	28,006	2,426,341	382,394	2,836,741
Attributable to the minority interests	28,006	1,188,172	224,394	1,440,572
Attributable to the equity holders of Company	—	1,238,169	—	1,238,169
Cash paid for the acquisition	—	—	158,000	158,000
	28,006	2,426,341	382,394	2,836,741
Cash paid for the acquisition	—	—	(158,000)	(158,000)
Cash inflow from the assumption of control of certain subsidiaries, and the acquisition	283,205	—	176,424	459,629
Net cash inflow from the assumption of control of certain subsidiaries, and the acquisition	283,205	—	18,424	301,629

For the year ended 31 December 2008
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

2 BASIS OF PRESENTATION (continued)

(b) The acquisition of Shijiazhuang Coal Mining Machinery Company Limited in 2008

On 1 April 2008, the Group acquired 50% of the enlarged shares of Shijiazhuang Coal Mining Machinery Company Limited ("Shijiazhuang Coal Mining Machinery") for a total consideration of RMB185,000,000. All consideration was fully paid by 31 December 2008. As the Group is able to govern the financial and operating policies of Shijiazhuang Coal Mining Machinery, it is accounted for as a subsidiary of the Group.

The assets and liabilities of Shijiazhuang Coal Mining Machinery at the date of acquisition are as follows:

	Book value Audited	Fair value Audited
Cash and cash equivalents	127,990	127,990
Trade and other receivables	194,720	194,720
Inventories	154,648	161,605
Available-for-sale financial assets	7,720	7,771
Property, plant and equipment	43,089	57,678
Land use rights	95,235	139,195
Deferred income tax assets	3,539	3,539
Trade and other payables	(260,275)	(260,275)
Tax payables	(17,973)	(17,973)
Deferred income tax liabilities	—	(14,650)
Net assets acquired	348,693	399,600
Attributable to minority interests		214,600
Attributable to the equity holders of the Company		185,000
		399,600
Cash paid for the acquisition		(185,000)
Cash and cash equivalents acquired from the acquisition		127,990
Net cash outflow from the acquisition		(57,010)

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

2 BASIS OF PRESENTATION (continued)

(c) Acquisition of Xi'an Coal Mining Machinery Company Limited in 2008

On 13 November 2008, the Group injected total cash consideration of RMB245,000,000 into Xi'an Coal Mining Machinery Company Limited ("Xi'an Coal Mining Machinery"), representing 50% of the total shareholdings of Xi'an Coal Mining Machinery. All consideration has been paid by 31 December 2008. As neither shareholders of Xi'an Coal Mining Machinery is in a position to control the activities of the entity unilaterally, and the strategic financial and operating decisions relating to the entity require the unanimous consent of the venturers, it is accounted for as a jointly controlled entity of the Group.

The assets and liabilities of Xi'an Coal Mining Machinery were adjusted to its provisional fair values according to the management's best estimate, which was equivalent to the consideration paid. Therefore there was no goodwill recognised upon this transaction. Such assets and liabilities will be valued by a qualified valuer in 2009 and the assets and liabilities of Xi'an Coal Mining Machinery will be adjusted based on the final valuation reports.

Xi'an Coal Mining Machinery is accounted for by using equity method in the Group's consolidated financial statement.

(d) Acquisition of Shanxi China Coal Dongpo Coal Industry Company Limited in 2008

On 25 April 2008, the Company entered into a share purchase agreement with China Coal Import and Export Company ("CCIE Company"), a wholly-owned subsidiary of China Coal Group, pursuant to which CCIE Company transferred its 100% equity interest in Shanxi China Coal Dongpo Coal Industry Company Limited ("Dongpo Coal") to the Company for a cash consideration of RMB1,331,510,000. The acquisition was approved by the shareholders' meeting held on 20 June 2008 and by the relevant government authority on 9 July 2008. The consideration has been fully paid by 23 July 2008.

This transaction does not affect the ultimate control of the Company, CCIE Company and Dongpo Coal by China Coal Group, and that control is not transitory. Hence this acquisition is considered as a common control combination, and the Company had accounted for it in a manner similar to a uniting of interests.

Comparative information for the year ended 31 December 2007 has been restated as if the operations of Dongpo Coal had been under the control of the Company since the day when Dongpo Coal was first acquired by China Coal Group.

The consideration paid and net assets acquired as a result of this acquisition are as follows:

Consideration – cash paid	1,331,510
Less: Net assets acquired – book value	(718,880)
Mining right (note (i))	(207,612)
	405,018

Note:

(i) As at date of share purchase agreement, the CCIE Company made a commitment to the Company that it will bear any subsequent expenditures pertaining to the mining rights of Dongpo Coal. As a consequence of this commitment, the Company has recognised a mining right in the consolidated balance sheet based on management's best estimate of future payment to local government for the mining right.

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

2 BASIS OF PRESENTATION (continued)

(e) Change in accounting policies for jointly controlled entities

During 2008, the Group has changed its accounting policy for jointly controlled entities. Previously, the Group accounted for jointly controlled entities using proportionate consolidation. In 2008, the management adopted a new base to prepare budget, perform operation analysis and make administrative decision. As such the Group changed its accounting policy for accounting of jointly controlled entities by using equity method this year. In the view of management, applying such new accounting policy can provide reliable and more relevant information on the Group's financial position and financial performance. This change in accounting policy has been applied retrospectively, and the comparative information has been restated as if this new accounting policy had always been applied. The change in accounting policy has no impact on the Group's net profit and net assets in the consolidated financial statement for each period presented.

(f) The effect of acquisition of Dongpo Coal (Note 2(d)) and change in accounting policies of jointly controlled entities (Note 2(e)) on the Group's financial positions and operating results for 2007 are as follows:

	As at 31 December 2007 (As previously reported)	Acquisition of Dongpo Coal	Change in accounting policies	As at 31 December 2007 (restated)
Investments in jointly controlled entities	—	—	260,003	260,003
Other non-current assets	29,561,019	616,713	(374,637)	29,803,095
Current assets	23,238,388	241,536	(347,732)	23,132,192
	52,799,407	858,249	(462,366)	53,195,290
Non-current liabilities	11,878,434	—	(47,914)	11,830,520
Current liabilities	10,635,003	139,369	(414,452)	10,359,920
	22,513,437	139,369	(462,366)	22,190,440
Net assets	30,285,970	718,880	—	31,004,850

	For the year ended 31 December 2007 (As previously reported)	Acquisition of Dongpo Coal	Change in accounting policies	For the year ended 31 December 2007 (restated)
Revenue	36,428,184	—	(787,659)	35,640,525
Profit from operations	9,100,675	—	(100,953)	8,999,722
Net Profit	6,406,231	—	—	6,406,231
Basic and diluted earnings per share (RMB)	0.51	—	—	0.51

2 BASIS OF PRESENTATION (continued)

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

There are no standards, amendments and interpretations to existing standards effective in 2008 that are relevant to the operations of the Group.

Standards, amendments and interpretations to existing standards effective in 2008 but not relevant to the operations of the Group are summarised as follows:

- IFRIC 11, IFRS 2 – Group and treasury share transactions
- IFRIC 12, Service concession arrangements
- IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instrument: Disclosures

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply IAS1 (Revised) from 1 January 2009. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group's current policy is already to capitalise borrowings costs so the amended standard will have no impact on the Group's consolidated financial statement. The Group will apply IAS 23 (Amendment) from 1 January 2009.

- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

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

- IAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The Group will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between IAS 39 and IAS 23. The Group will apply the IAS 23 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1 January 2009.

- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. An investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Group will apply the IAS 28 (Amendment) to impairment tests related to investment in associates and any related impairment losses from 1 January 2009.

- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.

- IAS 38 (Amendment), 'Intangible assets'(effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The group will apply the IAS 38 (Amendment) from 1 January 2009.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.

  — The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

  — The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

  — The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

  — IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed. IAS 19 has been amended to be consistent with other relevant standards.

  The Group will apply the IAS 19 (Amendment) from 1 January 2009.

- IAS 39(Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.

  — This amendment clarifies that it is possible for there to be movements into and out of the category of financial assets which are measures at fair value with movements in fair value accounted through profit or loss where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

  — The definition of financial liability that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.

  — The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity.

  — When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

  The Group will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the Group's income statement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Group will apply the IAS 1 (Amendment) from 1 January 2009. It is not expected to have an impact on the Group's financial statements.

- IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009). The benefit of a below-market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39, 'Financial instruments: Recognition and measurement', and the proceeds received with the benefit accounted for in accordance with IAS 20. The Group will apply IAS 20 (Amendment) from 1 January 2009.

- There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting', which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments are unlikely to have an impact on the Group's accounts and have therefore not been analysed in detail.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December 2008.

(i) Subsidiaries

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

(i) *Subsidiaries (continued)*

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

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

(ii) *Transactions with minority interests*

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

(iii) *Associates*

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

(iv) Jointly controlled entities

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established among the participating venturers and whereby the Group together with the other venturers undertake an economic activity which is subject to joint control and none of the venturers has unilateral control over the economic activity. The Group's interest in jointly controlled entities is accounted for by using equity method of accounting and is initially recognised at cost. Previously, the Group accounted for jointly controlled entities using proportionate consolidation (Note 2(e)).

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

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

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

(b) Segment reporting

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Exploration and evaluation expenditure

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

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

(e) Property, plant and equipment

Property, plant and equipment, which consist of buildings, mining structures, plant, machinery and equipment, railway structures and motor vehicles, fixtures and others, are stated at historical cost, less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

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

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Deferred overburden removal costs

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

(g) Construction in progress

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

(h) Investment Properties

Investment properties include those portions of office buildings that are held for long-term rental yields and for capital appreciation.

Investment properties are initially recognised at cost and subsequently accounted for under the cost model in accordance with the requirements of IAS 16 Property, Plant and Equipment (Note 3(e)).

Depreciation of the investment properties is calculated using the straight-line method to allocate its cost less its residual value over its estimated useful life. The estimated useful life of these investment properties is estimated to be 29 years to 47 years.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are written off to the income statement. The cost of maintenance, repairs and minor improvements is charged to the income statement when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in the income statement.

(i) Land use rights

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Mining rights

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

(k) Intangible assets

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

(l) Impairment of non-financial assets

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

(m) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. As at 31 December 2008, the Group does not have any held to maturity financial assets.

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

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

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

The Company's financial assets designated as fair value through profit or loss are investments in listed securities in the PRC (Note 21(b)), which is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the financial assets are provided internally on that basis to the entity's key management personnel.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial assets (continued)

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial assets (continued)

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

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

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

(n) Derivative financial instruments

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

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

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

(o) Inventories

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Receivables

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

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

(q) Cash and cash equivalents

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

(r) Share capital

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

(s) Trade payables

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

(t) Borrowings

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Employee benefits

(i) Pension obligations

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

(ii) Early retirement benefits

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

(iii) Housing benefits

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

(w) Provisions

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Close down and restoration costs are provided in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during mine development or during the production phase, based on the net present value of estimated future costs. The cost is capitalised where it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life of the operation or at the time of close down. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision is included in borrowing costs.

Where there is a change in the expected decommissioning and restoration costs, an adjustment is recorded against the carrying value of the provision and related assets, and the effect is then recognised in the income statement on a prospective basis over the remaining life of the operation. Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The cost estimates are reviewed and revised at each balance sheet date to reflect changes in conditions.

(y) Revenue recognition

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

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

(i) Sales of goods

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

(ii) Sales of services

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Revenue recognition (continued)

(iii) Interest income

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

(iv) Dividend income

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

(z) Borrowing costs

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

(aa) Leases

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

(ab) Government grants

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

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

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

(ac) Dividend distributions

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

(ad) Comparative figures

Comparative information has been restated to reflect the impact of the acquisition of Dongpo Coal (Note 2(d)) and change in accounting policy for jointly controlled entities (Note 2(e)).

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

(a) Market risk

(i) Price risk

— Securities price risk

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

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

The Group's major equity investment is an investment in a listed company in the PRC (Note 21(b)). Based on the assumption that the invested company's share price had increased/decreased by RMB5, the Group's net profit attributable to the equity holders of the Company would have increased/decreased by RMB200 million before income tax and RMB150 million post income tax in 2008 (2007: RMB200 million before income tax and RMB150 million post income tax), with all other variables held constant.

— Commodity price risk

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

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk

The Group's operations (such as export sales, imports of machinery and equipment, foreign currency deposits (Note 22(c)), and trade and notes receivables (Note 19(c)) and borrowings (Note 25(g)) denominated in foreign currency) expose it to foreign exchange risk arising from various currency exposures primarily with respect to the HK Dollar ("HKD"), US Dollar ("USD") and Japanese Yen ("JPY"). In addition, the RMB is not freely convertible into other foreign currencies and conversion of the RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

In order to manage the foreign exchange risk related to the Company's bank deposits of unused listing proceeds denominated in HKD, in early 2007 the Company entered into several forward foreign exchange contracts with various banks in PRC, which enable the Company to exchange certain amount of HKD deposits into RMB at a fixed rate at the maturity date (Note 21(a)). All of the Group's HKD deposits from listing proceeds have been converted into RMB in January 2008.

The Group historically has not used any derivative instruments to hedge exchange rate of USD and JPY and currently does not have a fixed policy to do so in the foreseeable future. If JPY had appreciated/depreciated by 10% against RMB, the Group's net profit attributable to the equity holders of the Company would have decreased/increased by RMB129,956,000 in 2008 (2007: RMB114,764,000), with all other variables held constant. If USD had appreciated/depreciated by 10% against RMB, the Group's net profit attributable to the equity holders of the Company would have increased/decreased approximately by RMB141,046,000 in 2008 (2007: RMB96,504,000), with all other variables held constant.

(iii) Cash flow and fair value interest rate risk

The Group's exposure to cash flow and interest rate risks arises from the Group's interest bearing bank deposits and bank borrowings whose interest rates are subjected to adjustments by the State and the banks. Borrowings at variable rates expose the Group to cash flow interest-rate risk while borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group historically has not used any financial instruments to hedge potential fluctuations in interest rates.

Other than those mentioned above, the Group's income and operating cash flows are substantially independent of changes in the market interest rates.

4 FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents, term deposits with initial terms of over three months, restricted bank deposits, trade and notes receivables, other receivables except for prepayment and bank guarantees extended to external parties included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets.

Approximately 78% of the Group's bank deposits are placed with state-owned banks and the credit risk is considered low.

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

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of borrowing facilities (Note 25(i)). Due to the dynamic nature of the underlying businesses, the Group maintains a reasonable level of cash and cash equivalents, and further supplements this by keeping committed credit lines available.

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

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility (Note 25(i)) and cash and cash equivalents (Note 22)) on the basis of expected cash flow.

For the year ended 31 December 2008
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

4 FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(c) *Liquidity risk* *(continued)*

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Group				
At 31 December 2008				
Bank borrowings	1,387,950	1,177,455	3,873,363	9,218,624
Trade and other payables	10,647,071	—	—	—
Long-term payables	—	150,000	225,896	—
At 31 December 2007 (restated)				
Bank borrowings	1,540,603	1,118,232	2,897,168	9,070,404
Trade and other payables	8,147,156	—	—	—
Long-term payables	—	100,000	367,094	—
Company				
At 31 December 2008				
Bank borrowings	243,901	304,901	946,741	5,274,514
Trade and other payables	13,511,358	—	—	—
Long-term payables	—	150,000	208,811	—
At 31 December 2007				
Bank borrowings	269,036	269,036	1,015,486	5,740,378
Trade and other payables	7,647,090	—	—	—
Long-term payables	—	100,000	290,041	—

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Capital risk management

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

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

The gearing ratios at 31 December 2008 and 2007 were as follows:

	2008	2007 (restated)
Total borrowings (Note 25)	10,980,521	9,909,364
Equity	58,541,594	28,050,475
Total capital	69,522,115	37,959,839
Gearing ratio	16%	26%

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

4.3 Fair value estimation

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

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

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

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair values of long-term borrowings are disclosed in Note 25(e).

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

(i) Carrying value of non-current assets

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

(ii) Useful lives of property, plant and equipment

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

(iii) Reserve estimates

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

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

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

(iii) Reserve estimates (continued)

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

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

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

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

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

(iv) Trade and other receivables

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

(v) Income taxes

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

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

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

6 REVENUE AND SEGMENT INFORMATION

(a) Primary reporting format – business segments

The Group organises its business into four main business segments:

— Coal - Production and sales of coal;

— Coke - Production and sales of coke;

— Machinery - Manufacturing and sales of mining machinery; and

— Others, including design of mining structures, trading of other products, generation and sales of electric power, production and sale of primary aluminium, transportation services and agency services. None of these constitutes a separately reportable segment.

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

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

6 REVENUE AND SEGMENT INFORMATION (continued)

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

Capital expenditure comprises additions to property, plant and equipment (Note 7), investment properties (Note 8), land use rights (Note 9), mining rights (Note 10) and intangible assets (Note 11).

	2008					
	Coal	Coke	Machinery	Others	Inter-segment elimination	Total
Segment results						
Revenue						
– External	37,352,438	6,653,252	4,133,592	2,853,525	—	50,992,807
– Inter-segment	657,478	—	499,905	458,119	(1,615,502)	—
	38,009,916	6,653,252	4,633,497	3,311,644	(1,615,502)	50,992,807
Profit from operations	11,284,843	283,660	340,842	(454,166)	(55,950)	11,399,229
Finance costs, net (Note 32)						(993,547)
Share of profits of associates and jointly controlled entities						106,142
Profit before income tax						10,511,824
Income tax expense						(2,491,651)
Profit for the year						8,020,173
Segment assets and liabilities						
Assets						
Segment assets	29,113,172	3,972,912	5,223,459	12,278 ,474	(2,472,187)	48,115,830
Unallocated assets						40,068,337
Total assets						88,184,167
Liabilities						
Segment liabilities	9,099,673	572,053	2,362,284	2,004,132	(1,758,522)	12,279,620
Unallocated liabilities						13,134,258
Total liabilities						25,413,878
Other segment information						
Depreciation	1,163,155	111,030	71,353	229,763	—	1,575,301
Amortisation	47,631	1,227	2,622	1,050	—	52,530
Provision for/ (Reversal of) impairment of receivables	13,283	11,470	(5,461)	17,273	—	36,565
Capital expenditure	6,752,329	880,276	331,984	825,958	—	8,790,547

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

6 REVENUE AND SEGMENT INFORMATION (continued)

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

	2007 (restated)					
	Coal	Coke	Machinery	Others	Inter-segment elimination	Total
Segment results						
Revenue						
– External	26,361,766	3,738,187	2,992,949	2,547,623	—	35,640,525
– Inter-segment	608,445	14,188	532,059	476,813	(1,631,505)	—
	26,970,211	3,752,375	3,525,008	3,024,436	(1,631,505)	35,640,525
Profit from operations	6,731,088	181,323	299,973	1,840,813	(53,475)	8,999,722
Finance costs, net (Note 32)						(747,337)
Share of profits of associates and jointly controlled entities						103,913
Profit before income tax						8,356,298
Income tax expense						(1,950,067)
Profit for the year						6,406,231
Segment assets and liabilities						
Assets						
Segment assets	25,462,142	3,351,828	3,475,567	8,374,446	(1,433,167)	39,230,816
Unallocated assets						13,964,474
Total assets						53,195,290
Liabilities						
Segment liabilities	6,413,004	368,740	1,578,877	1,671,931	(776,313)	9,256,239
Unallocated liabilities						12,934,201
Total liabilities						22,190,440
Other segment information						
Depreciation	1,013,887	103,629	57,444	188,634	—	1,363,594
Amortisation	66,188	1,826	1,254	544	—	69,812
Provision for/(Reversal of) impairment of receivables	24,937	56,744	(891)	1,436	—	82,226
Capital expenditure	5,521,136	462,241	351,535	445,597	—	6,780,509

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

6 REVENUE AND SEGMENT INFORMATION (continued)

(b) Secondary reporting format – geographical segments

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

— Domestic markets – Customers who are located in the mainland of PRC.

— Asia Pacific markets – Export sales to customers who are located outside the mainland of PRC, principally in Korea, Japan and China 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 customers are located.

Analysis of revenue by geographical segment	2008	2007 (restated)
Domestic markets	41,976,730	30,672,021
Export sales – Asia Pacific markets	8,704,030	4,062,165
Export sales – other markets	312,047	906,339
	50,992,807	35,640,525

Analysis of sales by category	2008	2007 (restated)
Sales of goods	48,822,568	33,818,387
Provision of services	2,170,239	1,822,138
	50,992,807	35,640,525

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7 PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Mining structures	Plant, machinery and equipment	Railway structures	Motor vehicles, fixtures and others	Construction in progress	Total
At 1 January 2007 (as previously reported)	4,008,346	2,100,025	7,070,614	387,876	261,871	2,126,100	15,954,832
Adjustments due to changes in accounting policy	(81,867)	—	(161,453)	—	(8,807)	(18,460)	(270,587)
Acquisition of a subsidiary under common control	—	—	6,585	—	1,429	408,541	416,555
At 1 January 2007 (restated)	3,926,479	2,100,025	6,915,746	387,876	254,493	2,516,181	16,100,800
At 1 January 2007 (restated)							
Cost	5,236,993	3,214,969	11,137,656	685,385	462,901	2,516,181	23,254,085
Accumulated depreciation	(1,310,514)	(1,114,944)	(4,221,910)	(297,509)	(208,408)	—	(7,153,285)
Net book amount	3,926,479	2,100,025	6,915,746	387,876	254,493	2,516,181	16,100,800
Year ended 31 December 2007 (restated)							
Opening net book amount	3,926,479	2,100,025	6,915,746	387,876	254,493	2,516,181	16,100,800
Assumption of control of certain subsidiaries	421,588	179,798	398,572	—	24,694	186,640	1,211,292
Additions	311,891	385,011	478,350	29,722	139,434	4,821,202	6,165,610
Transfer upon completion	453,865	4,681	814,319	—	102,265	(1,375,130)	—
Disposals	(64,562)	—	(15,778)	—	(31,150)	—	(111,490)
Depreciation charge (Note 31)	(163,342)	(175,720)	(950,005)	(24,436)	(50,091)	—	(1,363,594)
Closing net book amount	4,885,919	2,493,795	7,641,204	393,162	439,645	6,148,893	22,002,618
At 31 December 2007 (restated)							
Cost	6,359,775	3,784,459	12,813,119	715,107	698,144	6,148,893	30,519,497
Accumulated depreciation	(1,473,856)	(1,290,664)	(5,171,915)	(321,945)	(258,499)	—	(8,516,879)
Net book amount	4,885,919	2,493,795	7,641,204	393,162	439,645	6,148,893	22,002,618

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

7 PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Buildings	Mining structures	Plant, machinery and equipment	Railway structures	Motor vehicles, fixtures and others	Construction in progress	Total
Year ended 31 December 2008							
Opening net book amount	4,885,919	2,493,795	7,641,204	393,162	439,645	6,148,893	22,002,618
Acquisition of a subsidiary	19,493	—	28,752	—	9,433	—	57,678
Additions	111,499	1,786,987	579,048	—	322,414	5,670,531	8,470,479
Transfer upon completion	691,798	264,902	2,399,660	—	21,294	(3,377,654)	—
Transfer to investment property (Note 8)	(34,949)	—	—	—	—	—	(34,949)
Disposals	(221)	(1,259)	(63,432)	—	(9,165)	—	(74,077)
Depreciation charge (Note 31)	(211,865)	(162,322)	(1,082,880)	(16,241)	(100,769)	—	(1,574,077)
Closing net book amount	5,461,674	4,382,103	9,502,352	376,921	682,852	8,441,770	28,847,672
At 31 December 2008							
Cost	7,147,395	5,835,089	15,757,147	715,107	1,042,120	8,441,770	38,938,628
Accumulated depreciation	(1,685,721)	(1,452,986)	(6,254,795)	(338,186)	(359,268)	—	(10,090,956)
Net book amount	5,461,674	4,382,103	9,502,352	376,921	682,852	8,441,770	28,847,672

For the year ended 31 December 2008
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

7 PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Buildings	Plant, machinery and equipment	Motor vehicles and others	Construction in progress	Total
At 1 January 2007					
Cost	963,641	566,866	97,145	632,916	2,260,568
Accumulated depreciation	(182,455)	(93,849)	(38,721)	—	(315,025)
Net book amount	781,186	473,017	58,424	632,916	1,945,543
Year ended 31 December 2007					
Opening net book amount	781,186	473,017	58,424	632,916	1,945,543
Additions	958	79,840	8,373	1,027,350	1,116,521
Transfer upon completion	160,773	115,611	—	(276,384)	—
Disposals	(1,807)	(143)	—	—	(1,950)
Transfer to subsidiaries	(124,772)	(18,587)	(4,436)	—	(147,795)
Depreciation charge	(36,655)	(55,182)	(11,970)	—	(103,807)
Closing net book amount	779,683	594,556	50,391	1,383,882	2,808,512
At 31 December 2007					
Cost	998,793	743,587	101,082	1,383,882	3,227,344
Accumulated depreciation	(219,110)	(149,031)	(50,691)	—	(418,832)
Net book amount	779,683	594,556	50,391	1,383,882	2,808,512
Year ended 31 December 2008					
Opening net book amount	779,683	594,556	50,391	1,383,882	2,808,512
Additions	17,159	339,079	33,674	1,024,659	1,414,571
Transfer upon completion	184,001	88,448	12,002	(284,451)	—
Depreciation charge	(25,759)	(106,812)	(18,013)	—	(150,584)
Closing net book amount	955,084	915,271	78,054	2,124,090	4,072,499
At 31 December 2008					
Cost	1,199,953	1,171,114	146,758	2,124,090	4,641,915
Accumulated depreciation	(244,869)	(255,843)	(68,704)	—	(569,416)
Net book amount	955,084	915,271	78,054	2,124,090	4,072,499

Note:

(a) As at 31 December 2008, bank borrowings of the Group were secured by certain property, plant and equipment with a net book value of RMB6,406,000 (2007: RMB7,193,000) (Note 25(h)).

For the year ended 31 December 2008
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

8 INVESTMENT PROPERTIES

	Group
At 1 January 2008	
Cost	—
Accumulated depreciation	—
Net book amount	—
Year ended 31 December 2008	
Opening net book amount	—
Transfer from property plant and equipment (Note 7)	34,949
Depreciation charge	(1,224)
Closing net book amount	33,725
At 31 December 2008	
Cost	34,949
Accumulated depreciation	(1,224)
Net book amount	33,725

The following amounts are recognised in the consolidated income statement:

	Group	
	2008	2007
Rental income	4,759	—
Direct operating expenses arising from investment properties that generated rental income	1,482	—

The rental income, related depreciation charge and direct operating expenses are recorded in other gains for the year ended 31 December 2008.

For the year ended 31 December 2008
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

9 LAND USE RIGHTS

	Group	Company
At 1 January 2007		
Cost	153,608	50,878
Accumulated amortisation	(11,603)	(3,282)
Net book amount	142,005	47,596
Year ended 31 December 2007 (restated)		
Opening net book amount	142,005	47,596
Assumption of control of certain subsidiaries	172,054	—
Additions	45,611	9,117
Transfer to subsidiaries	—	(17,258)
Amortisation charge	(8,970)	(3,289)
Closing net book amount	350,700	36,166
At 31 December 2007 (restated)		
Cost	371,273	42,737
Accumulated amortisation	(20,573)	(6,571)
Net book amount	350,700	36,166
Year ended 31 December 2008		
Opening net book amount	350,700	36,166
Acquisition of a subsidiary	139,195	—
Additions	107,560	20,788
Amortisation charge	(6,047)	(609)
Closing net book amount	591,408	56,345
At 31 December 2008		
Cost	618,028	63,525
Accumulated amortisation	(26,620)	(7,180)
Net book amount	591,408	56,345

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

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

10 MINING RIGHTS

	Group	Company
At 1 January 2007 (as previously reported)	70,087	—
Acquisition of a subsidiary under common control	30,000	—
At 1 January 2007 (restated)	100,087	—
At 1 January 2007 (restated)		
Cost	110,285	—
Accumulated amortisation	(10,198)	—
Net book amount	100,087	—
Year ended 31 December 2007 (restated)		
Opening net book amount	100,087	—
Assumption of control of certain subsidiaries (note a)	2,932,263	—
Additions (Note 26(a))	535,678	535,678
Amortisation charge	(56,602)	—
Closing net book amount	3,511,426	535,678
At 31 December 2007 (restated)		
Cost	3,578,226	535,678
Accumulated amortisation	(66,800)	—
Net book amount	3,511,426	535,678
Year ended 31 December 2008		
Opening net book amount	3,511,426	535,678
Additions (Note 2(d))	207,612	—
Amortisation charge	(38,202)	—
Closing net book amount	3,680,836	535,678
At 31 December 2008		
Cost	3,785,838	535,678
Accumulated amortisation	(105,002)	—
Net book amount	3,680,836	535,678

Note:

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

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

11 INTANGIBLE ASSETS

	Group	Company
At 1 January 2007		
Cost	22,196	11,698
Accumulated amortisation	(6,807)	(1,686)
Net book amount	15,389	10,012
Year ended 31 December 2007		
Opening net book amount	15,389	10,012
Additions	33,610	7,721
Transfer to subsidiaries	—	(313)
Amortisation charge	(4,240)	(1,103)
Closing net book amount	44,759	16,317
At 31 December 2007		
Cost	55,806	19,106
Accumulated amortisation	(11,047)	(2,789)
Net book amount	44,759	16,317
Year ended 31 December 2008		
Opening net book amount	44,759	16,317
Additions	4,896	696
Amortisation charge	(8,281)	(1,862)
Closing net book amount	41,374	15,151
At 31 December 2008		
Cost	60,702	19,802
Accumulated amortisation	(19,328)	(4,651)
Net book amount	41,374	15,151

Intangible assets mainly represent computer software.

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

12 INVESTMENTS IN SUBSIDIARIES

	Company	
	2008	2007
Investments, at cost:		
Shares listed in the PRC	2,197,058	2,197,058
Unlisted shares	29,548,140	22,220,522
	31,745,198	24,417,580
Market value of listed shares	3,198,502	11,399,694

Particulars of principal subsidiaries as at 31 December 2008 are set out in Note 44(i).

13 INVESTMENTS IN ASSOCIATES

	Group		Company	
	2008	2007	2008	2007
Beginning of the year	1,146,263	589,590	1,092,879	478,060
Additions	154,615	717,305	124,380	723,547
Assumption of joint control of an associate	—	(56,069)	—	—
Disposals	—	(116,680)	—	(108,728)
Share of profits	905	12,117	—	—
End of the year	1,301,783	1,146,263	1,217,259	1,092,879

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

	Group	
	2008	2007
Total assets	3,271,726	2,592,588
Total liabilities	(1,969,943)	(1,446,325)
	1,301,783	1,146,263
Revenue	610,352	305,199
Net profits	905	12,117

Particulars of the Group's associates are set out in Note 44(iii).

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

14 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2008	2007 (restated)	2008	2007
Beginning of the year	260,003	479,631	8,416	129,521
Additions	245,000	—	—	—
Assumption of control of certain jointly controlled entities	—	(283,127)	—	(121,105)
Dividends	—	(28,297)	—	—
Share of profits	105,237	91,796	—	—
Share of movements in reserve	(14,131)	—	—	—
End of the year	596,109	260,003	8,416	8,416

Summary of the Group's interest in its jointly controlled entities is as follows:

	Group	
	2008	2007
Current assets	835,990	453,976
Non current assets	706,232	541,450
	1,542,222	995,426
Current liabilities	(623,494)	(521,589)
Non current liabilities	(322,619)	(213,834)
	(946,113)	(735,423)
Net Assets	596,109	260,003
Revenue	1,903,723	865,895
Expenses	(1,798,486)	(774,099)
Net profit	105,237	91,796

There are no contingent liabilities relating to the Group's interest in the jointly controlled entities.

Particulars of principal jointly controlled entities as at 31 December 2008 are set out in Note 44(ii).

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

15 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2008	2007	2008	2007
Beginning of the year	378,972	136,554	11,667	2,070
Acquisition of a subsidiary	7,771	—	—	—
Assumption of control of certain subsidiaries	—	116,201	—	—
Additions	170,346	116,620	165,000	—
Disposals	(7,603)	—	—	—
Increase/(decrease) in fair value credited/(charged) to equity	7,682	9,597	(6,605)	9,597
End of the year	557,168	378,972	170,062	11,667

Available-for-sale financial assets include the following:

	Group		Company	
	2008	2007	2008	2007
Listed securities, at fair value – equity securities – listed in the PRC	22,700	9,667	3,062	9,667
Unlisted securities, at cost	534,468	369,305	167,000	2,000
	557,168	378,972	170,062	11,667

Available-for-sale financial assets comprising principally unlisted equity securities are classified as non-current assets unless they are expected to be realised within 12 months of the balance sheet date.

Dividend income from available-for-sale investments amounted to RMB10,003,000 in 2008 (2007: RMB6,895,000).

16 LOANS TO SUBSIDIARIES

The Company borrowed bank loans from PRC banks and on-lent such loans to its subsidiaries at interest rates ranging from 5.35% to 7.05% with maturities from 3 years to 11 years. The loans are neither past due nor impaired as at 31 December 2008 and 2007. Such loan balances and the related interest income and expenses have been eliminated in the consolidated balance sheet and income statement.

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

17 LONG-TERM RECEIVABLES

Long-term receivables include entrusted loans of RMB626,894,000 (2007: Nil) to a jointly controlled entity via Bank of Communications to fund its construction projects and advances to third parties of RMB74,128,000 (2007: RMB90,327,000) to ensure stable supply of raw materials.

These amounts are secured by certain property, plant and equipment of the jointly controlled entity with a value of RMB751,935,000 as at 31 December 2008 (2007: Nil). These amounts bear interest rates ranging from 6.96% to 8.18% per annum during the year and repayable in 3 to 4 years.

Amounts advanced to a jointly controlled entity of RMB386,202,000 in 2007 had been repaid in 2008.

The receivables are neither past due nor impaired as at 31 December 2008 and 2007.

18 INVENTORIES

	Group		Company	
	2008	2007 (restated)	2008	2007
Coal	585,955	832,519	63,558	156,651
Coke	197,218	192,992	—	—
Machinery for sale	1,301,671	689,050	—	—
Auxiliary materials, spare parts and tools	2,085,668	1,601,166	23,090	16,026
	4,170,512	3,315,727	86,648	172,677

For the year ended 31 December 2008
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

19 TRADE AND NOTES RECEIVABLES

	Group		Company	
	2008	2007 (restated)	2008	2007
Trade receivables, net (note (a))	4,458,491	3,388,196	1,052,993	1,056,289
Notes receivables (note (b))	1,123,874	893,024	—	—
	5,582,365	4,281,220	1,052,993	1,056,289

Notes:

(a) Trade receivables are analysed as follows:

	Group		Company	
	2008	2007 (restated)	2008	2007
Trade receivables				
– Subsidiaries	—	—	306,579	476,316
– Fellow subsidiaries	335,065	466,387	11,095	13,437
– Associates	7,836	24,327	—	24,327
– Other related parties	126,751	90,375	—	—
– Other state-owned enterprises	2,640,334	1,775,226	732,170	318,443
– Third parties	1,348,505	1,031,881	3,149	223,766
Trade receivables, net	4,458,491	3,388,196	1,052,993	1,056,289

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

	Group		Company	
	2008	2007 (restated)	2008	2007
Within 6 months	4,042,575	2,987,374	1,045,875	1,033,346
6 - 12 months	263,600	321,613	325	—
1 - 2 years	147,120	97,578	—	—
2 - 3 years	64,932	109,746	—	16,139
Over 3 years	173,062	98,149	21,570	21,571
Trade receivables, gross	4,691,289	3,614,460	1,067,770	1,071,056
Less: Impairment of receivables	(232,798)	(226,264)	(14,777)	(14,767)
Trade receivables, net	4,458,491	3,388,196	1,052,993	1,056,289

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

19 TRADE AND NOTES RECEIVABLES (continued)

Notes: (continued)

(a) Trade receivables are analysed as follows: (continued)

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

	Group		Company	
	2008	2007 (restated)	2008	2007
At the beginning of the year	226,264	175,704	14,767	16,543
Provision for impairment of receivables	25,725	83,988	10	4
Reversal of provision for impairment of receivables	(25,067)	(20,159)	—	—
Receivables written off during the year as uncollectible	(59)	(15,548)	—	(874)
Assumption of control of certain subsidiaries and acquisition of a subsidiary	5,935	2,279	—	—
Transfer to subsidiaries	—	—	—	(906)
At the end of the year	232,798	226,264	14,777	14,767

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

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

The Group does not hold any collateral as security.

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

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

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

	Group		Company	
	2008	2007 (restated)	2008	2007
RMB	4,588,640	3,635,179	1,052,993	1,056,289
USD	993,725	646,041	—	—
	5,582,365	4,281,220	1,052,993	1,056,289

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

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

20 PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2008	2007 (restated)	2008	2007
Advances to suppliers (note (a))	1,429,237	1,797,395	231,419	336,755
Interest receivable (note (b))	1,329,439	230,964	1,329,212	230,729
Dividends receivable	13,745	26,945	3,292,691	1,083,612
Loan to a jointly controlled entity (note (c))	12,713	169,204	—	—
Amounts due from related parties, gross (note (d))	407,107	316,109	1,844,694	1,824,006
Prepayment for investments	317,626	46,096	317,626	46,096
Amounts due from third parties, gross	470,466	586,257	116,250	72,992
	3,980,333	3,172,970	7,131,892	3,594,190
Less: Impairment of prepayments and other receivables (note (e))	(370,585)	(341,677)	(43,561)	(12,073)
Prepayments and other receivables, net (note (f))	3,609,748	2,831,293	7,088,331	3,582,117

Notes:

(a) Advances to suppliers are analysed as follows:

	Group		Company	
	2008	2007 (restated)	2008	2007
Advances to suppliers				
– Subsidiaries	—	—	75,000	109,945
– Fellow subsidiaries	52,132	59,972	4,246	2,936
– Associates	713	2,860	—	—
– Other related parties	15,951	27,043	—	—
– Other state-owned enterprises	627,556	796,203	21,383	—
– Third parties	732,885	911,317	130,790	223,874
	1,429,237	1,797,395	231,419	336,755

(b) This amount represents interest receivable pertaining to several structured deposits with certain China banks (Note 22) which are carried at interest rate of 11.99% to 13%. Both the principal and the interests are to be recovered within one year.

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

20 PREPAYMENTS AND OTHER RECEIVABLES (continued)

Notes: (continued)

(c) The amount represents loan to a jointly controlled entity to finance its operations. The amount is unsecured, bears interest rates at 6.90% per annum during the year (2007: 6.90%) and repayable within a year. No impairment was provided for the loan as at 31 December 2008 and 2007.

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

	Group		Company	
	2008	2007 (restated)	2008	2007
Amounts due from related parties, gross				
– Subsidiaries	—	—	1,760,757	1,776,978
– Fellow subsidiaries	34,881	33,659	16,782	2,935
– Jointly controlled entities	60,000	3,018	—	—
– Associates	51,541	44,170	21,816	21,769
– Other related parties	1,040	1,471	—	—
– Other state-owned enterprises	259,645	233,791	45,339	22,324
	407,107	316,109	1,844,694	1,824,006

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

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

	Group		Company	
	2008	2007 (restated)	2008	2007
At the beginning of the year	341,677	239,010	12,073	17,100
Provision for impairment of receivables	51,485	30,049	31,488	2,549
Reversal of provision for impairment of receivables	(15,578)	(11,652)	—	—
Receivables written off during the year as uncollectible	(8,407)	(1,411)	—	—
Assumption of control of certain subsidiaries and acquisition of a subsidiary	1,408	85,681	—	—
Transfer to subsidiaries	—	—	—	(7,576)
At the end of the year	370,585	341,677	43,561	12,073

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

(g) There are no collaterals for other receivables.

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

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

Group

	Derivative financial instruments (note (a))	Other financial assets at fair value through profit and loss (note (b))	Total
Year ended 31 December 2007			
Opening balance	—	8,014	8,014
Additions	—	339,200	339,200
Increase in fair value through profit or loss	399,051	1,367,200	1,766,251
Settled	(67,879)	(8,014)	(75,893)
Closing balance	331,172	1,706,400	2,037,572
Year ended 31 December 2008			
Opening balance	331,172	1,706,400	2,037,572
Additions	39,862	—	39,862
Increase/(decrease) in fair value through profit or loss	42,916	(1,406,400)	(1,363,484)
Settled	(413,950)	—	(413,950)
Closing balance	—	300,000	300,000

For the year ended 31 December 2008
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

21 DERIVATIVE FINANCIAL INSTRUMENTS AND OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Company

	Derivative financial instruments (note (a))	Other financial assets at fair value through profit and loss (note (b))	Total
Year ended 31 December 2007			
Opening balance	—	—	—
Additions	—	339,200	339,200
Increase in fair value through profit or loss	399,051	1,367,200	1,766,251
Settled	(67,879)	—	(67,879)
Closing balance	331,172	1,706,400	2,037,572
Year ended 31 December 2008			
Opening balance	331,172	1,706,400	2,037,572
Increase/(decrease) in fair value through profit or loss	24,826	(1,406,400)	(1,381,574)
Settled	(355,998)	—	(355,998)
Closing balance	—	300,000	300,000

Notes:

(a) Derivative financial instruments mainly represent forward foreign exchange contracts held by the Company. The Company raised net listing proceeds of approximately HKD14.5 billion through its initial public offering on The Stock Exchange of Hong Kong Limited in December 2006. In early 2007, in order to manage the foreign exchange risk related to its bank deposit denominated in HKD, management entered into several forward foreign exchange contracts with various banks in the PRC, which enable the Company to exchange certain amount of HKD deposits into RMB at a fixed rate at the maturity date. The total original notional principal amount under the contracts amounted to approximately HKD10.1 billion, and the maturity period ranges from 6 months to 12 months from the contracting date, and at 31 December 2007, the total notional principal amount under the contract was approximately HKD6.6 billion and all due in January 2008. The Company accounted for those contracts as financial assets at fair value through profit or loss at the date of the transaction, and the gain in the fair value of the contracts are recorded as an offsetting item of finance costs (Note 32) in the income statement.

(b) Other financial assets at fair value through profit and loss mainly represent the Company's investment in listed securities in the PRC. In May 2007, the Company subscribed for 40 million shares, as a strategic investor, of China COSCO Holdings Company Limited ("COSCO") prior to COSCO's A share public offering, at the cost of RMB8.48 per share and the total cost of approximately RMB 339,200,000. 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 is recorded in the income statement. As at 31 December 2008, the market price for the share was RMB 7.50 per share (28 December 2007, being the last trading date of A shares in 2007: RMB42.66 per share), and the change in the fair value of the investments of RMB1,406,400,000 during the year ended 31 December 2008 has been recorded as a loss in the income statement. The Company has disposed all those shares in February 2009 (Note 46).

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

22 BANK DEPOSITS

	Group		Company	
	2008	2007 (restated)	2008	2007
Restricted bank deposits (note (a))	2,121,593	342,303	286,703	—
Term deposits with initial terms of over three months	27,383,030	6,046,119	27,187,000	5,992,832
Cash and cash equivalents – Cash on hand	1,208	1,349	30	67
– Deposits with banks and other financial institutions	7,883,665	4,276,609	3,964,372	926,043
	37,389,496	10,666,380	31,438,105	6,918,942

Notes:

(a) Restricted bank deposits mainly include the deposits set aside for the transformation fund and environmental restoration fund as required by related regulation (Note 24(d)) and deposits pledged for notes payable.

(b) For the year ended 31 December 2008, the weighted average effective interest rate range on deposits was 0.36% to 13% per annum (2007: 0.72% to 4.01%).

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

	Group		Company	
	2008	2007 (restated)	2008	2007
RMB	36,499,539	3,798,279	31,436,049	902,420
USD	886,543	853,542	2,056	3,973
HKD	53	6,012,617	—	6,012,549
JPY	1,942	1,942	—	—
Other currencies	1,419	—	—	—
	37,389,496	10,666,380	31,438,105	6,918,942

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

(d) The carrying amount of bank deposits approximate their fair value.

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23 SHARE CAPITAL

	2008		2007	
	Number of shares (thousands)	Nominal Value	Number of shares (thousands)	Nominal Value
Registered, issued and fully paid:				
Domestic shares of RMB1.00 each				
– held by China Coal Group	7,634,177	7,634,177	7,626,667	7,626,667
– held by other A share shareholders	1,517,823	1,517,823	—	—
H shares of RMB1.00 each	4,106,663	4,106,663	4,106,663	4,106,663
	13,258,663	13,258,663	11,733,330	11,733,330

A summary of the movement in the Company's issued share capital is as follows:

	Domestic shares held by China Coal Group	Domestic shares held by other A share shareholders	H shares	Total
As at 1 January and 31 December 2007	7,626,667	—	4,106,663	11,733,330
Issue of new shares upon listing (note (b))	—	1,525,333	—	1,525,333
Share transaction (note (c))	7,510	(7,510)	—	—
As at 31 December 2008	7,634,177	1,517,823	4,106,663	13,258,663

Notes:

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

(b) On 1 February 2008, the Company issued 1,525,333,400 new A shares at RMB16.83 per share. Net proceeds resulting from such share issuance amounted to approximately RMB25,319,909,400 after deducting the share issuance costs, out of which RMB1,525,333,400 was recorded in share capital and RMB23,794,576,000 was recorded in capital reserve. The listing and trading of the A shares on the Shanghai Stock Exchange commenced on 1 February 2008.

(c) In September 2008, China Coal Group purchased 7,510,114 A shares via the Shanghai Stock Exchange, increasing its shareholdings to 57.58%.

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24 RESERVES

	Group								
	Capital reserve	Statutory reserve funds	Future develop -ment fund	Safety fund	Transformation and environmental restoration fund	Translation reserve	Other reserves	Retained Earnings	Total
Balance at 1 January 2007 (as previously reported)	6,725,796	129,949	77,396	760,784	—	—	2,095,977	50,156	9,840,058
Acquisition of a subsidiary under common control	—	—	—	—	—	—	718,880	—	718,880
Balance at 1 January 2007 (restated)	6,725,796	129,949	77,396	760,784	—	—	2,814,857	50,156	10,558,938
Balance at 1 January 2007 (restated)	6,725,796	129,949	77,396	760,784	—	—	2,814,857	50,156	10,558,938
Profit for the year	—	—	—	—	—	—	—	6,019,805	6,019,805
Deferred tax charged directly to equity for change of income tax rate (Note 27(a))	—	—	—	—	—	—	(440,857)	—	(440,857)
Adjustments on the assumption of control of certain subsidiaries, including fair value adjustments (Note 2(a))	—	—	—	—	—	—	1,238,169	—	1,238,169
Fair value change in available -for-sale financial assets, net of deferred tax	—	—	—	—	—	—	7,198	—	7,198
Cumulative translation adjustment	—	—	—	—	—	(11,787)	—	—	(11,787)
Appropriations	—	208,269	179,379	259,990	176,058	—	—	(823,696)	—
Purchase of minority interest in a subsidiary and others	—	—	—	—	—	—	(5,362)	—	(5,362)
Dividends (Note 37)	—	—	—	—	—	—	—	(1,048,959)	(1,048,959)
Balance at 31 December 2007 (restated)	6,725,796	338,218	256,775	1,020,774	176,058	(11,787)	3,614,005	4,197,306	16,317,145
Profit for the year	—	—	—	—	—	—	—	7,140,836	7,140,836
Issuance of new A shares (Note 23(b))	23,794,576	—	—	—	—	—	—	—	23,794,576
Fair value change in available -for-sale financial assets, net of deferred tax	—	—	—	—	—	—	5,762	—	5,762
Cumulative translation adjustment	—	—	—	—	—	(12,975)	—	—	(12,975)
Appropriations	—	383,792	(178,373)	376,207	1,106,135	—	—	(1,687,761)	—
Common control business combination (Note 2(d))	—	—	—	—	—	—	(1,123,898)	—	(1,123,898)
Purchase of equity from minority shareholder and others	—	—	—	—	—	—	(13,031)	—	(13,031)
Dividends (Note 37)	—	—	—	—	—	—	—	(825,484)	(825,484)
Balance at 31 December 2008	30,520,372	722,010	78,402	1,396,981	1,282,193	(24,762)	2,482,838	8,824,897	45,282,931

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

24 RESERVES (continued)

	Company				
	Capital reserve	Statutory reserve funds	Other reserves	Retained Earnings/ (Accumulated loss)	Total
Balance at 1 January 2007	22,089,660	129,949	673,649	(549,658)	22,343,600
Profit for the year	—	—	—	2,697,373	2,697,373
Deferred tax charged directly to equity for change of income tax rate (Note 27(a))	—	—	(146,169)	—	(146,169)
Fair value change in available -for-sale financial assets, net of deferred tax	—	—	7,198	—	7,198
Appropriations	—	208,269	—	(208,269)	—
Dividends (Note 37)	—	—	—	(1,048,959)	(1,048,959)
Balance at 31 December 2007	22,089,660	338,218	534,678	890,487	23,853,043
Profit for the year	—	—	—	3,967,331	3,967,331
Issuance of new A shares (Note 23(b))	23,794,576	—	—	—	23,794,576
Fair value change in available -for-sale financial assets, net of deferred tax	—	—	(4,953)	—	(4,953)
Appropriations	—	383,792	—	(383,792)	—
Dividends (Note 37)	—	—	—	(825,484)	(825,484)
Others	—	—	4,128	—	4,128
Balance at 31 December 2008	45,884,236	722,010	533,853	3,648,542	50,788,641

(a) Statutory reserve funds

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

For the year ended 31 December 2008, the Company appropriated RMB383,792,000 (2007: RMB208,269,000) to the statutory surplus reserve fund, representing 10% of the Company's profit after tax for the year ended 31 December 2008, as determined in accordance with the PRC GAAP.

24 RESERVES (continued)

(b) Future development fund

Pursuant to the relevant PRC regulations, the Group is required to set aside an amount to a future development fund at RMB 6 to RMB 8 per ton of raw coal mined. The fund can be used for future development of the coal mining operations, and is not available for distribution to shareholders. Upon incurring qualifying development expenditure, an equivalent amount is transferred from future development fund to retained earnings.

(c) Safety fund

Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC, the Group is required to set aside an amount to a safety fund at RMB6 to RMB60 per ton of raw coal mined. The fund can be used for improvements of safety at the mines, and is not available for distribution to shareholders. Upon incurring qualifying safety expenditure, an equivalent amount is transferred from safety fund to retained earnings.

(d) Transformation and environmental restoration fund

Pursuant to two regulations issued by the Shanxi municipal government on 15 November 2007, both of which are effective from 1 October 2007, mining companies of the Group located in Shanxi Province are required to set aside an amount to coal mine industry transformation fund and environmental restoration fund at RMB5 and RMB10 per ton of raw coal mined respectively. According to the relevant rules, such funds will be specifically utilised for the transformation costs of the coal mine and for the land restoration and environmental cost, and is not available for distribution to shareholders. Upon incurring qualifying transformation and environmental restoration expenditures, an equivalent amount is transferred from transformation and environmental restoration fund to retained earnings.

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

25 BORROWINGS AND BANKING FACILITIES

	Group		Company	
	2008	2007 (restated)	2008	2007
Long-term borrowings				
Bank loans and loans from other financial institutions				
– Secured (note (h))	863,915	891,415	—	—
– Unsecured	9,832,302	8,708,484	4,361,000	4,361,000
	10,696,217	9,599,899	4,361,000	4,361,000
Other unsecured loans from				
– Minority shareholders of certain subsidiaries (note (c))	16,008	—	—	—
	10,712,225	9,599,899	4,361,000	4,361,000
Less: Amount due within one year under current liabilities	(518,715)	(671,560)	—	—
	10,193,510	8,928,339	4,361,000	4,361,000
Short-term borrowings				
Bank loans and loans from other financial institutions				
– Unsecured	267,696	308,865	—	—
Other unsecured loans from				
– Minority shareholders of certain subsidiaries	600	600	—	—
	268,296	309,465	—	—

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

25 BORROWINGS AND BANKING FACILITIES (continued)

Notes:

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

	Group		Company	
	2008	2007 (restated)	2008	2007
Wholly repayable within five years				
– Banks loans and loans from other financial institutions	827,864	378,440	—	—
– Loans from minority shareholders of certain subsidiaries	16,008	—	—	—
	843,872	378,440	—	—
Not wholly repayable within five years				
– Banks loans and loans from other financial institutions	9,868,353	9,221,459	4,361,000	4,361,000
	10,712,225	9,599,899	4,361,000	4,361,000

(b) At 31 December 2008, the Group's long-term borrowings were repayable as follows:

	Group		Company	
	2008	2007 (restated)	2008	2007
Banks loans and loans from other financial institutions				
– Within one year	518,715	671,560	—	—
– In the second year	610,305	537,000	61,000	—
– In the third to fifth year	2,343,791	1,569,681	240,000	221,000
– After the fifth year	7,223,406	6,821,658	4,060,000	4,140,000
	10,696,217	9,599,899	4,361,000	4,361,000
Loans from minority shareholders of certain subsidiaries				
– In the third to fifth year	16,008	—	—	—
	10,712,225	9,559,899	4,361,000	4,361,000

(c) Unsecured loans from minority shareholders of certain subsidiaries are fully repayable within 3 to 5 years.

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

25 BORROWINGS AND BANKING FACILITIES (continued)

Notes: (continued)

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

	Group		Company	
	2008	2007 (restated)	2008	2007
Long-term borrowings				
Floating rate (6 months or less)	8,959,215	7,870,330	4,361,000	4,361,000
Fixed rate	1,753,010	1,729,569	—	—
	10,712,225	9,599,899	4,361,000	4,361,000

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

	Group				Company			
	Carrying amount		Fair value		Carrying amount		Fair value	
	2008	2007 (restated)	2008	2007 (restated)	2008	2007	2008	2007
Borrowings	10,193,510	8,928,339	10,017,136	8,646,592	4,361,000	4,361,000	4,361,000	4,361,000

The fair values of non-current borrowings are based on discounted cash flows using applicable discount rates based on the prevailing market interest rates available to the Group for borrowings with substantially the same terms at the balance sheet date, which ranged from 5.40% to 5.94% per annum as at 31 December 2008 (2007: 7.56% to 7.83%).

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

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

	Group		Company	
	2008	2007	2008	2007
Banks loans and loans from other financial institutions				
– RMB loan	4.50% - 8.32%	5.94% - 7.83%	5.35% - 7.05%	6.84% - 7.07%
– JPY loan	2.28%	2.28%	—	—
Loans from minority shareholders of certain subsidiaries				
– RMB loan	5.60%	5.60%	—	—

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

25 BORROWINGS AND BANKING FACILITIES (continued)

Notes: (continued)

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

	Group		Company	
	2008	2007 (restated)	2008	2007
Long-term borrowings:				
RMB	8,979,482	7,887,970	4,361,000	4,361,000
JPY	1,732,743	1,711,929	—	—
	10,712,225	9,599,899	4,361,000	4,361,000
Short-term borrowings:				
RMB	268,296	309,465	—	—
	10,980,521	9,909,364	4,361,000	4,361,000

(h) The borrowings are as follows:

	Group	
	2008	2007 (restated)
Secured by:		
– Property, plant and equipment	3,160	3,160
– Equity interest in a subsidiary/jointly controlled entity	860,755	888,255
	863,915	891,415
Guaranteed by:		
– Minority shareholders of certain subsidiaries	414,500	971,628
	1,278,415	1,863,043

All the borrowings of the Company are unsecured bank loans.

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

	Group		Company	
	2008	2007	2008	2007
Floating rates				
– Expiring within one year	25,511,540	25,896,000	25,511,540	25,489,000

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

26 LONG-TERM PAYABLES

	Group		Company	
	2008	2007 (restated)	2008	2007
Payable for a mining right (note (a))	279,825	339,404	279,825	339,404
Others	56,607	60,939	39,522	50,637
	336,432	400,343	319,347	390,041

Notes:

(a) The amount represents the long-term payable for a new mining right purchased by the Company in 2007. According to the agreement with the PRC authority, the contract cost of the mining right is approximately RMB619.3 million, which is to be paid by instalment in 5 years, from 2007 to 2011, with no interest. The mining right was initially recognised by the Company based on the discounted cash flow of future payments which amounted to RMB535,678,000, using a discount rate of 7.74%. The Group has paid RMB 100,000,000 by the end of 2008. The current portion of the payables amounting to RMB 155,853,000 is recorded in accruals and other payables (Note 29) and the non-current portion of RMB 279,825,000 is recorded in long-term payables as at 31 December 2008.

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

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

27 DEFERRED INCOME TAX

The deferred income tax are as follows:

	Group		Company	
	2008	2007 (restated)	2008	2007
Deferred income tax assets:				
Deferred income tax assets to be recovered after more than 12 months	596,478	1,721,136	406,491	435,266
Deferred income tax assets to be recovered within 12 months	184,471	170,692	49,494	27,544
	780,949	1,891,828	455,985	462,810
Deferred income tax liabilities:				
Deferred income tax liabilities to be settled after more than 12 months	(849,267)	(1,403,515)	—	—
Deferred income tax liabilities to be settled within 12 months	(26,458)	(430,142)	—	(426,992)
	(875,725)	(1,833,657)	—	(426,992)
Deferred income tax assets/(liabilities) (net)	(94,776)	58,171	455,985	35,818

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

	Group		Company	
	2008	2007 (restated)	2008	2007
Beginning of the year	58,171	1,901,128	35,818	653,933
Credited/(charged) to income statement (Note 35)	(139,915)	(591,764)	418,516	(469,547)
Charged to equity due to change of tax rate (note (a)(iii))	—	(440,857)	—	(146,169)
Acquisition of a subsidiary	(11,111)	—	—	—
Assumption of control of certain subsidiaries (note (b))	—	(807,937)	—	—
Credited/(charged) to equity due to fair value changes in available-for-sale financial assets	(1,921)	(2,399)	1,651	(2,399)
End of the year	(94,776)	58,171	455,985	35,818

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27 DEFERRED INCOME TAX (continued)

Deferred income tax assets are recognised for tax losses carried-forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group has not recognised deferred income tax assets of RMB58,141,000 (2007: RMB23,692,000), in respect of certain subsidiaries' accumulated tax losses of RMB232,565,000 (2007: RMB94,761,000) as at 31 December 2008, that can be carried forward against future taxable income and will expire between 2009 and 2013. The Group does not recognize these deferred income tax assets as management believes that it is more likely than not that such tax losses would not be utilised before they expire.

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

Deferred tax assets:

	Group									
	Fair value Adjust -ment	Trial production	Revaluation surplus (note(a)(i),(ii))	Tax losses	Pre-operating expenses	Provision for employee benefits	Impair -ment of assets	Accrued expenses	Others	Total
At 1 January 2007 (as previously reported)	—	51,094	2,135,595	75,719	29,024	35,794	54,173	—	15,688	2,397,087
Adjustments due to changes in accounting policy	—	—	—	(143)	—	—	—	—	—	(143)
At 1 January 2007 (restated)	—	51,094	2,135,595	75,576	29,024	35,794	54,173	—	15,688	2,396,944
At 1 January 2007 (restated)	—	51,094	2,135,595	75,576	29,024	35,794	54,173	—	15,688	2,396,944
Credited/(charged) to income statement	—	(17,419)	(141,678)	604	(19,076)	(14,032)	30,545	49,145	21,005	(90,906)
Assumption of control of certain subsidiaries (note (b))	—	—	2,962	17,554	—	997	276	—	2,731	24,520
Charged to equity due to changes of tax rate (note (a)(iii))	—	—	(438,730)	—	—	—	—	—	—	(438,730)
At 31 December 2007 (restated)	—	33,675	1,558,149	93,734	9,948	22,759	84,994	49,145	39,424	1,891,828
Credited/(charged) to income statement	9,800	13,909	(114,742)	(41,836)	(5,846)	18,930	2,537	50,221	8,677	(58,350)
Acquisition of a subsidiary	—	—	—	—	—	—	3,539	—	—	3,539
At 31 December 2008	9,800	47,584	1,443,407	51,898	4,102	41,689	91,070	99,366	48,101	1,837,017

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

27 DEFERRED INCOME TAX (continued)

Deferred tax liabilities:

	Group					
	Accelerated tax depreciation	Mining funds (note (c))	Fair value adjustments	Deferred stripping costs	Others	Total
At 1 January 2007 (restated)	(90,165)	(392,158)	—	—	(13,493)	(495,816)
Credited/(charged) to income statement	(11,030)	(103,441)	(407,590)	—	21,203	(500,858)
Assumption of control of certain subsidiaries (note (b))	(13,309)	(5,591)	(803,777)	—	(9,780)	(832,457)
Charged to equity due to change of tax rate (note (a)(iii))	—	—	—	—	(2,127)	(2,127)
Charged to equity due to fair value change in available-for-sale financial assets	—	—	(2,399)	—	—	(2,399)
At 31 December 2007 (restated)	(114,504)	(501,190)	(1,213,766)	—	(4,197)	(1,833,657)
Credited/(charged) to income statement	111,746	(519,801)	414,622	(84,783)	(3,349)	(81,565)
Acquisition of a subsidiary	—	—	(14,650)	—	—	(14,650)
Charged to equity due to fair value change in available-for-sale financial assets	—	—	(1,921)	—	—	(1,921)
At 31 December 2008	(2,758)	(1,020,991)	(815,715)	(84,783)	(7,546)	(1,931,793)

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

27 DEFERRED INCOME TAX (continued)

Deferred tax assets:

	Company					
	Fair value adjustments	Trial production	Impairment of asset	Revaluation surplus	Provision for employee benefits	Total
At 1 January 2007	—	—	—	649,867	14,389	664,256
Charged to income statement	—	—	—	(41,982)	(13,295)	(55,277)
Charged to equity due to change in tax rate (note (a)(iii))	—	—	—	(146,169)	—	(146,169)
At 31 December 2007	—	—	—	461,716	1,094	462,810
Charged/(credit) to income statement	9,800	6,061	794	(25,156)	2,424	(6,077)
At 31 December 2008	9,800	6,061	794	436,560	3,518	456,733

Deferred tax liabilities:

	Company		
	Fair value adjustments	Others	Total
At 1 January 2007	—	(10,323)	(10,323)
Credited/(charged) to income statement	(424,593)	10,323	(414,270)
Charged to equity due to change in fair value of available-for-sale financial assets	(2,399)	—	(2,399)
At 31 December 2007	(426,992)	—	(426,992)
Credited to income statement	424,593	—	424,593
Credited to equity due to change in fair value of available-for-sale financial assets	1,651	—	1,651
At 31 December 2008	(748)	—	(748)

27 DEFERRED INCOME TAX (continued)

Note:

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

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

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

(iii) This amount represents the adjustment made to the deferred tax assets generated from the valuation surplus of certain assets in connection with the Restructuring of the Company (note (a)(ii)). The original deferred tax assets were recognised based on the income tax rate effective at 31 December 2006 and was recorded in shareholders' equity. Upon the release of the Unified Corporate Income Tax Law of the PRC on 16 March 2007 and the grandfathering treatment circulars on 29 December 2007, those deferred tax balances were adjusted based on the new tax rate and the differences were charged to shareholders' equity.

(b) The deferred tax liability charged to equity is associated with the fair value surplus recognised for the assets of those newly controlled subsidiaries (Note 2 (a)), which are not tax deductible.

(c) Pursuant to certain regulations of the PRC government, the Group is required to set aside amounts for the future development funds (Note 24 (b)), safety fund (Note 24 (c)), coal mine industry transformation fund and environmental restoration fund (Note 24 (d)), collectively the mining funds. If such amounts are deductible for tax purposes when they are set aside but are expensed for accounting purposes only when they are utilised, a deferred tax liability will be recorded for the temporary differences in respect of excess funds set aside for tax purposes.

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

28 TRADE AND NOTES PAYABLES

	Group		Company	
	2008	2007 (restated)	2008	2007
Trade payables (note (a))	6,071,789	4,488,971	2,155,812	1,981,910
Notes payable	634,988	161,787	—	—
	6,706,777	4,650,758	2,155,812	1,981,910

Notes:

(a) Trade payables are analysed as follows:

	Group		Company	
	2008	2007 (restated)	2008	2007
Trade payables				
– Subsidiaries	—	—	1,837,464	1,650,551
– Fellow subsidiaries	570,348	493,467	107,532	159,664
– Jointly controlled entities	1,486	3,759	—	—
– Associates	16,960	7,953	—	—
– Other related parties	166,677	20,093	—	—
– Other state-owned enterprises	1,214,050	1,536,461	51,500	70,307
– Third parties	4,102,268	2,427,238	159,316	101,388
	6,071,789	4,488,971	2,155,812	1,981,910

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

	Group		Company	
	2008	2007 (restated)	2008	2007
less than 1 year	5,556,401	3,922,368	2,119,754	1,920,122
1 - 2 years	361,984	355,645	27,911	57,614
2 - 3 years	95,723	66,800	5,244	1,719
Over 3 years	57,681	144,158	2,903	2,455
	6,071,789	4,488,971	2,155,812	1,981,910

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

	Group		Company	
	2008	2007 (restated)	2008	2007
RMB	6,678,938	4,591,525	2,155,812	1,981,910
USD	27,839	59,233	—	—
	6,706,777	4,650,758	2,155,812	1,981,910

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

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

29 ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2008	2007 (restated)	2008	2007
Customer deposits and receipts in advance (note (a))	1,523,721	1,230,697	12,960	143,486
Dividends payable (Note 37)	27,812	47,182	96	—
Payable for site restoration	218,574	117,367	—	—
Mineral resource compensation payable	107,831	76,749	—	—
Salaries and staff welfare payable	384,470	338,648	92,054	100,632
Payables for share issue expenses	—	2,630	—	—
Interest payable	78,157	281,060	—	—
Payable for a mining right (Note 26 (a))	155,853	96,274	155,853	96,274
Amounts due to related parties (note (b))	802,120	746,852	10,972,390	5,296,621
Amounts due to third parties	641,756	558,939	122,193	28,167
	3,940,294	3,496,398	11,355,546	5,665,180

Notes:

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

	Group		Company	
	2008	2007 (restated)	2008	2007
Customer deposits and receipts in advances				
– Subsidiaries	—	—	1,225	66,979
– Fellow subsidiaries	6,798	52,233	516	371
– Other related parties	—	7,689	—	—
– Other state-owned enterprises	794,639	619,613	2,798	46,088
– Others	722,284	551,162	8,421	30,048
	1,523,721	1,230,697	12,960	143,486

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

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29 ACCRUALS AND OTHER PAYABLES (continued)

Notes: (continued)

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

	Group		Company	
	2008	2007 (restated)	2008	2007
Amounts due to related parties, gross				
– Subsidiaries	—	—	10,861,937	5,263,628
– Parent Company	18,600	11,410	785	—
– Fellow subsidiaries	390,373	454,458	7,893	30,838
– Associate	261	—	—	—
– Jointly controlled entities	60,159	—	60,155	—
– Other related parties	2,963	2,521	—	—
– Other state-owned enterprises	329,764	278,463	41,620	2,155
	802,120	746,852	10,972,390	5,296,621

Amounts due to related parties are unsecured and interest free.

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

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

30 PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	Group	
	2008	2007
Beginning of the year	652,085	650,342
Interest charge on unwinding of discounts on provision (Note 32)	34,114	40,559
Movement in required provision	474,807	693
Payments	(74,291)	(39,509)
End of the year	1,086,715	652,085
Less: current portion	(32,012)	(40,559)
	1,054,703	611,526

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

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

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

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31 EXPENSE BY NATURE

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

	2008	2007 (restated)
Depreciation (note (a))	1,515,276	1,355,222
Amortisation (note (b))	52,530	69,812
Cost of inventories sold	20,511,614	12,393,908
Transportation costs	7,021,593	6,469,444
Sales tax and surcharges	1,249,031	656,732
Auditors' remuneration	25,350	25,500
Losses on disposal of property, plant and equipment	4,192	6,067
Repairs and maintenance	764,581	442,692
Operating lease rentals	97,865	55,202
Provision for impairment of receivables	36,565	82,226
Provision for impairment of inventories	176,027	—
Staff costs (including directors' emoluments) (note (c), Note 34)	3,682,879	2,771,999
Mineral resource compensation fees (note (d))	305,166	234,658
Sustainable development charges (note (e))	1,051,117	847,447
Other expenses	3,795,991	3,323,348
Total cost of sales, selling, general and administrative expenses	40,289,777	28,734,257

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

31 EXPENSE BY NATURE (continued)

Notes:

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

	2008	2007 (restated)
Depreciation for the year (Note 7)	1,574,077	1,363,594
Less: Cost of inventories which remained unsold as at year end	(58,801)	(8,372)
Amount charged to income statement	1,515,276	1,355,222

Charged to:

	2008	2007 (restated)
Cost of sales	1,335,271	1,226,450
Selling, general and administrative expenses	180,005	128,772
	1,515,276	1,355,222

(b) Amortisation charged to income statement is analysed as follows:

	2008	2007 (restated)
Amortisation of:		
Land use rights (Note 9)	6,047	8,970
Mining rights (Note 10)	38,202	56,602
Intangible assets (Note 11)	8,281	4,240
	52,530	69,812

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

	2008	2007 (restated)
Charged to:		
Cost of sales	2,523,890	1,899,189
Selling, general and administrative expenses	1,158,989	872,810
	3,682,879	2,771,999

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

(e) Effective from March 2007, mining companies in Shanxi Province are required by the local government of Shanxi Province to pay a "Sustainable development charge" to local government based on the volume of the raw coal mined. The rate applicable to the Company's mining subsidiaries located in Shanxi Province ranges from RMB13 to RMB20 per tonne.

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32 FINANCE COSTS, NET

	2008	2007 (restated)
Interest expense:		
Bank loans and loans from other financial institutions		
– wholly repayable within five years	60,667	41,961
– not wholly repayable within five years	666,498	530,949
Loans from related parties		
– wholly repayable within five years	34	263
	727,199	573,173
Less: Amounts capitalised in construction in progress (note (a))	(179,995)	(73,958)
	547,204	499,215
Interest charge on unwinding of discounts (Note 30)	34,114	40,559
Net foreign exchange transaction losses	426,023	590,182
Less: Gains from derivative financial instruments (Note 21(a))	(24,826)	(399,051)
Other incidental borrowing costs and charges	11,032	16,432
	993,547	747,337

Notes:

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

	2008	2007 (restated)
Capitalisation rate used to determine the amount of finance costs eligible for capitalisation	4.50%-8.32%	5.94% - 7.83%

33 OTHER INCOME

	2008	2007 (restated)
Dividend income	10,003	6,895
Gains on disposal of investments	294	508
Interest income		
– Term deposits with initial term of over three months	1,439,474	337,436
– Other bank deposits	104,005	84,118
Government grants and subsidies	98,772	121,258
Gains on futures	18,090	—
	1,670,638	550,215

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34 STAFF COSTS

	2008	2007 (restated)
Wages, salaries and allowances	2,483,594	1,917,599
Housing subsidies (note (a))	196,256	178,036
Contributions to pension plans (note (b))	336,975	294,084
Early retirement benefits (note (c))	172,012	9,870
Welfare and other expenses	494,042	372,410
	3,682,879	2,771,999

Notes:

(a) These mainly include the Group's contributions to government-sponsored housing funds at rates ranging from 12% to 15% of the employees' basic salaries.

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

(c) Certain employees of the Group were required to retire early during the years ended 31 December 2008 and 2007. Early retirement benefits are recognised in the income statement in the period in which the Group enters into agreements specifying the terms of early retirement or after the individual employees have been advised of the specific terms. These specific terms vary among the early retired employees depending on factors such as position, length of service and district of the employee concerned.

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

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35 INCOME TAX EXPENSE

	2008	2007 (restated)
Current income tax		
– PRC enterprise income tax (note (a))	2,351,736	1,358,303
Deferred income tax (Note 27)	139,915	591,764
	2,491,651	1,950,067

Notes:

(a) The provision for PRC enterprise income tax ("EIT") is calculated based on the statutory income tax rate of 25%. On 16 March 2007, The National People's Congress of the People's Republic of China announced a reduction of the statutory income tax rate from 33% to 25% commencing 1 January 2008. As such, the applicable income tax rate in 2008 is 25% 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 which are taxed at preferential tax rates ranging from 12.5% to 25% based on the relevant PRC tax laws and regulations.

(b) 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 as follows:

	2008	2007 (restated)
Profit before income tax	10,511,824	8,356,298
Tax calculated at applicable tax rates	2,627,956	2,757,579
Effect of changes in tax rates on deferred income tax	—	(148,435)
Preferential tax rates on the income of certain subsidiaries	(184,003)	(614,029)
Income not subject to taxation	(13,336)	(25,808)
Expenses not deductible for taxation purposes	99,127	45,653
Utilisation of previously unrecognised tax losses	(15,339)	(71,398)
Tax losses for which no deferred income tax asset has been recognised	24,478	34,457
Additional expenses allowable for tax purposes	(47,232)	(27,952)
Income tax expense	2,491,651	1,950,067

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

36 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the distributable profit available to equity holders of the Company by the weighted average number of approximately 13,129,468,000 shares of ordinary shares in issue during the year.

	2008	2007 (restated)
Profit attributable to equity holders of the Company	7,140,836	6,019,805
Weighted average number of ordinary shares in issue (thousands)	13,129,468	11,733,330
Basic earnings per share (RMB per share)	0.54	0.51

As the Company had no dilutive instruments for the year ended 31 December 2008 and 2007, no diluted earnings per share is presented.

37 DIVIDENDS

	2008	2007
Dividends recorded:		
– interim dividends for 2007, paid (note (a))	—	1,048,959
– final dividends for 2007, paid (note (b))	825,484	—

	2008	2007
Dividends proposed after the balance sheet date:		
– final dividend for 2007 (note (b))	—	825,484
– final dividend for 2008 (note (c))	2,043,559	—

Notes:

(a) The Board of Directors, in a meeting held on 14 September 2007, proposed to distribute an interim dividend of 2007 to equity holders of the Company of RMB1,048,959,000 (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 financial statements for the year ended 31 December 2007.

(b) The Board of Directors, in a meeting held on 9 April 2008, proposed to distribute a final dividend for 2007 to equity holders of the Company of RMB825,484,000 (RMB0.06226 per share). The per share dividend is calculated based on the number of shares after the new A shares were issued on 1 February 2008 (Note 23). Such dividend distribution was approved by the shareholders' meeting held on 20 June 2008 and has been fully paid to shareholders in July 2008.

(c) The Board of Directors, in a meeting held on 27 March 2009, proposed to distribute a final dividend for 2008 to equity holders of the Company of RMB 2,043,559,000 (RMB0.15413 per share), based on total number of shares which are in issue as at 31 December 2008. Such dividend distribution is still subject to the approval of share holder's meeting, and is not reflected in these financial statements.

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38 EMOLUMENTS OF DIRECTORS AND SUPERVISORS

(a) The emoluments of directors and supervisors for the year ended 31 December 2008 is set out below:

	2008			2007		
Name	Salary, allowances and other benefits	Contribution to pension scheme	Total	Salary, allowances and other benefits	Contribution to pension scheme	Total
Chairman Executive Director						
Mr. WANG An[1]	—	—	—	—	—	—
Former Chairman Executive Director						
Mr. JING Tianliang[2]	—	—	—	—	—	—
Vice Chairman Non-executive Director						
Mr. ZHANG Baoshan	—	—	—	—	—	—
Executive director						
Mr. YANG Lieke	446	23	469	561	21	582
Former Executive director						
Mr. PENG Yi[3]	302	19	321	364	21	385
	748	42	790	925	42	967
Independent non-executive directors:						
Mr. GAO Shangquan	300	—	300	300	—	300
Mr. ZHANG Ke	300	—	300	300	—	300
Mr. PENG Ruchuan	300	—	300	300	—	300
Mr. WU Rongkang	300	—	300	300	—	300
Mr. LI Yanmeng	300	—	300	300	—	300
	1,500	—	1,500	1,500	—	1,500
Supervisors:						
Mr. DU Ji'an	—	—	—	—	—	—
Mr. ZHOU Litao	—	—	—	—	—	—
Mr. CHEN Xiangshan	309	24	333	216	21	237
	309	24	333	216	21	237
	2,557	66	2,623	2,641	63	2,704

1. Mr. Wang An was appointed as Executive Director and Chairman on 19 December 2008.
2. Mr. JING Tianliang resigned as Chairman on 16 October 2008.
3. Mr. PENG Yi resigned as Executive Director on 16 October 2008.

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

38 EMOLUMENTS OF DIRECTORS AND SUPERVISORS (continued)

(a) The emoluments of directors and supervisors for the year ended 31 December 2008 is set out below: (continued)

Mr. Wang An, received emoluments from China Coal Group, which amounted to RMB81,072 for the year ended 31 December 2008 (2007: Nil), Mr. Zhang Baoshan received emoluments from China Coal Group, which amounted to RMB474,000 for the year ended 31 December 2008 (2007: RMB406,000). Part of those emoluments is in relation to their services to the Company. No apportionment has been made as the directors consider that it is impractical to apportion this amount between their services to the Company and their service to the Parent Company.

The Former Chairman, Mr. Jing Tianliang, received emoluments from China Coal Group, which amounted to RMB502,000 for the year ended 31 December 2008 (2007: RMB759,000).

During the year, the emoluments paid to each of the directors did not exceed HK$1,000,000 (equivalent to RMB882,000).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year are as follows:

	2008	2007
Directors	—	1
Non-director individuals	5	4
	5	5

The details of emoluments paid to one of the five highest paid individuals who is a director of the Company have been included in note (a) above. Details of emoluments paid to the remaining non-director individuals are as follows:

	2008	2007
Basic, salaries, housing allowances, other allowances and benefits-in-kind	813	871
Contributions to pension schemes	395	320
Discretionary bonuses	2,198	1,768
	3,406	2,959

During the year ended 31 December 2008, the emoluments paid to each of the highest paid non-director individuals did not exceed HK$1,000,000 (equivalent to RMB882,000).

(c) During the year ended 31 December 2008, no directors, supervisors of the Company or the five highest paid individuals of the Group waived any emoluments and no emoluments were paid by the Group to any of the directors and supervisors of the Company or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

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

39 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

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

	2008	2007 (restated)
Profit for the year	8,020,173	6,406,231
Adjustments for:		
Property, plant and equipment		
- depreciation charge (Note 31)	1,515,276	1,355,222
- net losses on disposals (Note 31)	4,192	6,067
Investment properties		
- depreciation charge (Note 8)	1,224	—
Land use rights, mining rights and intangible assets		
- amortisation charge (Note 31)	52,530	69,812
Provision for impairment of receivables (Note 31)	36,565	82,226
Provision for impairment of inventories (Note 31)	176,027	—
Share of profits of associates and jointly controlled entities	(106,142)	(103,913)
Net foreign exchange transaction loss (Note 32)	426,023	590,182
Gain from derivative financial instruments (Note 21 (a))	(24,826)	(331,172)
Loss /(Gain) from fair value changes of other financial assets (Note 21 (b))	1,406,400	(1,367,200)
Gains on disposal of investments (Note 33)	(294)	(508)
Interest income (Note 33)	(1,543,479)	(421,554)
Interest expense (Note 32)	581,318	539,774
Dividend income (Note 33)	(10,003)	(6,895)
Income tax expense (Note 35)	2,491,651	1,950,067
Gains of debt restructuring	(211,867)	—
Changes in working capital:		
Inventories	(810,515)	(615,839)
Trade receivables	(1,112,854)	(1,294,151)
Prepayments and other receivables	235,255	(253,481)
Trade payables	1,460,544	554,898
Accruals and other payables	378,336	(157,237)
Restricted bank deposits	(1,779,290)	(328,271)
Provision for employee benefits	151,598	5,527
Provision for close down, restoration, and environmental costs	400,516	(38,816)
Net cash inflows generated from operations	11,738,358	6,640,969

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

39 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS (continued)

(b) Major non-cash transactions

During the year ended 31 December 2008, Huajin Coking Coal Company Limited, a subsidiary of the Company, entered into a loan restructuring agreement with a state-owned non-bank financial institution, under which RMB199,214,000 of interest payable was waived by the financial institution and the remaining loan principal and interest payable balance will be paid in stages in the following three years. Accordingly, the balance of the interest payable of the Group has been reduced by RMB199,214,000 and the same amount has been recorded as "other gains" in the Group's consolidated income statement. Meanwhile, the remaining balance of the loan has been reclassified into current and non-current portion of long-term borrowings in the consolidated balance sheet based on the repayment schedule.

40 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB 3,967,331,000 (2007: RMB2,697,373,000).

41 CONTINGENT LIABILITIES

(a) Bank and other guarantees

As at 31 December 2007 and 2008, the undiscounted amount of potential future payments under guarantees given to banks in respect of banking facilities extended to the parties below were as follows:

	2008	2007
Associates	250,000	—

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

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

42 COMMITMENTS

(a) Capital commitments

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

	2008	2007 (restated)
Property, plant and equipment	3,055,670	2,543,760
Others	212,722	1,317,760
	3,268,392	3,861,520

(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:

	2008	2007
Land and buildings:		
– Within 1 year	11,206	11,425
– From 1 year to 5 years	44,824	47,059
– Over 5 years	79,608	94,452
	135,638	152,936

	2008	2007
Plant and machinery:		
– Within 1 year	3,615	3,630
– From 1 year to 5 years	14,400	18,015
– Over 5 years	39,600	39,600
	57,615	61,245

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

43 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

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

In addition to the related party transactions undertaken in connection with the Restructuring described in Note 1 above, the Group enters into various other related party transactions. Set out below is a summary of significant related party transactions and balances in the years ended 31 December 2008 and 2007.

(a) Related party transactions

	2008	2007 (restated)
Transactions with the Parent Company and fellow subsidiaries		
Coal export and Sales (i)		
Charges paid for agency services of coal export	29,177	60,513
Integrated Material and Services Mutual Provision (ii)		
Charges paid for production material and ancillary services	1,039,949	609,131
Charges paid for social and support services	37,818	24,274
Revenue received from supply of production material and ancillary services	42,457	39,536
Revenue received from provision of coal export-related services	117,734	32,477
Mine Construction and Design (iii)		
Charges paid for construction services	943,734	728,948
Revenue received from construction services	19,086	—
Property Leasing (iv)		
Rental charge paid	56,906	57,811
Land Use Right (v)		
Rental charge paid	8,853	8,823

43 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Related party transactions (continued)

In addition, Jiangsu Sulv Aluminium Company Limited ("Sulv Aluminium") was transferred to China Coal Group in October 2007, which caused the transactions between the Group and Sulv Aluminium to constitute connected party transactions, and in the period from the date of the transfer to 31 December 2007, the Group sold aluminium ingots to Sulv Aluminium for a total amount of RMB43,282,000. In the year 2008, the total amount of these transactions is RMB172,903,000. Because such transaction was under agreement signed before Sulv Aluminium became a connected party of the Group, the management of the Company believe it should not be included in the annual cap of connected party transaction.

(i) Under PRC law and regulations, coal exports shall only be made through one of four authorised PRC enterprises including China Coal Group. The Company appointed China Coal Group as its coal export sales agent under a Coal Export and Sales Agency Framework Agreement entered into on 5 September 2006. Pursuant to the agreement, the agency fee for coal exports to countries and territories other than the China Taiwan market is 0.7% of the FOB price in respect of each ton of coal products exported; and the agency fee for the coal exports and sales to the China Taiwan market is 0.7% of the FOB price, plus USD0.5 per ton of coal products sold. The agency fees are payable on a monthly basis, effective from 22 August 2006.

(ii) The Company and China Coal Group entered into Integrated Materials and Services Mutual Provision Framework Agreement on 5 September 2006, under which the Company provides to China Coal Group and China Coal Group provides to the Company production material supplies and ancillary services, and the Company also provides to China Coal Group export-related services.

(iii) The Company and China Coal Group entered into a Mine Construction and Design Framework Agreement on 5 September 2006, under which the Company provides coal mine design services to China Coal Group and China Coal Group provides construction services to the Company.

(iv) The Company and China Coal Group entered into a Property Leasing Framework Agreement on 5 September 2006, under which the Company leases from China Coal Group certain buildings and properties in the PRC for general business and ancillary purposes.

(v) The Company and China Coal Group entered into a Land Use Rights Leasing Framework Agreement on 5 September 2006, under which the Company leases certain land use rights in the PRC from China Coal Group for general business and ancillary purposes.

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

43 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Related party transactions (continued)

	2008	2007 (restated)
Transactions with jointly controlled entities		
Sales and services provided:		
Agency income	2,288	—
Interest income	34,537	22,850
Purchases of goods and services:		
Purchases of coal	125,264	158,727
Transactions with associates:		
Sales and services provided:		
Sales of machinery and equipment	31,454	—
Income from renting property, plant and equipment	115,979	123,306
Purchases of goods and services:		
Purchases of materials and spare parts	80,120	—
Transportation services	374,649	288,658
Transactions with minority shareholders of subsidiaries:		
Sales and services provided:		
Sales of coal	12,907	1,654
Purchase of goods and services:		
Purchases of coal	262,981	100,018

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43 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Related party transactions (continued)

	2008	2007 (restated)
Transactions with other state-owned enterprises		
Sales and services provided:		
Sales of coal	21,271,814	14,707,961
Sales of machinery and equipment	3,949,294	2,944,724
Sales of materials and spare parts	7,695	344,917
Sales of design services	207,670	—
Railway transportation services income	50,587	27,842
Income from construction and technical services	—	100,724
Public utilities and facilities income	147,432	372,174
Agency income	55,081	109,778
Interest income	1,493,252	45,747
Purchases of goods and services:		
Purchases of coal	991,345	8,090,663
Purchases of machinery and equipment	670,570	270,969
Purchases of labour services	16,505	—
Purchases of materials and spare parts	3,881,191	1,530,531
Construction and technical services	1,060,223	216,284
Ancillary and social services	16,036	78,038
Transportation services	821,495	2,328,320
Interest expense	310,211	200,000

Key management compensation

Key management includes directors (executive and non-executive), supervisors and other key management personnel. The compensation paid or payable to key management for employee services is shown below:

Salary, allowances and other benefits		
– Directors and supervisors	2,557	2,641
– Other key management	1,604	1,810
Pension costs-defined contribution plans		
– Directors and supervisors	66	63
– Other key management	117	106

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

43 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related party balances

Other than those disclosed elsewhere in the consolidated financial statements, the outstanding balances with related parties as at 31 December 2008 and 2007 are as follows:

Balances with state-owned enterprises:

	2008	2007 (restated)
Deposits placed with banks and non-bank financial institutions	28,995,667	9,259,823
Loans from banks and non-bank financial institutions	9,943,913	9,908,764
Interest receivable	1,090,610	202,259
Interest payable	78,157	281,060

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

	2008	2007 (restated)
At beginning of the year	9,908,764	10,590,504
Assumption of control of certain subsidiaries	—	1,196,297
Additions	1,135,000	1,653,704
Payments	(1,398,540)	(3, 485,531)
Non-cash movement due to loan restructuring	11,015	—
Exchange losses/(gains)	287,674	(46,210)
At end of the year	9,943,913	9,908,764

Details of deposits placed with, and loans from banks and non-bank financial institutions are disclosed in Notes 22 and 25.

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

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44 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

As at 31 December 2008, the Company has interests in the following principal subsidiaries, jointly controlled entities and associates, which in the opinion of the directors, were significant to the results of 2008 or formed a substantial portion of the Group at the balance sheet date:

(i) Principal subsidiaries

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Listed –						
Shanghai Datun Energy Resources Co., Limited (上海大屯能源股份有限公司)	Shanghai, the PRC 29 December 1999	RMB722,718,000	62.43%	62.43%	Coal mining	Joint stock with limited liability
Unlisted -						
China Coal & Coke Holdings Limited (中煤焦化控股有限責任公司)	Beijing, the PRC 15 August 2003	RMB100,000,000	100%	100%	Manufacture and sale of coke	Limited liability company
China Coal Tendering Company Limited (中煤招標有限責任公司)	Beijing, the PRC 28 December 2001	RMB10,000,000	100%	100%	Tendering services	Limited liability company
China National Coal Development Company Limited (中國煤炭開發有限責任公司)	Beijing, the PRC 17 February 1981	RMB52,930,000	100%	100%	Sale of mining equipment	Limited liability company
China Coal Xi'an Design Engineering Company Limited (中煤西安設計工程有限責任公司)	Xi'an, the PRC 21 December 1989	RMB284,163,500	100%	100%	Coal mining related design services	Limited liability company

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

44 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(i) Principal subsidiaries (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Shanxi Pingshuo AnJialing Surface Mine Company Limited (山西平朔安家岭露天煤炭有限公司)	Pingshuo, the PRC 27 November 1997	RMB3,238,747,400	100%	100%	Coal mining	Limited liability company
Shuozhou Pingmu Coal Processing Company Limited (朔州平木煤炭加工有限公司)	Shuozhou, the PRC 4 July 2003	RMB31,300,000	0.32%	100%	Coal processing	Limited liability company
Shanxi China Coal Pingshuo Antaibao Coal Company Limited (山西中煤平朔安太堡煤炭有限責任公司)	Shuozhou, the PRC 8 July 1991	RMB3,683,329,000	100%	100%	Coal mining	Limited liability company
China National Coal Industry Import and Export Group (Heilongjiang) Company Limited (中國煤炭工業進出口集團黑龍江有限公司)	Harbin, the PRC 26 May 1999	RMB5,000,000	100%	100%	Sale of machinery, mineral and chemical products	Limited liability company
China Coal Shandong Company Limited (中煤能源山東有限公司)	Rizhao, the PRC 18 May 1999	RMB10,000,000	100%	100%	Sale of machinery, mineral and chemical products	Limited liability company

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44 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(i) Principal subsidiaries (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Group	Principal activities	Type of legal entity
Lianyungang China Coal Huanneng Coal Processing Company Limited (連雲港中煤環能煤炭加工有限公司)	Lianyungang, the PRC 27 December 1999	RMB5,000,000	—	75%	Coal processing	Sino-foreign joint venture
China Coal Lianyungang Import and Export Company Limited (中煤連雲港進出口有限公司)	Lianyungang, the PRC 5 July 1991	RMB75,000,000	100%	100%	Sale of machinery, coal and chemical products	Limited liability company
Shanghai Chinacoal East China Company Limited (上海中煤華東有限公司)	Shanghai, the PRC 26 May 2005	RMB100,000,000	100%	100%	Sale of machinery, minerals and chemical products	Limited liability company
China National Coal Industry Import and Export Group (Qingdao) Company Limited (中國煤炭工業進出口集團青島有限公司)	Qingdao, the PRC 2 June 1999	RMB10,000,000	100%	100%	Importing and exporting of machinery, mineral products, and other related services	Limited liability company
China National Coal Import and Export Group (Tianjin) Company Limited (天津中煤進出口有限公司)	Tianjin, the PRC 30 April 1999	RMB10,000,000	100%	100%	Sale of coal products and other related products	Limited liability company
China National Coal Industry Qinhuangdao Import and Export Company Limited (中國煤炭工業秦皇島進出口有限公司)	Qinghuangdao, the PRC 17 May 1999	RMB15,000,000	100%	100%	Sale of coal and related products	Limited liability company

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44 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(i) Principal subsidiaries (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Sunfield Resources Pty. Limited (華光資源有限公司)	Sydney, Australia 18 June 1997	AUD500,000	100%	100%	Investment management, trade of coal and coke	Limited liability company
Qinhuangdao China Coal Warehousing and Transportation Company Limited (秦皇島中煤儲運有限公司)	Qinhuangdao, the PRC 14 November 1989	RMB40,903,000	78.43%	78.43%	Warehousing and freight forwarding of coal	Limited liability company
Shuozhou Great Company Limited (朔州市格瑞特實業有限公司)	Shuozhou, the PRC 20 August 2004	RMB425,409,000	78%	78%	Coal gangue power generation	Limited liability company
Qinhuangdao Zhongmei Gangneng Coal Purifying Company Limited (秦皇島中煤港能煤炭加工有限公司)	Qinhuangdao, the PRC 25 August 1999	USD3,545,200	75%	75%	Coal processing	Sino-foreign joint venture
China Coal and Coke Longquan Limited (汾陽市中煤龍泉焦化有限責任公司)	Fenyang, the PRC 29 September 2003	RMB50,000,000	—	100%	Manufacture, processing and washing of coke	Limited liability company
China Coal and Coke Mudanjiang Limited (中煤牡丹江焦化有限責任公司)	Mudanjiang, the PRC 21 April 2003	RMB15,000,000	—	100%	Manufacture, processing and sale of coke	Limited liability company
China Coal and Coke Jingda Limited (山西省太谷縣中煤京達焦化有限公司)	Taigu, the PRC 29 October 2003	RMB100,000,000	—	100%	Manufacture and sale of coke	Limited liability company

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44 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(i) Principal subsidiaries (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
China Coal and Coke Jiuxin Limited (靈石縣中煤九鑫焦化有限責任公司)	Lingshi, the PRC 2 January 2004	RMB50,000,000	—	75%	Manufacture and sale of coke	Limited liability company
North Coke (Hong Kong) Company Limited (北方焦化(香港)有限公司)	Hong Kong 31 March 2003	USD100,000	—	100%	Sale of coke and related products	Limited liability company
China National Coal Mining Equipment Company Limited (中國煤礦機械裝備有限責任公司)	Beijing, the PRC 26 April 1988	RMB513,726,100	100%	100%	Design, manufacture and sale of machinery and equipment for coal industry	Limited liability company
China Coal Handan Coal Mining Machinery Company Limited (中煤邯鄲煤礦機械有限責任公司)	Handan, the PRC 6 June 2006	RMB142,710,000	—	100%	Manufacture of mining equipment; export and Import services	Limited liability company
Beijing China Coal Zhongzhuang Machinery Materials Company Limited (北京中煤中裝機械物資有限公司)	Beijing, the PRC 9 September 1993	RMB3,510,600	—	100%	Sale of mining steel and equipment	Limited liability company
China Coal Beijing Coal Mining Machinery Company Limited (中煤北京煤礦機械有限責任公司)	Beijing, the PRC 24 January 1981	RMB99,730,300	—	100%	Manufacture of mining machinery and equipment	Limited liability company

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44 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(i) Principal subsidiaries (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
China Coal Zhangjiakou Coal Mining Machinery Company Limited (中煤張家口煤礦機械有限責任公司)	Zhangjiakou, the PRC 16 May 2000	RMB657,860,000	—	100%	Manufacture of mining machinery and equipment	Limited liability company
China Coal Overseas Development Company Limited (中國煤炭海外開發有限公司)	Beijing, the PRC 4 April 1981	RMB4,167,200	—	100%	Import and export services	Limited liability company
China Mineral Equipment Group Import and Export Company Limited (中礦機集團進出口有限責任公司)	Beijing, the PRC 19 March 1996	RMB5,000,000	—	81.91%	Sale of mining machinery and equipment	Limited liability company
Tianjin China Coal Mining Equipment and Electronic Company Limited (天津中煤煤礦機電有限公司)	Tianjin, the PRC 7 January 1991	RMB10,109,300	—	100%	Manufacture of mining equipment and electronic products	Limited liability company
Jiangsu Datun Aluminium Company Limited (江蘇大屯鋁業有限公司)*	Xuzhou, the PRC 18 April 2002	USD29,670,000	—	46.82%	Manufacture of aluminium products	Sino-foreign joint venture
China Coal Shaanxi Zhong'an project Management Company Limited (中煤陝西中安項目管理有限責任公司)	Xi'an, the PRC 26 May 1993	RMB3,840,000	—	100%	Project management services	Limited liability company

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44 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(i) Principal subsidiaries (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Xi'an Zhong'an Rock Soil Engineering Company Limited (西安中安岩土工程有限責任公司)	Xi'an, the PRC 28 September 1993	RMB8,500,052.96	—	100%	Surveying services	Limited liability company
Xi'an Meilong Control Engineering Company Limited (西安梅隆控制工程有限責任公司)	Xi'an, the PRC 28 January 1997	RMB10,391,894.70	—	100%	Telecom engineering	Limited liability company
Xi'an Zhong'an Printing Co., Ltd (西安中安印務有限責任公司)	Xi'an, the PRC 27 September 1995	RMB807,700	—	100%	Sale of publishing and photocopying equipment and provision of related services	Limited liability company
China Coal Handan Design Limited Engineering Company (中煤邯鄲設計工程有限責任公司)	Handan, the PRC 23 June 2006	RMB61,862,800	—	100%	Design and survey of construction projects	Limited liability company
China Coal Handan Mining Machinery Company Limited (中煤邯鄲礦山機械有限責任公司)	Handan, the PRC 18 July 2006	RMB500,000	—	100%	Manufacture of mining machinery	Limited liability company
Handan City Guoning Engineering Design Company Limited (邯鄲市國寧工程設計資詢有限公司)	Handan, the RPC 10 July 2000	RMB1,000,000	—	100%	Construction design and consulting services	Limited liability company

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44 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(i) Principal subsidiaries (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Handan City Qibin Engineering Design and Consulting Company Limited (邯鄲市奇斌工程設計諮詢有限公司)	Handan, the RPC 30 July 2003	RMB500,000	—	100%	Provision of construction design and consulting services	Limited liability company
China Coal Handan Zhongyuan Construction Supervision and Consulting Company Limited (中煤邯鄲中原建設監理諮詢有限責任公司)	Handan, the PRC 18 July 2006	RMB6,000,000	—	100%	Provision of project management services	Limited liability company
China Coal Handan Xinhua Technology Development Company Limited (中煤邯鄲信華技術開發有限責任公司)	Handan, the PRC 18 July 2006	RMB1,000,000	—	100%	Provision of telecommuni-cation and computer engineering services	Limited liability company
China Coal Handan Rock Soil Engineering Technology Company Limited (中煤邯鄲岩土工程有限責任公司)	Handan, the PRC 18 July 2006	RMB1,000,000	—	100%	Provision of land surveying services	Limited liability company

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44 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(i) Principal subsidiaries (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Handan City Zhongyuan Engineering Quality Testing Company Limited (邯鄲市中遠工程質量檢測有限公司)	Handan, the PRC 24 September 2004	RMB1,000,000	—	100%	Provision of project quality testing services	Limited liability company
China Coal International Technical Consulting Company Limited (中國煤炭工業國際技術諮詢開發有限責任公司)	Beijing, the PRC 1 July 1988	RMB21,197,783	—	100%	Consulting services	Limited liability company
Huajin Coking Coal Company Limited (華晉焦煤有限責任公司)	Shanxi, the PRC 23 February 2001	RMB859,870,000	50%	50%	Coal mining	Limited liability company
Lingshi China Coal & Coke Gas Power Limited (靈石縣中煤焦化煤氣發電有限責任公司)	Lingshi, the PRC 11 November 2004	RMB1,000,000	—	51%	Power generation	Limited liability company
Shuozhou China Coal Pingshuo Energy Company Limited (朔州中煤平朔能源有限公司)	Shuozhou, the PRC 17 February 2004	RMB150,000,000	51%	51%	Manufacture and processing of coal	Limited liability company
Shanxi Nanliang Coal Company Limited (陝西南梁礦業有限公司)	Fugu, the PRC 5 February 1999	RMB68,750,000	23%	55%	Manufacture and processing of coal	Sino-foreign joint venture

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44 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(i) Principal subsidiaries (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Datong China Coal Export Base Development Company Limited (大同中煤出口煤基地建設有限公司)	Datong, the PRC 8 August 2000	RMB125,000,000	19%	60%	Manufacture and processing of coal	Sino-foreign joint venture
China Coal Complete Equipment Company Limited (中煤設備成套有限公司)	Beijing, the PRC 8 December 1993	RMB4,308,300	—	65.73%	Provision of maintenance services	Limited liability company
China Coal Coal Chemical Engineering Company Limited (中煤能源黑龍江煤化工有限公司)	Yilan, the PRC 22 June 2007	RMB50,000,000	100%	100%	Coal Chemical Engineering	Limited liability company
Fushun Coal Mine Electrical Machinery Company Limited (撫順煤礦電機製造有限責任公司)	Fushun, the PRC 6 April 2007	RMB316,000,000	—	50%	Manufacture and sales of coal mine electrical machinery and related products	Limited liability company
Jiangsu Datun Coal Trading Company Limited (江蘇大屯煤炭貿易有限公司)	Xuzhou, the PRC 30 June 2008	RMB10,000,000	—	100%	Sale of coal products and other related products	Limited Liability Company
Shanghai Datun Energy Resources Technology Development Company Limited (上海大屯能源技術開發有限公司)	Shanghai, the PRC 27 June 2007	RMB2,000,000	—	65%	New energy development, environmental protection and manufacture of energy saving equipments	Limited Liability Company

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44 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(i) Principal subsidiaries (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Lingshi Coal Chemical Company Limited (靈石中煤化工有限責任公司)	Jinzhong, the PRC 21 August 2007	RMB200,000,000	—	100%	Manufacture of chemical products	Limited Liability Company
Shijiazhuang Coal Mining Machinery Company Limited (石家莊煤礦機械有限責任公司)	Shijiazhuang, the PRC 29 April 1999	RMB240,000,000	—	50%	Manufacture of mining machinery and equipment	Limited Liability Company
Shanxi China Coal Dongpo Coal Industry Company Limited (山西中煤東坡煤業有限公司)	Shuozhou, the PRC 1 November 2002	RMB718,880,000	100%	100%	Services relating to resource restructure and technological expansion (restricted from engaging in coal production)	Limited Liability Company
China Coal Jizhou Yinhai Coal Chemical Engineering Company Limited (中煤冀州銀海煤化工有限責任公司)	Jizhou, the PRC 28 September 2008	RMB150,000,000	60%	60%	Project investment services and manufacture of chemical products	Limited Liability Company
China Coal Energy Xinjiang Tianshan Coal Electricity Company Limited (中煤能源新疆天山煤電有限責任公司)	Wujiaqu, the PRC 21 August 2008	RMB66,100,000	51%	51%	Manufacture and processing of coal, manufacturing and repairs of mechanical and electrical equipment	Limited Liability Company
China Coal Pingshuo Coal Industry Company Limited (中煤平朔煤業有限責任公司)	Shuozhou, the PRC 25 August 2008	RMB100,000,000	100%	100%	Coal mining, manufacturing and processing of coal and other related services	Limited Liability Company

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

44 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(i) Principal subsidiaries (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Zhangjiakou Hengyang Appliance Company Limited (張家口恒洋電器有限公司)	Zhangjiakou, the PRC 26 April 2001	USD603,000	—	75%	Manufacture of electrical appliances	Sino-foreign limited liability company

* The Group has 62.43% in Shanghai Datun Energy Co. Limited ("Shanghai Datun") which owns 75% interests in Jiangsu Datun Aluminium Company Limited ("Jiangsu Datun"). Jiangsu Datun is considered as the Group's subsidiary because the Group has majority voting rights on the Board of Directors and its strategic, operating, investing and financing activities are controlled by the Group.

Except for Sunfield Resources Pty. Limited which has adopted 30 June as its financial year end date, all subsidiaries have adopted 31 December as their financial year end date.

(ii) Principal jointly controlled entities

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Datong Zhongxin Energy Company Limited (大同中新能源有限公司)	Datong, the PRC 27 August 2001	RMB161,000,000	5%	42%	Manufacture and processing of coal	Sino-foreign joint venture
China Coal and Coke Xuyang Limited (河北中煤旭陽焦化有限公司)	Hebei, the PRC 21 November 2003	RMB100,000,000	—	45%	Manufacture and sale of coal and other related products	Limited liability company
Xi'an Coal Mining Machinery Company Limited (西安煤礦機械有限公司)	Xi'an, the PRC 17 January 2007	RMB490,000,000	50%	50%	Manufacture of mining machinery and equipment	Limited Liability Company

For the year ended 31 December 2008
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

44 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(iii) Principal associates

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Group	Principal activities	Type of legal entity
Tianjin Tanjin Energy Technology Company Limited (天津市炭金能源技術有限公司)	Tianjin, the RPC 28 August 2001	RMB2,000,000	—	40%	Coal washing and other related services	Limited liability company
Beijing Zhongshuichang Solid and Liquid Separation Technology Company Limited (北京中水長固液分離技術有限公司)	Beijing, the PRC 20 September 2001	RMB5,800,000	—	45%	Manufacture and sale of environmental friendly equipments	Limited liability company
Shuozhou City Pinglu District Ping'an Fertilizer Company Limited (朔州市平魯區平安化肥有限責任公司)	Shanxi, the PRC 31July 1996	RMB134,640,000	—	29.71%	Sale of fertilizer and other chemical products	Limited liability company
Taiyuan Coal Gasification Longquan Energy Development Company Limited (太原煤氣化龍泉能源發展有限公司)	Taiyuan, the PRC 8 September 2006	RMB300,000,000	40%	40%	Manufacture and sale of coke, coal and other related products	Limited liability company
Beijing Tianhua Zhongrui Machinery Technology Development Company Limited (北京天華中瑞機械科技發展有限責任公司)	Beijing, the PRC 16 September 2004	RMB4,641,000	—	49%	Manufacture of spare parts for motor vehicles	Limited liability company

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

44 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(iii) Principal associates (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Shanxi Pingshuo Gangue-fired Power Generation Co., Ltd. (山西平朔煤矸石發電有限責任公司)	Shanxi, the PRC 10 December 2002	RMB7,760,000	30.03%	30.03%	Power generation and related products	Limited liability company
Shuozhou Pingshuo Luda Railway Transportation Company Limited (朔州平朔路達鐵路運輸有限公司)	Shanxi, the PRC 19 May 2004	RMB10,000,000	37.5%	37.5%	Railway transportation	Limited liability company
Guotou Zhongmei Tongmei Jingtang Port Company Limited (國投中煤同煤京唐港口有限公司)	Tianjin, the PRC 16 June 2005	RMB200,000,000	21%	21%	Coal quay construction	Limited liability company
Guorun (Zhangjiakou) Mineral Equipment Company Limited (國潤（張家口）工業技術有限責任公司)	Zhangjiakou, the PRC 18 November 2004	USD3,530,000	—	49%	Manufacture of mining vehicles and provision of technical services	Sino-foreign joint venture
Tianjin Port China Coal Huaneng Coal Terminal Co. Ltd. (天津港中煤華能煤碼頭有限公司)	Tianjin, the PRC 14 September 2007	RMB1,125,000,000	24.5%	24.5%	Port logistics	Limited liability company
Zhejiang Zheneng Zhongmei Zhoushan Coal & Electricity Company Limited (浙江浙能中煤舟山煤電有限責任公司)	Zhoushan, the PRC 5 June 2007	RMB700,000,000	27%	27%	Import and export of coal and related products	Limited liability company

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

44 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(iii) Principal associates (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Group	Principal activities	Type of legal entity
Zhongtian Synergetic Energy Company Limited (中天合創能源有限責任公司)	Erdos, the PRC 24 October 2007	RMB500,000,000	38.75%	38.75%	Coal chemical engineering	Limited liability company
Fengpei Railway Transportation Company Limited (豐沛鐵路股份有限公司)	Xuzhou, the PRC 28 September 2008	RMB63,200,000	—	19%	Railway transportation	Limited Liability Company
Neimenggu Tianlong Mining Machinery Maintenance Company Limited (內蒙古天隆煤機維修有限責任公司)	Shenmu, the PRC 17 July 2008	RMB100,000,000	—	20%	Mechanical equipment maintenance	Limited Liability Company

The English names of certain subsidiaries, jointly controlled entities and associated companies referred to herein represent management's best effort at translating the Chinese names of these companies as no English names have been registered.

45 ULTIMATE HOLDING COMPANY

The Company's directors regard China Coal Group, a company established in the PRC, as the ultimate holding company of the Company.

46 SUBSEQUENT EVENTS

(a) The Company disposed all COSCO shares in February 2009. Net receipts from this disposal amounted to RMB465,367,000, making profit of RMB165,367,000 (after tax: RMB124,025,000) against the fair value at 31 December 2008.

(b) The Board of Directors, in a meeting held on 27 February 2009, approved to provide a guarantee of RMB600,000,000 for a company in which the Company owns 5% interest in order to let it to obtain bank borrowings.

Unit: RMB (1,000)

	2004	2005	2006	2007 (restated)	2008
Revenue and Profit					
Revenue	22,163,793	30,061,275	30,226,505	35,640,525	50,992,807
Profit before tax	3,165,767	4,310,217	4,724,766	8,356,298	10,511,824
Tax	(730,222)	(758,772)	(1,340,918)	(1,950,067)	(2,491,651)
Profit for the year	2,435,545	3,551,445	3,383,848	6,406,231	8,020,173
Attributable to:					
Equity holders of the Company	2,248,233	3,343,473	3,172,109	6,019,805	7,140,836
Minority interests	187,312	207,972	211,739	386,426	879,337
Dividend	798,880	1,161,429	1,236,079	1,048,959	825,484
Earnings per share attributable to the equity holders of the Company (RMB)			0.39	0.51	0.54
Assets and Liabilities					
Non-current assets	12,414,836	14,489,579	19,680,051	30,063,098	37,132,046
Current assets	10,350,011	12,272,534	25,433,686	23,132,192	51,052,121
Current liabilities	11,338,830	12,795,461	13,103,446	10,359,920	12,744,105
Net current assets/(liabilities)	(988,819)	(522,927)	12,330,240	12,772,272	38,308,016
Total assets less current liabilities	11,426,017	13,966,652	32,010,291	42,835,307	75,440,062
Non-current liabilities	8,490,422	9,372,735	9,372,538	11,830,520	12,669,773
Net assets	2,935,595	4,593,917	22,637,753	31,004,850	62,770,289
Equity attributable to the equity holders of the Company	1,951,687	3,929,503	21,573,388	28,050,475	58,541,594
Minority interests	983,908	664,414	1,064,365	2,954,375	4,22,695

Note: The data in the above financial summary for 2007 has been restated, please refer to the notes to consolidated financial statements set out in this report for details.

Corporate Information

Registered Chinese Name of the Company

中國中煤能源股份有限公司

Registered English Name of the Company

China Coal Energy Company Limited

Registered Office Address

No. 1 Huangsidajie, Chaoyang District,
Beijing, China

Principal Place of Business in Hong Kong

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Hong Kong

Joint Company Secretaries

Zhou Dongzhou, and Wang Yuanheng (Solicitor, Hong Kong and England and Wales)

Authorised Representative

Zhou Dongzhou

Investor Relations Contacts

Investor Relations Department of
China Coal Energy Company Limited

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International Auditors

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Certified Public Accountants
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Central, Hong Kong

Legal Advisors

Hong Kong Legal Advisor
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PRC Legal Advisor
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Beijing
China

H Share Registrar and Transfer Office

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Wanchai
Hong Kong

Listing information

H Shares
The Stock Exchange of Hong Kong Limited
Stock code: 01898
Date of listing: 19 December 2006

A Shares
Shanghai Stock Exchange
Stock code: 601898
Date of listing: 1 February 2008

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

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