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

2010 Annual Report

Contents

Note:

In this report, unless otherwise indicated, all financial indicators are presented in Renminbi ("RMB").

Summary of consolidated balance sheet

Unit: RMB100 million

Items	As at 31 December 2010	As at 31 December 2009 (Restated)	Percentage change (%)	Notes to financial statements
Assets	1,229.36	1,111.00	10.7	
Of which: Property, plant and equipment	464.18	381.21	21.8	Note 7
Mining rights	186.11	152.59	22.0	Note 10
Investments in associates	39.95	20.30	96.8	Note 13
Inventories	62.15	49.78	24.8	Note 19
Trade and notes receivables	70.06	49.64	41.1	Note 20
Term deposits with initial terms of over 3 months	46.24	228.13	-79.7	Note 23
Cash and cash equivalents	229.22	126.28	81.5	Note 23
Equity	863.38	781.96	10.4	
Of which: Equity attributable to the equity holders of the Company	740.48	685.95	7.9	
Non-controlling interests	122.90	96.00	28.0	
Liabilities	365.98	329.04	11.2	
Of which: Long-term borrowings	107.16	112.87	-5.1	Note 26
Provision for close down, restoration and environmental costs	8.88	11.88	-25.3	Note 31
Trade and notes payables	92.54	68.01	36.1	Note 29
Taxes payable	16.51	6.10	170.7	

Summary of consolidated income statement

Unit: RMB100 million

Items	Year ended 31 December 2010	Year ended 31 December 2009 (Restated)	Percentage change (%)	Notes to financial statements
Revenue	703.03	531.87	32.2	Note 6
Cost of sales	558.25	411.56	35.6	
Gross profit	144.78	120.31	20.3	
Profit from operations	110.62	97.72	13.2	
Profit before income tax	109.99	103.16	6.6	
Profit for the year	81.51	79.20	2.9	
Profit attributable to the equity holders of the Company	74.66	74.09	0.8	
Basic earnings per share attributable to equity holders of the Company (RMB)/Share	0.56	0.56		Note 37

Summary of the operating results of segments (for the year ended 31 December 2010)

Unit: RMB100 million

Items	Coal operations	Coking operations	Coal mining equipment operations	Other operations	Unallocated items	Elimination	Total
Revenue	562.66	48.88	70.71	41.70	–	–20.92	703.03
Of which: Revenue from external sales	558.39	48.88	60.95	34.81	–	–	703.03
Profit/(loss) from operations	114.43	-5.68	4.97	0.72	-2.80	–1.02	110.62
Profit/(loss) before income tax	111.35	-6.02	4.51	0.01	1.18	–1.04	109.99
Assets	658.46	64.91	92.38	50.48	388.75	–25.62	1,229.36
Liabilities	232.00	4.92	42.23	31.27	78.97	–23.41	365.98

Summary of consolidated cash flow statement

Unit: RMB100 million

Items	For the year ended 31 December 2010	For the year ended 31 December 2009 (Restated)
Net cash generated from operating activities	106.83	116.88
Net cash generated from/(used in) investing activities	14.66	–65.30
Net cash used in financing activities	–18.53	–4.16
Net increase in cash and cash equivalents	102.96	47.42
Cash and cash equivalents at the beginning of the year	126.28	78.88
Net foreign exchange losses	–0.02	–0.02
Cash and cash equivalents at the end of the year	229.22	126.28

Reconciliation of profit before tax to net cash inflows generated from operations

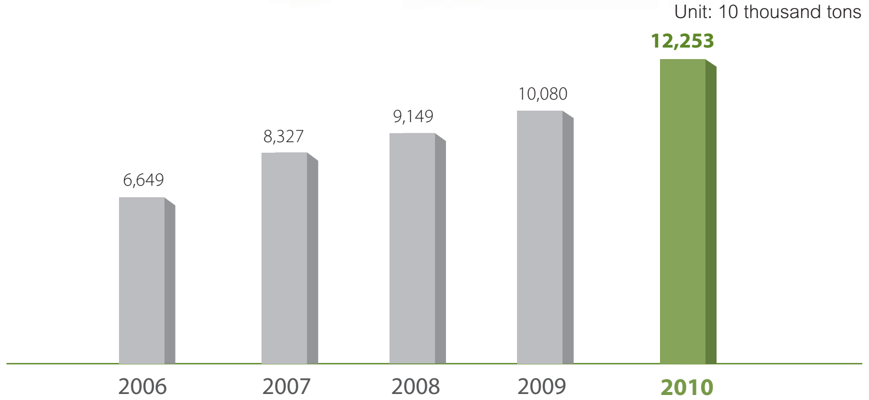
Unit: RMB100 million

Items	For the year ended 31 December 2010	For the year ended 31 December 2009 (Restated)
Profit before tax	109.99	103.16
Adjustments for:		
Depreciation and amortisation	35.28	26.95
Net gains/(losses) from disposal of property, plant and equipment	–0.14	0.02
Provision for/ (reversal of) impairment of receivables, inventories and property, plant and equipment, financial assets available for sale and investment in associates, land use rights and property, plant and equipment, etc.	2.39	0.31
Share of profits of associates and jointly controlled entities	–0.46	–0.91
Net foreign exchange losses/(gains)	1.27	–0.67
Losses/(gains) on disposal of investments	1.58	–3.18
(Gains)/losses on futures	–0.06	0.10
Gains on interest and dividend	–4.99	–9.00
Interest expense	4.62	5.08
Negative goodwill	–2.78	–
Changes in working capital	–23.51	8.20
(Decrease)/increase in provision for employee benefits	–0.10	0.74
Increase in provision for close down, restoration and environmental costs and wadjustment of stripping ratio	3.15	0.68
Cash generated from operating activities	126.24	131.48

Items	2010	2009	Percentage change (%)
(1) Coal operations (10 thousand tons)			
Self-produced raw coal production volume	12,253	10,080	21.6
Commercial coal production volume	9,438	8,053	17.2
Sales volume of commercial coal	11,727	9,725	20.6
Of which: Sales volume of self-produced commercial coal	8,975	7,897	13.7
(2) Coking operations (10 thousand tons)			
Coke production volume*	206	214	-3.7
Sales volume of coke	259	242	7.0
(3) Coal mining equipment operations			
Coal mining equipment production value (RMB100 million)	71.6	58.3	22.8
Production volume of coal mining equipment (10 thousand tons)	27.1	23.9	13.4

* The coke production volume of China Coal and Coke Xuyang Limited is not included in the coke production volume for 2010 and 2009.

Production volume of self-produced raw coal in 2006 – 2010



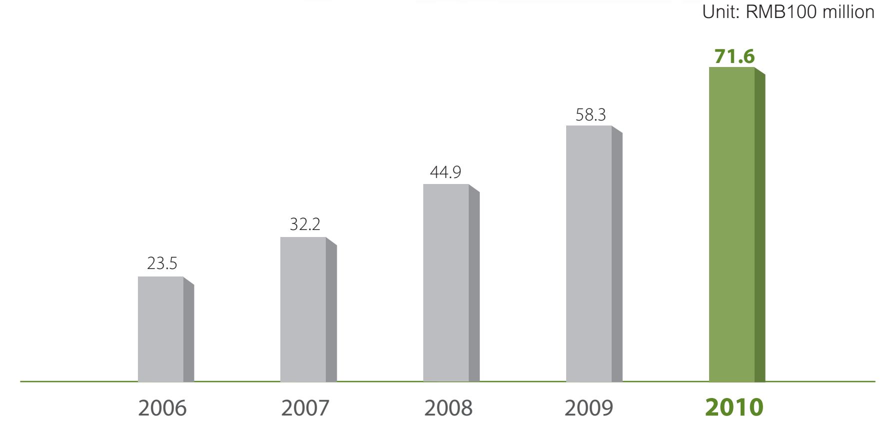
Production volume of self-produced raw coal (10 thousand tons)		2010	2009	Percentage change (%)
Pingshuo Mining Area		10,388	8,702	19.4
Of which:	Antaibao Open Pit Mine	2,700	2,272	18.8
	Anjialing Open Pit Mine	2,304	2,028	13.6
	Anjialing No.1 Underground Mine	1,552	1,604	-3.2
	Anjialing No.2 Underground Mine	1,682	1,554	8.2
	Antaibao Underground Mine	850	674	26.1
	Jingdong Mine	1,300	570	128.1
Datun Mining Area		909	861	5.6
Of which:	Yaoqiao Mine	445	410	8.5
	Kongzhuang Mine	150	143	4.9
	Xuzhuang Mine	184	175	5.1
	Longdong Mine	130	133	-2.3
Liliu Mining Area		261	165	58.2
Of which: Shaqu Mine		247	165	49.7
Dongpo Coal Mine		510	186	174.2
Nanliang Coal Mine		185	166	11.4
Total		**12,253**	**10,080**	**21.6**

Commercial coal production volume (10 thousand tons)	2010	2009	Percentage change (%)
Pingshuo Mining Area	7,442	6,376	16.7
Datun Mining Area	753	780	-3.5
Of which: Self-used volume	126	84	50.0
Liliu Mining Area	223	148	50.7
Dongpo Coal Mine	510	186	174.2
Nanliang Coal Mine	190	171	11.1
Shuozhong Company	277	123	125.2
Dazhong Company	343	357	-3.9
Total	**9,438**	**8,053**	**17.2**

Sales volume of commercial coal (10 thousand tons)		2010	2009	Percentage change (%)
(1) Domestic sales of self-produced coal		8,835	7,764	13.8
By region:	North China	2,888	2,392	20.7
	East China	3,372	3,210	5.0
	South China	1,055	832	26.8
	Northeast China	21	27	-22.2
	Other	1,499	1,303	15.0
By coal type:	Thermal coal	8,728	7,616	14.6
	Coking coal	107	148	-27.7
By contract:	Long- term contract	6,180	5,597	10.4
	Spot trading	2,655	2,167	22.5
By transportation:	Seaborne	6,156	5,775	6.6
	Direct arrival	1,077	1,036	4.0
	Local sales	1,602	953	68.1
(2) Self-produced coal export		140	133	5.3
By region:	Taiwan, China	108	76	42.1
	Korea	18	37	-51.4
	Japan	7	20	-65.0
	Other	7	–	–
By coal type:	Thermal coal	140	130	7.7
	Coking coal	0	3	-100.0
By contract:	Long-term contract	140	130	7.7
	Spot trading	0.3	3	-90.0
(3) Proprietary trading		2,394	1,529	56.6
Of which:	Self-operated exports	1	1	0.0
	Domestic resale	2,077	1,344	54.5
	Import trading	309	184	67.9
	Transshipment trading	7	–	–
(4) Import and export agency sales		358	299	19.7
Of which:	Import agency	–	7	–
	Export agency	358	292	22.6
Total		**11,727**	**9,725**	**20.6**

Coal resources reserve (100 million tons)	As of the end of 2010	Percentage (%)
By base:		
Shanxi	94.0	50.8
Of which: Pingshuo	55.9	30.2
Inner Mongolia-Shaanxi	75.1	40.6
Jiangsu	11.9	6.4
Xinjiang	4.0	2.2
By coal type:		
Thermal coal	149.4	80.8
Coking coal	35.6	19.2
Total	**185.0**	**100.0**

Coal mining equipment production value from 2006 to 2010



Coal mining equipment production value (RMB100 million)	2010	2009	Percentage change (%)
Conveyor equipment	27.6	22.9	20.5
Support equipment	23.1	19.2	20.3
Road header	6.8	5.4	25.9
Shearer	6.1	4.8	27.1
Electric mining motor	8.0	6.0	33.3
Total	**71.6**	**58.3**	**22.8**

Sales volume of coke (10 thousand tons)	2010	2009	Percentage change (%)
Metallurgical coke	218	209	4.3
Of which: Self-produced	176	182	-3.3
Foundry coke	41	33	24.2
Of which: Self-produced	41	33	24.2
Total	**259**	**242**	**7.0**

Organisation Chart of China Coal Energy Company Limited

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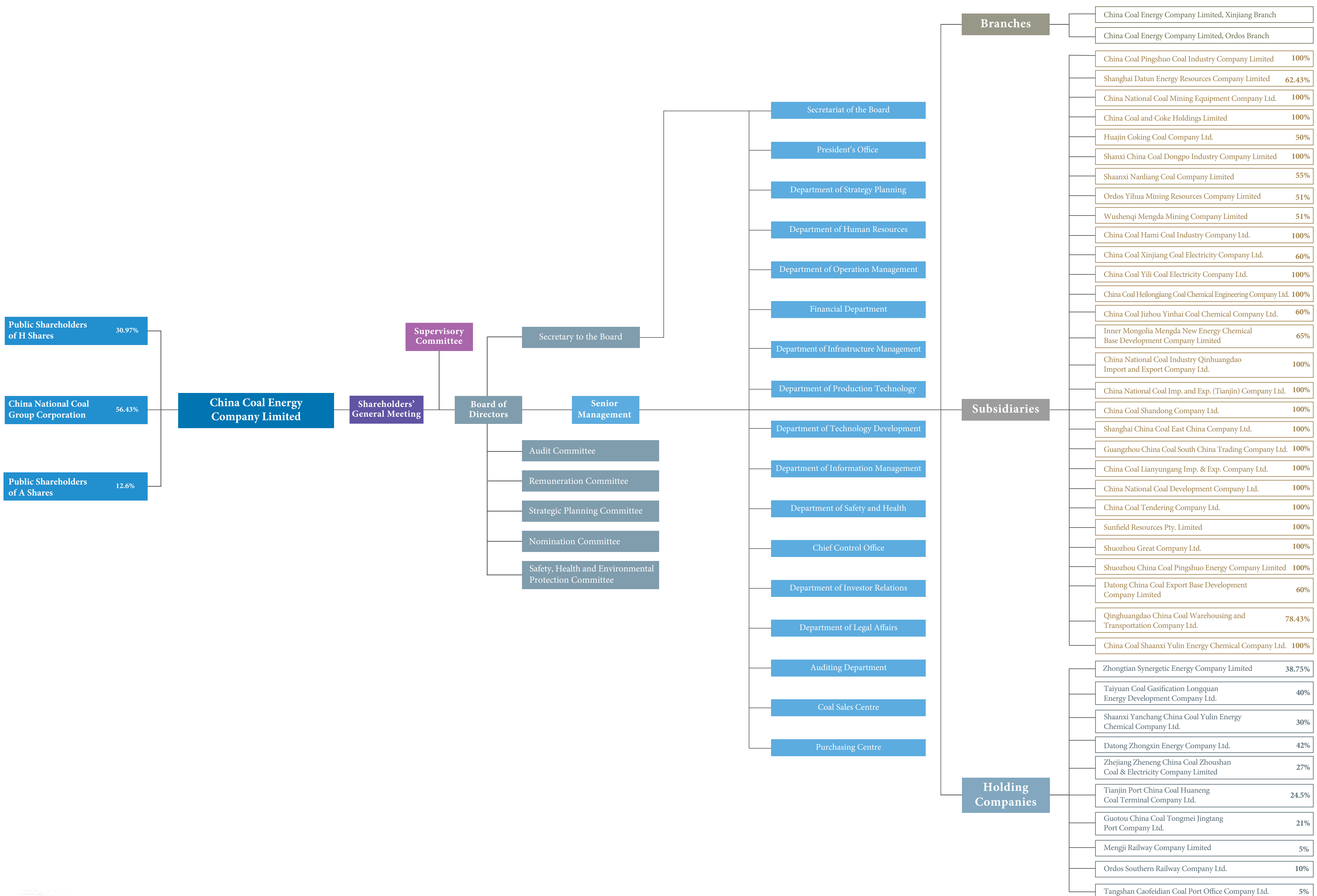


Chairman's Statement

Dear Shareholders,

In 2010, the Chinese government effectively coped with the impact of the international financial crisis and took proper measures to balance different targets among achieving steady and rapid economic growth, adjusting economic structure and managing inflation expectation. Chinese economy maintained a steady and rapid growth momentum, riding on synergetic effects of strongly rebounded industrial production, robust domestic demand and rapid growth of export. As macro-economy situation improved, the coal industry continued to develop steadily, which was evidenced by the rapid growth of production volume, new high record of coal import and periodical fluctuation of coal prices at high levels coupled with the changes of supply and demand. The Company had made tremendous efforts to mitigate any adverse impact in relation to safety production, arranged its production scientifically, strengthened the interconnection among coal production, transportation and sales stage and proactively adjusted its industrial structure, which ensured rapid growth in its operation and laid a solid foundation for the Company's future development.

During the reporting period, the Company's raw coal production was 122.53 million tons, representing a year-on-year increase of 21.6%. Commercial coal production was 94.38 million tons, representing a year-on-year increase of 17.2%. Commercial coal sales amounted to 117.27 million tons, representing a year-on-year increase of 20.6%. The Company recorded revenue of RMB70.303 billion, representing a year-on-year increase of 32.2%. Profit before income tax of the Company amounted to RMB10.999 billion. Basic earnings per share amounted to RMB0.56.

The Company adhered to the development approach of "pursuance of economies of scale in production, modernisation in equipment, specialisation of professional teams and informatisation of management", and accelerated the development of the mining base with 100 million tons production capacity, which enabled the Company to continue with its rapid growth in coal production. Taking advantage of the fully-mechanized top coal caving technique and capitalising on its overall strengths in the open pit and underground mining method, Pingshuo Mining Area produced 103.88 million tons of raw coal and became the first mining area with production capacity of 100 million tons in China adopting the open pit and underground mining method. Pingshuo Mining Area realised the optimisation of allocation of the coal resources and the sound and efficient mining process, enhanced its capacity of safe mining, which made significant contributions to the coal industry development of China. Taking measures to optimise the mining and exploitation process and improve production efficiency, Liliu Mining Area and Datun Mining Area also achieved stable growth in raw coal production by securing safety production.

The Company continued to improve its sales network with our headquarters as the main body, which was supplemented by the regional companies serving major energy consumption areas. The sales network enabled our sales and customer services to stay closer to the market and expanded our market presence. We strived to strengthen the logistics network development and had preliminarily built up a logistics network covering the source of coal products, loading port and destination port, which guaranteed the effective connection between the production and sales stage of coal products. In addition, we continuously optimised our market structure to actively expand markets, including building materials, metallurgy and chemical industry markets that were market-oriented with affordable prices, and to increase spot sales proportion and improve the profitability of our products. We also continued to optimise our product structure and actively participate in lump coal processing and coal blending businesses, which added value to our self-produced products. Furthermore, the Company effectively reduced its logistics cost and improved the transshipment efficiency by strengthening business cooperation with coal ports. The coal sales of the Company for 2010 increased by 20.02 million tons over 2009, with spot sales accounting for 30.1% of domestic sales of self-produced coal, representing a year-on-year increase of 2.2 percentage points.

While achieving satisfactory operating results, the Company further improved its sustainable development ability by accelerating the development of projects and acquisition of resources. The Company expedited its project preparation work and obtained supporting documents of approvals for some projects. The Company made steady progress in key projects including the renovation and expansion of Muduchaideng Coal Mine in Inner Mongolia and Shaqu Mine operated by Shanxi Huajin etc.. Pingshuo East Open Pit Mine will commence operation in 2011. As of the end of 2010, the Company's coal resource reserve amounted to 18.5 billion tons under the PRC mining standards. Our coal resources will increase by 920 million tons through the acquisition and restructuring of Xiaohuigou Coal in Shanxi and Hecaogou Coal Mine in Shaanxi during the reporting period.

As a result of the Company's sustainable increase in profitability and its sound and healthy capital structure, the Company received the highest credit rating. In 2010, the Company was granted credit facilities of RMB225 billion by major domestic commercial banks, which provided adequate funds for the sustainable development of the Company. In order to enhance the effective utilisation of funds, the Company made reasonable changes to the usage of some proceeds from A Share issuance by investing primarily in coal mine projects with higher profitability. In the future, we will accelerate the development of projects under construction to achieve quicker production and profitability, and cultivate new profit generators for the Company.

The Board of Directors and Supervisory Committee of the Company were re-elected in December 2010 and appointment of members of the Second Session of the Board of Directors and Supervisory Committee was approved at the Shareholders' general meeting in accordance with the Articles of Association and relevant regulations. I would like to express my sincere gratitude to all members of the First Session of the Board of Directors and Supervisory Committee and the management, particularly Mr. Jing Tianliang, Mr. Gao Shangquan, Mr. Peng Ru Chuan, Mr. Du Ji'an, Mr. Chen Xiangshan, Mr. Li Fuyou and Mr. Wang Yuanheng, for their efforts, wisdom and dedication for the development of the Company. In the coming years, I will work with members of the Second Session of the Board of Directors and Supervisory Committee and the management to make further contributions to the development of the Company.

Dear shareholders, in the past five years, with the continuous improvement of macro-economy situation and under the support of relevant policies, the market reform of Chinese coal industry had witnessed significant progress, acceleration of structure adjustment, significant increase of coal production and substantial improvement of industry environment. Taking advantage of the solid development in the coal industry, the Company had achieved forward-leaping development in the past five years. The aggregate of raw coal production volume amounted to 470 million tons with average annual increase of more than 14.48 million tons and a CAGR of 19.6%; operating revenue of the Company increased by 2.3 times, with a CAGR of 18.5%; and net profits attributable to equity holders of the Company increased by 2.2 times, with a CAGR of 17.4%. The Company focused on the development of its two major profit contributors, Pingshuo and Inner Mongolia-Shaanxi Mining Areas, aiming to coordinate the development of its five bases and core businesses.

The year 2011 marks the beginning of the "Twelfth Five Year Plan". China will continue to strengthen and improve its macroeconomic control measures to maintain a steady and healthy development of the economy, which will further increase its energy demand. In the future, the current energy structure of China with coal resources playing a major part will not undergo fundamental change and its total energy consumption volume will continue to grow. Coal chemicals will, to some extent, become an alternative to petrochemicals, which will bring new development opportunities to the coal chemical business of the Company. In addition, with the Chinese energy strategy being shifted to focus on Western China and optimising industrial allocation, there will be important strategic opportunities for Central China and Western China, which will bring benefits to the construction of the Company's new bases in these regions.

During the "Twelfth Five Year Plan", the Company will prioritise the development of coal production as its core business. The Company will expand coal chemical and power generation-related businesses, while optimizing the coal mining equipment business. The Company will accelerate the construction of five coal production and transformation bases in Shanxi, Inner Mongolia-Shaanxi, Jiangsu, Heilongjiang and Xinjiang, to form an industrial layout with four pillar industries of coal, coal chemical, power generation, coal mining equipment, and a geographic layout of five coal production and transformation bases. The Company will strive for substantial growth in the production volume of major products, asset size, turnover and profit by 2015, with an aim to doubling the economic volumes.

In addition to unprecedented historical opportunities, the Company is also encountering challenges for its development. Competition in the future will intensify as excessive production capacity of coal industry gradually emerges. Cost control will be more difficult due to the increase of raw materials prices and structural rise of labor costs. Room for increase of coal price for major contracts will be limited under the inflation expectation management of the Chinese government. China Coal Energy will actively cope with all difficulties and challenges, strengthen its capability to ensure safety production, continue to improve the Company's corporate governance, increase the Company's operating results and create new value for our Shareholders.

Wang An
Chairman

Beijing, the PRC
22 March 2011

Management Discussion and Analysis of Financial Conditions and Operating Results

The following discussion 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

In 2010, the Group organised its production in a scientific way, stepped up market development, strengthened the interconnection among its production, transportation and sales, and maintained the rapid growth momentum for both production and operations, and therefore achieved satisfactory operating results.

For the year ended 31 December 2010, the Group's total revenue (net of inter-segmental sales) amounted to RMB70.303 billion, representing a year-on-year increase of 32.2%; profit before income tax amounted to RMB10.999 billion, representing a year-on-year increase of 6.6%; profit attributable to equity holders of the Company amounted to RMB7.466 billion, representing a year-on-year increase of 0.8%; net cash generated from operating activities per share was RMB0.81, representing a year-on-year decrease of RMB0.07; and basic earnings per share was RMB0.56, which was the same as 2009.

	For the year ended 31 December 2010 RMB100 million	For the year ended 31 December 2009 RMB100 million (restated)	Increase/decrease RMB100 million	%
Revenue	**703.03**	531.87	171.16	32.2
Profit before income tax	**109.99**	103.16	6.83	6.6
EBIDTA	**145.90**	124.67	21.23	17.0
Profit attributable to the equity holders of the Company	**74.66**	74.09	0.57	0.8
Net cash generated from operating activities	**106.83**	116.88	-10.05	-8.6

As at 31 December 2010, the gearing ratio (total interest-bearing debts/(total interest-bearing debts + equity)) of the Group was 12.3%, representing a decrease of 1.3 percentage point from the beginning of the year.

	As at 31 December 2010 RMB100 million	As at 31 December 2009 RMB100 million (restated)	Increase/decrease RMB100 million	%
Assets	**1,229.36**	1,111.00	118.36	10.7
Liabilities	**365.98**	329.04	36.94	11.2
Interest-bearing debts	**121.38**	122.76	-1.38	-1.1
Equity	**863.38**	781.96	81.42	10.4
Equity attributable to equity holders of the Company	**740.48**	685.95	54.53	7.9

II. Operating Results

1 Revenue

(1) Consolidated Revenue

For the year ended 31 December 2010, the Group's total revenue (net of inter-segmental sales) increased from RMB53.187 billion for the year ended 31 December 2009 to RMB70.303 billion, representing an increase of 32.2%. This was mainly attributable to the substantial growth in revenue from coal operations over the last year.

Changes in revenue net of inter-segmental sales from the Group's four operating segments of coal, coking, coal mining equipment and other operations for the year ended 31 December 2010 in comparison with the year ended 31 December 2009 were set out as follows:

	Revenue net of inter-segmental sales			
	For the year ended 31 December 2010 RMB100 million	For the year ended 31 December 2009 RMB100 million (restated)	Increase RMB100 million	%
Coal operations	**558.39**	409.09	149.30	36.5
Coking operations	**48.88**	35.90	12.98	36.2
Coal mining equipment operations	**60.95**	52.55	8.40	16.0
Other operations	**34.81**	34.33	0.48	1.4
Total	**703.03**	531.87	171.16	32.2

The proportion of revenue net of inter-segmental sales generated by each operating segment of the Group for the year ended 31 December 2010 and the year ended 31 December 2009 in the Group's total revenue were set out as follows:

	Proportion of revenue net of inter-segmental sales		
	For the year ended 31 December 2010	For the year ended 31 December 2009 (restated)	Increase/ decrease (percentage points)
	%	%	
Coal operations	79.4	76.9	2.5
Coking operations	7.0	6.7	0.3
Coal mining equipment operations	8.7	9.9	-1.2
Other operations	4.9	6.5	-1.6

(2) Segmental Revenue

- **Coal operations**

The major coal products of the Group were thermal coal and coking coal. Revenue from the coal operations was mainly generated from selling coal produced from our own coal mines and coal washing plants (sales of self-produced commercial coal) to domestic and overseas customers. In addition, the Group also purchased coal from external coal enterprises for resale to customers (sales of proprietary coal trading) and it was also engaged in coal import and export agency services.

For the year ended 31 December 2010, the total revenue from coal operations of the Group increased from RMB41.175 billion for the year ended 31 December 2009 to RMB56.266 billion, representing an increase of 36.7%; revenue net of other inter-segmental sales increased from RMB40.909 billion for the year ended 31 December 2009 to RMB55.839 billion, representing an increase of 36.5%.

For the year ended 31 December 2010, revenue from sales of self-produced commercial coal increased from RMB33.111 billion for the year ended 31 December 2009 to RMB41.341 billion, representing an increase of 24.9%. After offsetting the revenue from inter-segment sales, the sales increased from RMB32.845 billion to RMB40.914 billion for the year ended 31 December 2009, representing an increase of 24.6%. Revenue from sales of proprietary coal trading increased from RMB8.035 billion for the year ended 31 December 2009 to RMB14.880 billion, representing an increase of 85.2%. Revenue from coal import and export agency services increased from RMB29 million for the year ended 31 December 2009 to RMB45 million, representing an increase of 55.2%.

Changes in the Group's coal sales volume and selling price for the year ended 31 December 2010 in comparison with the year ended 31 December 2009 were set out as follows:

			For the year ended 31 December 2010		For the year ended 31 December 2009		Increase/decrease	
			Sales volume (10,000 tons)	Selling price (RMB/ton)	Sales volume (10,000 tons)	Selling price (RMB/ton)	Sales volume (10,000 tons)	Selling price (RMB/ton)
I.	Self-produced commercial coal	Total	8,975	456	7,897	416	1,078	40
		(I) Thermal coal	8,868	446	7,746	408	1,122	38
		1. Export	140	662	130	522	10	140
		(1) Long-term contract	140	660	130	522	10	138
		(2) Spot trading	0.3	1,458	☆	☆	0.3	—
		2. Domestic sales	8,728	443	7,616	406	1,112	37
		(1) Long-term contract	6,150	410	5,559	402	591	8
		(2) Spot trading	2,578	521	2,057	417	521	104
		(II) Coking coal	107	1,267	151	829	-44	438
		1. Export	☆	☆	3	770	-3	—
		(1) Long-term contract	☆	☆	☆	☆	—	—
		(2) Spot trading	☆	☆	3	770	-3	—
		2. Domestic sales	107	1,267	148	830	-41	437
		(1) Long-term contract	30	1,274	38	1,057	-8	217
		(2) Spot trading	77	1,264	110	753	-33	511
II.	Proprietary coal trading	Total	2,394	621	1,529	525	865	96
		(I) Self-operated exports	1*	2,982	1*	2,932	—	50
		(II) Domestic resale	2,077	636	1,344	518	733	118
		(III) Import trading	309	510	184	565	125	-55
		(IV) Transshipment trading	7	568	☆	☆	7	—
III.	Import and export agency	Total	358	13★	299	10★	59	3
		(I) Import agency	☆	☆	7	1★	-7	—
		(II) Export agency	358	13★	292	10★	66	3

☆: N/A
* : Briquette export
★: Agency service fee

- **Coking operations**

For the year ended 31 December 2010, the Group's revenue from coking operations increased from RMB3.590 billion for the year ended 31 December 2009 to RMB4.888 billion (all from revenue of external sales), representing an increase of 36.2%. This was mainly due to a year-on-year increase in both of the selling price and sales volume of coke and the fact that the 0.25 million tons/year methanol project of China Coal Coal Chemical Engineering Company Limited in Heilongjiang was completed and came into operation, which also increased the revenue of sales.

For the year ended 31 December 2010, the revenue from the coke sales of the Group was RMB4.073 billion, representing a year-on-year increase of RMB674 million.

The changes in volumes and prices of the Group's coke sales were set out in the table below:

	For the year ended 31 December 2010		For the year ended 31 December 2009		Increase/decrease	
	(10,000 tons)	**(RMB/ton)**	(10,000 tons)	(RMB/ton)	(10,000 tons)	(RMB/ton)
1. Self-produced	**217**	**1,564**	215	1,386	2	178
Domestic sales	**217**	**1,564**	215	1,386	2	178
Exports	☆	☆	☆	☆	—	—
2. Proprietary trading	**36**	**1,901**	27	1,571	9	330
Domestic sales	**26**	**1,680**	27	1,571	-1	109
Exports	**10**	**2,456**	☆	☆	10	—
3. Export agency	**6**	**21★**	☆	☆	6	—

☆: N/A
★: Agency service fee

For the year ended 31 December 2010, the Group's revenue from methanol, coal tar, crude benzol, etc.. in the coking operations (excluding coke sales) amounted to RMB815 million, representing a year-on-year increase of RMB624 million. The 0.25 million tons/year methanol project of China Coal Coal Chemical Engineering Company Limited was completed and came into operation during the first half of 2010, contributing self-produced methanol sales volume of 0.1218 million tons. Meanwhile, to avoid competition within the same industry, as required by the undertakings made by China Coal Group upon the listing of the A Shares of the Company, all the methanol products produced by China Coal Longhua Company of China Coal Group were sold externally via the Group after such project was put into operations, resulting in an increase of 0.1215 million tons in sales volume of methanol. During the reporting period, the Group's sales volume of methanol amounted to 0.2433 million tons, with a comprehensive selling price of RMB1,784/ton and revenue of RMB434 million.

- **Coal mining equipment operations**

  For the year ended 31 December 2010, the Group's revenue from the coal mining equipment operations increased from RMB5.949 billion for the year ended 31 December 2009 to RMB7.071 billion, representing an increase of 18.9%, of which the revenue net of other inter-segmental sales increased from RMB5.255 billion for the year ended 31 December 2009 to RMB6.095 billion, representing an increase of 16.0%. The increase was mainly attributable to the year-on-year increase in the sales volume of coal mining equipment products.

- **Other operations**

  For the year ended 31 December 2010, the Group's total revenue from operations such as sales of primary aluminum and power generation decreased from RMB4.198 billion for the year ended 31 December 2009 to RMB4.170 billion, representing a decrease of 0.7%, of which the revenue net of other inter-segmental sales increased from RMB3.433 billion for the year ended 31 December 2009 to RMB3.481 billion, representing an increase of 1.4%.

2 Cost of sales

1. Consolidated cost of sales

For the year ended 31 December 2010, the Group's cost of sales increased from RMB41.156 billion for the year ended 31 December 2009 to RMB55.825 billion, representing an increase of 35.6%. Changes in major items of cost of sales were set out as follows:

Materials costs increased from RMB21.551 billion for the year ended 31 December 2009 to RMB31.190 billion, representing an increase of 44.7%. The increase was mainly attributable to the corresponding increase in the Group's materials consumption as a result of its expansion of production and the significant increase in the sales volume of proprietary coal trading.

Staff costs increased from RMB3.172 billion for the year ended 31 December 2009 to RMB3.768 billion, representing an increase of 18.8%. The increase was mainly attributable to the adjustment of staff wages in light of the growth in business performance as well as operational growth and the increase in the number of employees during the reporting period.

Depreciation and amortisation expenses increased from RMB2.339 billion for the year ended 31 December 2009 to RMB3.437 billion, representing an increase of 46.9%. The increase was mainly attributable to the increase of new production equipment and facilities as a result of the Group's expansion of production and operation.

Repair and maintenance costs increased from RMB551 million for the year ended 31 December 2009 to RMB682 million, representing an increase of 23.8%. The increase was mainly attributable to the increase in expenditure on repair and maintenance due to the higher utilization rate of equipment as a result of the increase in coal production volume.

Transportation costs increased from RMB6.905 billion for the year ended 31 December 2009 to RMB8.479 billion, representing an increase of 22.8%. The increase was mainly attributable to the increase in the self-produced coal sales volume of the Group during the reporting period which bore transportation costs, as well as the increase in such sales volume bearing shipping and port expenses.

Sales taxes and surcharges increased from RMB919 million for the year ended 31 December 2009 to RMB1.175 billion, representing an increase of 27.9%. The increase was mainly attributable to the increase in corresponding taxes and surcharges as a result of the increase in the Group's coal production and sales volume and sales gross profit.

Other expenses increased from RMB5.719 billion for the year ended 31 December 2009 to RMB7.094 billion for the year ended 31 December 2010, representing an increase of 24.0%. The increase was mainly attributable to the corresponding increase of expenses incurred in relation to coal mining, such as the environmental restoration expenses, mining engineering expenses, sustainable development fund, mining resources compensation charges and water resources compensation charges as a result of the increase of coal mining activities or production and sales volume.

2. *Segmental cost of sales*

- **Coal operations**

For the year ended 31 December 2010, cost of sales for the Group's coal operations increased from RMB30.650 billion for the year ended 31 December 2009 to RMB43.279 billion, representing an increase of 41.2%. Changes in the major cost items were set out as follows:

	For the year ended 31 December 2010 RMB100 million	For the year ended 31 December 2009 RMB100 million (restated)	Increase/decrease RMB100 million	%
Materials	211.45	136.18	75.27	55.3
Of which: proprietary coal trading	145.77	78.57	67.20	85.5
Staff costs	27.97	22.23	5.74	25.8
Depreciation and amortisation	28.89	18.91	9.98	52.8
Repair and maintenance expenses	7.22[1]	4.83	2.39	49.5
Transportation costs	80.26	66.29	13.97	21.1
Sales taxes and surcharges	9.97	8.32	1.65	19.8
Sustainable development fund	14.81	11.53	3.28	28.4
Mining resources compensation charges	2.54	2.15	0.39	18.1
Water resources compensation charges	2.34	1.85	0.49	26.5
Outsourcing mining engineering fee	18.85	15.42	3.43	22.2
Other costs[2]	28.49	18.79	9.70	51.6
Total cost of coal sales	432.79	306.50	126.29	41.2

Note: 1. The repair and maintenance expenses of the coal operations segment of RMB722 million include the repair and maintenance expenses incurred among the inter-segmental transactions, which was offset during consolidation.

2. Other costs mainly include environmental restoration expenses incurred in relation to the coal mining operation and expenses for small and medium projects included in costs directly relating to coal production.

For the year ended 31 December 2010, the Group's cost of sales of self-produced commercial coal was RMB28.702 billion, representing an increase of RMB5.909 billion or 25.9% over 2009. Unit cost of sales of self-produced commercial coal was RMB319.78/ton, representing a year-on-year increase of RMB31.15/ton or 10.8%.

Changes of the major cost items of the Group's unit cost of sales of self-produced commercial coal for the year ended 31 December 2010 and the year ended 31 December 2009 were as follows:

	For the year ended 31 December 2010 RMB/ton	For the year ended 31 December 2009 RMB/ton (restated)	Increase/decrease RMB/ton	%
Materials	73.18	72.96	0.22	0.3
Staff costs	31.16	28.15	3.01	10.7
Depreciation and amortisation	32.18	23.95	8.23	34.4
Repair and maintenance	8.04	6.12	1.92	31.4
Transportation costs	89.42	83.95	5.47	6.5
Sales taxes and surcharges	11.11	10.54	0.57	5.4
Sustainable development fund	16.50	14.60	1.90	13.0
Mining resources compensation charges	2.83	2.73	0.10	3.7
Water resources compensation charges	2.61	2.34	0.27	11.5
Outsourcing mining engineering fee	21.01	19.53	1.48	7.6
Other costs	31.74	23.76	7.98	33.5
Unit cost of sales of self-produced commercial coal	319.78	288.63	31.15	10.8

The Group's unit cost of materials for self-produced commercial coal remained flat in general over 2009. This was mainly attributable to the increase in production and sales volume, which in turn diluted the unit cost of materials. In addition, unit cost of materials was also reduced effectively by improving centralised material purchasing; unit cost of staff increase by RMB3.01/ton over 2009, which was mainly due to the effect of the adjustment of remuneration levels in accordance with the growth in business performance and the increase in the number of staff as a result of the expansion in production and operation; unit expense of depreciation and amortisation increased by RMB8.23/ton over 2009, which was mainly due to the increase of production equipment and facilities put into use during the current period; unit expense of repair and maintenance increased by RMB1.92/ton over 2009, which was mainly attributable to the increase of production volume and utilisation rate of the equipment of the Group's open pit mines and underground mines, resulting in the increase in the unit cost of repair; unit cost of transportation increased by RMB5.47/ton over 2009, which was mainly due to the increase in the self-produced coal sales volume which bore transportation costs, as well as the increase in sales volume bearing shipping and port expenses in such sales volume; unit sustainable development fund posted a year-on-year increase of RMB1.90/ton, which was mainly because that the coal production volume from the Shanxi-based coal-producing enterprise which contributed to the fund amounted to a higher proportion of the Group's coal production volume; unit outsourcing mining engineering fee increased by RMB1.48/ton over 2009, which was primarily due to the increase in the expenditure on outsourcing mining engineering projects as a result of the expansion of the Group's production during the year; other unit cost gained a year-on-year increase of RMB7.98/ton over 2009, which was mainly the result of the more environmental restoration expenses and the expenses on small and medium engineering projects incurred to the Group during the current period.

- **Coking operations**

For the year ended 31 December 2010, cost of sales of coking operations increased from RMB3.408 billion for the year ended 31 December 2009 to RMB4.958 billion, representing an increase of 45.5%, which was mainly attributable to the increase in sales volume of coke, the increase in purchase price of coal as raw materials and that the 0.25 million tons/year methanol project of China Coal Coal Chemical Engineering Company Limited in Heilongjiang came into operation and generated sales revenue, resulting in the corresponding increase in the cost of sales.

- **Coal mining equipment operations**

  For the year ended 31 December 2010, cost of sales of coal mining equipment operations increased from RMB4.871 billion for the year ended 31 December 2009 to RMB5.695 billion, representing an increase of 16.9%. The increase was mainly attributable to the increase in sales volume of coal machinery products and more external purchases of spare parts, resulting in the corresponding increase in costs.

3 Gross profit

For the year ended 31 December 2010, the Group's gross profit increased from RMB12.031 billion for the year ended 31 December 2009 to RMB14.478 billion, representing an increase of 20.3%; gross profit margin decreased from 22.6% for the year ended 31 December 2009 to 20.6%, representing a decrease of 2.0 percentage points. The year-on-year decrease in the Group's gross profit margin was primarily attributable to the substantial year-on-year increase in the sales volume of proprietary coal trading with lower gross profit margin and its corresponding increase in proportion, as a result of the Group's efforts made to actively expand the sales volume of proprietary coal trading and to further cement and expand market channels for the expanded production capacity upon future commencement of production of the Group's mines under construction.

The gross profit and gross profit margin of the Group's each operating segment for the year ended 31 December 2010 and for the year ended 31 December 2009 were as follows:

	Gross profit			Gross profit margin		
	For the year ended 31 December 2010 RMB100 million	For the year ended 31 December 2009 RMB100 million (restated)	Increase/ decrease RMB100 million	For the year ended 31 December 2010 %	For the year ended 31 December 2009 (restated) %	Increase/ decrease (percentage points)
Coal operations	129.87	105.25	24.62	23.1	25.6	-2.5
Self-produced commercial coal	126.39	103.18	23.21	30.6	31.2	-0.6
Proprietary coal trading	3.03	1.78	1.25	2.0	2.2	-0.2
Coking operations	-0.70	1.82	-2.52	-1.4	5.1	-6.5
Coal mining equipment operations	13.76	10.78	2.98	19.5	18.1	1.4
Other operations	2.91	3.43	-0.52	7.0	8.2	-1.2
The Group	144.78	120.31	24.47	20.6	22.6	-2.0

Note: The above gross profit and gross profit margin of each operating segment are figures before netting of inter-segmental sales.

4 Selling, general and administrative expenses

For the year ended 31 December 2010, the Group's selling, general and administrative expenses increased from RMB2.936 billion for the year ended 31 December 2009 to RMB3.749 billion, representing an increase of 27.7%. The increase was mainly attributable to the year-on-year increase in the labor costs of RMB321 million resulting from the adjustment of remuneration level in accordance with the growth in business performance and the increase in the number of staff due to the expansion of production and operations. Furthermore, during the reporting period, the loss on asset impairment of the Group recorded a year-on-year increase of RMB209 million. This was mainly because coke production enterprises under the Group made provisions for impairment for certain fixed assets due to the coke market conditions.

5 Other (loss)/income

For the year ended 31 December 2010, the Group's other (loss)/income recorded net losses of RMB54 million from the net income of RMB429 million for the year ended 31 December 2009, which was mainly attributable to the investment losses of RMB165 million incurred from disposal of long-term equity investment in China Coal and Coke Mudanjiang Limited under the Group during the reporting period, whereas investment gains of RMB296 million was realised from disposal of its A Shares holdings in China COSCO Holdings Company Limited and long-term equity investment in Xi'an Design Company last year.

6 Other gains, net

For the year ended 31 December 2010, the other net gains of the Group increased from RMB248 million for the year ended 31 December 2009 to RMB387 million, representing an increase of 56.0%. The increase was mainly attributable to the recognition of other gains of RMB278 million for the excess of identifiable net asset fair value acquired over consideration paid for the shares of Xiaohuigou Coal acquired by the Group during the reporting period, while there was no such gains last year.

7 Profit from operations

For the year ended 31 December 2010, the Group's profit from operations increased from RMB9.772 billion for the year ended 31 December 2009 to RMB11.062 billion, representing an increase of 13.2%. Changes in profit from operations for each operating segment were as follows:

		For the year ended 31 December 2010 RMB100 million	For the year ended 31 December 2009 RMB100 million (restated)	Increase/decrease RMB100 million	%
Group		110.62	97.72	12.90	13.2
Of which:	Coal operations	114.43	91.60	22.83	24.9
	Coking operations	-5.68	0.29	-5.97	-2,058.6
	Coal mining equipment operations	4.97	4.37	0.60	13.7
	Other operations	0.72	1.37	-0.65	-47.4

Note: The above profit from operations for each operating segment are figures before netting of inter-segmental sales.

8 Finance income and finance cost

For the year ended 31 December 2010, the Group's net financial cost amounted to RMB109 million as compared to a net finance income of RMB453 million last year, among which financial cost increased from RMB445 million for the year ended 31 December 2009 to RMB593 million, representing an increase of 33.3%. The increase was mainly attributable to an exchange loss of RMB128 million on the Group's borrowings denominated in Japanese Yen due to the appreciation of Japanese Yen against RMB during this reporting period, as compared to an exchange gain of RMB36 million last year. Finance income decreased from RMB898 million for the year ended 31 December 2009 to RMB484 million, representing a decrease of 46.1%, which was primarily attributable to a decrease in interest income from bank deposits.

9 Profit before income tax

For the year ended 31 December 2010, the Group's profit before income tax increased from RMB10.316 billion for the year ended 31 December 2009 to RMB10.999 billion, representing an increase of 6.6%.

10 Income tax expenses

For the year ended 31 December 2010, the Group's income tax expenses increased from RMB2.395 billion for the year ended 31 December 2009 to RMB2.848 billion, representing an increase of 18.9%.

11 Profit attributable to equity holders of the Company

For the year ended 31 December 2010, profit attributable to equity holders of the Company increased from RMB7.409 billion for the year ended 31 December 2009 to RMB7.466 billion, representing an increase of 0.8%.

III. Cash Flow

As at 31 December 2010, the Group's cash and cash equivalents amounted to RMB22.922 billion, representing a net increase of RMB10.294 billion as compared to the cash and cash equivalents of RMB12.628 billion as at 31 December 2009.

Net cash generated from operating activities decreased from RMB11.688 billion for the year ended 31 December 2009 to RMB10.683 billion for the year ended 31 December 2010, representing a decrease of 8.6%. This was mainly attributable to a year-on-year decrease of RMB524 million in net cash inflow generated from operations caused by the year-on-year increase in the Group's operating receivables during the reporting period, a year-on-year decrease of RMB1.104 billion in cash inflow from interest income, and a year-on-year decrease of RMB656 million in cash outflow for the payment of income tax.

Net cash generated from/(used in) investing activities for the year ended 31 December 2010 was net cash inflow of RMB1.466 billion, compared to the net cash outflow of RMB6.530 billion for the year ended 31 December 2009. Cash used in such investing activities as the acquisition of property, plant and equipment for the Group's core businesses during the year recorded significant increase, whereas the decrease amount of term deposits with initial terms exceeding three months increased by RMB13.620 billion over 2009 and offset the increase in net cash used in investment activities.

Net cash used in financing activities increased from RMB416 million for the year ended 31 December 2009 to RMB1.853 billion for the year ended 31 December 2010, representing an increase of 345.4%. This was mainly attributable to the decrease in the proceeds from the Group's borrowings and the increase in the funds used for the payment of borrowings during the reporting period.

IV. Liquidity and Sources of Capital

For the year ended 31 December 2010, the Group's funds were mainly from the proceeds generated from business operations, bank borrowings and net amounts of funds raised in capital markets. The Group's funds were mainly used for investments in production facilities and equipment for coal, coking and coal mining equipment operations, repayment of debts owed by the Group, and the Group's working capital and general recurring expenditures.

The cash generated from the Group's operation, the net proceeds from share offering in the global and domestic capital markets, and the relevant banking facilities obtained will ensure the sufficiency of capital funds for future production and operation activities as well as project construction.

V. Assets and Liabilities

1 Property, plant and equipment

As at 31 December 2010, the net value of property, plant and equipment of the Group amounted to RMB46.418 billion, representing an increase of RMB8.297 billion or 21.8% as compared to RMB38.121 billion as at 31 December 2009. This was mainly attributable to the utilisation of a large amount of production equipment and facilities as a result of the production expansion of the Company's coal production enterprises.

The composition of the Group's property, plant and equipment (net) as at 31 December 2010 and 31 December 2009 were set out as follows:

	As at 31 December 2010 RMB100 million	Percentage %	As at 31 December 2009 RMB100 million (restated)	Percentage %
Buildings	85.77	18.5	76.22	20.0
Mining structures	54.55	11.7	60.00	15.7
Plant, machinery and equipment	155.93	33.6	136.35	35.8
Railway	4.52	1.0	4.69	1.2
Motor vehicles, fixtures and others	7.77	1.7	5.98	1.6
Construction in progress	155.64	33.5	97.97	25.7
Total	464.18	100.0	381.21	100.0

2 Mining rights

As at 31 December 2010, the net value of the Group's mining rights amounted to RMB18.611 billion, representing an increase of RMB3.352 billion or 22.0% as compared to RMB15.259 billion as at 31 December 2009. This was mainly due to the increase in the net book value of the mining rights by RMB3.585 billion after acquisition of the equity interest of Xiaohuigou Coal by the Group during the reporting period.

3 Trade and note receivables

As at 31 December 2010, the net amount of trade and note receivables of the Group amounted to RMB7.006 billion, representing an increase of RMB2.042 billion or 41.1% as compared to RMB4.964 billion as at 31 December 2009, of which the net amount of trade receivables amounted to RMB4.574 billion, representing an increase of RMB1.319 billion or 40.5% as compared to RMB3.255 billion as at 31 December 2009. The increase in trade receivables was mainly attributable to the increase in sales revenue as a result of the expansion of sales of the Group during the reporting period. The balance of trade receivables aged within six months amounted to RMB3.646 billion, accounting for 74.8% of the total trade receivables and representing an increase of RMB890 million or 32.3% as compared to RMB2.756 billion as at 31 December 2009.

4 Borrowings

As at 31 December 2010, the balance of borrowings of the Group amounted to RMB12.138 billion, representing a decrease of RMB138 million or 1.1% as compared to RMB12.276 billion as at 31 December 2009, of which the balance of long-term borrowings (including the portion due within one year) was RMB11.742 billion, representing a decrease of RMB147 million as compared to RMB11.889 billion as at 31 December 2009; and the balance of short-term borrowings amounted to RMB396 million, representing an increase of RMB9 million as compared to RMB387 million as at 31 December 2009.

VI. Significant Pledge of Assets

For the year ended 31 December 2010, the Group had no significant pledge of assets.

VII. Significant Investment

For the year ended 31 December 2010, the Group had no new significant investment.

VIII. Material Acquisition and Disposal

For the year ended 31 December 2010, the Group had no material acquisition and disposal.

IX. Proposed Registration and Issuance of Medium-term Notes and Short-term Bonds

On 22 March 2011, the Board of the Group passed a resolution for registration and issuance of medium-term notes and short-term bonds, approving the Company to register each of the medium term notes and short-term bonds for an amount up to RMB35 billion (or an issuance cap determined based on 40% of the most recent audited net assets at each registration), including the proposed registration and issuance of medium-term notes of RMB15 billion for the first time in 2011. The proceeds from the issuance of medium-term notes and short-term bonds are intended to be used as general working capital of the Company and for adjusting debt structure. The proceeds from the medium-term notes may also be injected to related projects of the Company in line with actual needs. The resolution is subject to the approval by way of a special resolution at the annual general meeting to be convened on 27 May 2011. For details regarding the resolution, please refer to the circular of the Company which is expected to be dispatched to shareholders prior to 11 April 2011.

X. Operating Risks

Please refer to "Directors' Report" in this report for details of operating risks.

XI. Contingent Liabilities

1 Bank guarantees

As at 31 December 2010, the Group provided a guarantee of RMB550 million to secure the bank borrowings of Shanxi Pingshuo Gangue-fired Power Generation Co., Ltd., an associate of the Group, in proportion to the Group's shareholdings in it.

2 Environmental protection responsibilities

Environmental protection laws and regulations have been fully implemented in China. However, the management of the Group is of the opinion that other than those that have been accounted for in the financial statements, there is currently no any other environmental protection liabilities that may have material adverse impact on the financial position of the Group.

3 Contingent legal liabilities

For the year ended 31 December 2010, the Group was not involved in any material litigation or arbitration, and to the knowledge of the Group, there is no material litigation or arbitration pending or threatened against or involving the Group. As at 31 December 2010, the Group was involved in certain non-material lawsuits. However, the management of the Group believes that none of these cases would have any material adverse effect on the financial conditions of the Group.

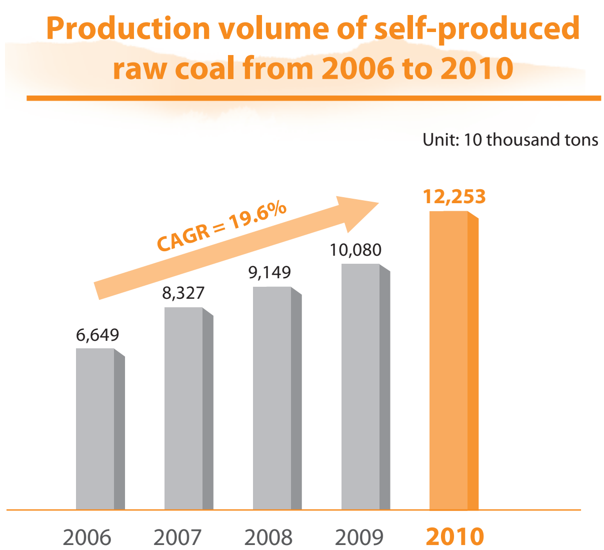
Business Performance

I. Operations of the core businesses of the Company in 2010

The overall steady domestic coal market in 2010 witnessed essentially balanced production and sales, with a year-on-year increase in import and thermal coal prices fluctuating at high levels periodically. In light of its annual production and operation targets, the Company organised coal production and sales in an effective way, strengthened monitoring on business operation, and strived to optimise business structure and product composition to improve its product profitability. As a result, the Company's principal operations maintained a smooth and rapid growth.

- ### Coal Operations

1. Coal production



Rapid growth in coal production volume for five consecutive years. In 2010, the Company's raw coal production volume reached 122.53 million tons, representing a year-on-year increase of 21.73 million tons or 21.6%. Commercial coal production volume reached 94.38 million tons, representing a year-on-year increase of 13.85 million tons or 17.2%. In the past five years, the Company's raw coal production volume posted an average annual growth of 14.48 million tons, representing a compound annual growth rate of 19.6%.

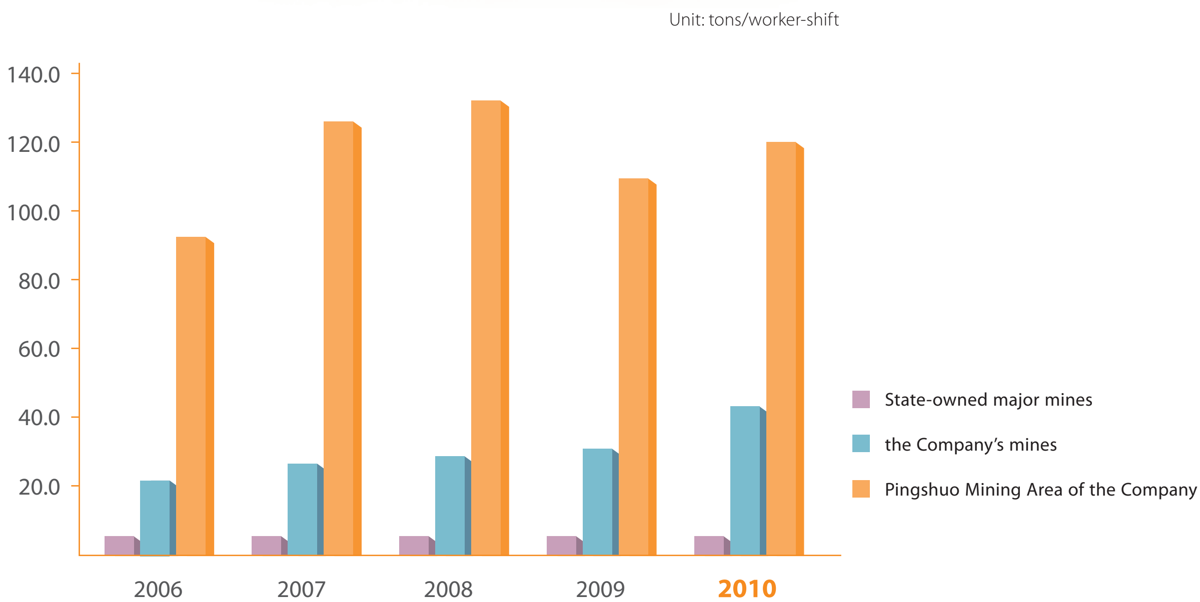
Production volume of self-produced raw coal (10 thousand tons)		2010	2009	Change %
Pingshuo Mining Area		10,388	8,702	19.4
Including:	Antaibao Open Pit Mine	2,700	2,272	18.8
	Anjialing Open Pit Mine	2,304	2,028	13.6
	Anjialing No. 1 Underground Mine	1,552	1,604	-3.2
	Anjialing No. 2 Underground Mine	1,682	1,554	8.2
	Antaibao Underground Mine	850	674	26.1
	Jingdong Mine	1,300	570	128.1
Datun Mining Area		909	861	5.6
Including:	Yaoqiao Mine	445	410	8.5
	Kongzhuang Mine	150	143	4.9
	Xuzhuang Mine	184	175	5.1
	Longdong Mine	130	133	-2.3
Liliu Mining Area		261	165	58.2
Including:	Shaqu Mine	247	165	49.7
Dongpo Coal Mine		510	186	174.2
Nanliang Coal Mine		185	166	11.4
Total		12,253	10,080	21.6

A leap of Pingshuo Mining Area to 100 million tons. Under the conditions of shallow cover depth, hard coal seam and hard roof top, Pingshuo Mining Area successfully adopted fully mechanised top caving method and made full play of the overall advantage of open pit and underground joint mining for large-scale mines. Raw coal production volume for the year reached 103.88 million tons, representing a year-on-year increase of 16.86 million tons or 19.4%, and thus the first single mining area with 100 million tons production capacity adopting open pit and underground joint mining in the PRC was established. In addition to significant production expansion, Pingshuo Mining Area further improved safety control and resource recovery ratio. With continuously improving industrial chains of recycling economy, Pingshuo Mining Area has become a model of safe, efficient and green production in Chinese coal industry.

At Datun Mining Area, the important metallurgical coal production base in East China, the overall standardisation of safety and quality was reinforced in 2010. Through optimising production schedules and mining layout and upgrading equipment by introducing heavy-duty road headers and dual-pillar top caving roof supports etc., raw coal production volume for the year reached 9.09 million tons, representing a year-on-year increase of 5.6%. The premium coking coal produced at Liliu Mining Area was regarded as national preserved resources. The Company actively carried out special tasks including water prevention and gas treatment to accelerate the construction of the model mine, where raw coal production volume reached 2.61 million tons, representing a year-on-year increase of 58.2%. At Dongpo Coal Mine, as a result of rapidly expanded capacity following the accomplishment of its technological upgrading, raw coal production volume for the year reached 5.10 million tons, representing a year-on-year increase of 174.2%. At Nanliang Coal Mine, the commissioning of fully mechanised mining system has significantly improved the safe control capability.

Remarkable effect in construction of safe and highly efficient mines. Addressing the challenging production safety pressure in 2010, the Company strengthened construction of safe and highly efficient mines, improved fundamental management on production safety and adopted strict monitoring and assessment initiatives, leading to growths both in production volume and efficiency. The raw coal production efficiency of the Company reached 43 tons/worker-shift, representing a year-on-year increase of 11.8 tons/worker-shift. Three underground mines and two open pit mines of Pingshuo Mining Area were rated as national super first class safe and highly efficient mines, where open pit mines recorded a national historical high in daily raw coal production of 135,000 tons; and the raw coal production efficiency reached 120.0 tons/worker-shift, taking the lead in the industry.

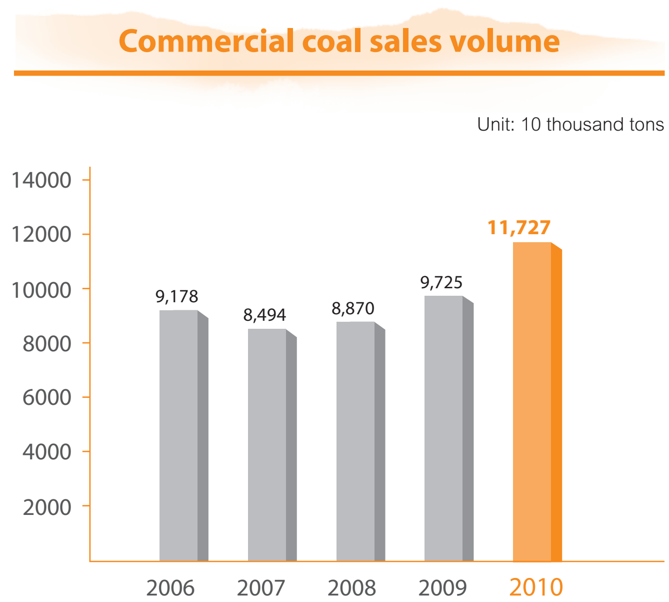
Raw coal production efficiency

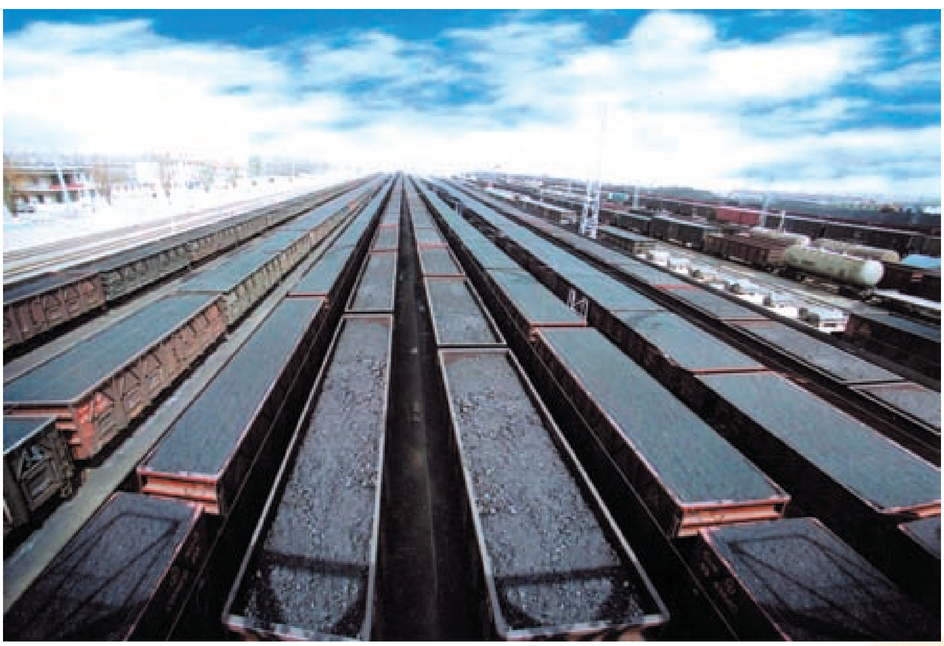


Commercial Coal Production (10 thousand tons)	2010	2009	Change %
Pingshuo Mining Area	7,442	6,376	16.7
Datun Mining Area	753	780	-3.5
Including: Self usage	126	84	50.0
Liliu Mining Area	223	148	50.7
Dongpo Coal Mine	510	186	174.2
Nanliang Coal Mine	190	171	11.1
Shuozhong Company	277	123	125.2
Dazhong Company	343	357	-3.9
Total	9,438	8,053	17.2

Note: There was certain intra-group transactions volume in the Company, of which amounted to 3 million tons for 2010 and 880,000 tons for 2009.

2. *Coal sales*


Commercial coal sales volume
Unit: 10 thousand tons
14000
12000
10000
8000
6000
4000
2000
9,178
8,494
8,870
9,725
11,727
2006
2007
2008
2009
2010



		2010	2009	Change %
Commercial coal sales (10 thousand tons)		11,727	9,725	20.6
(1) Domestic sales of self-produced coal		8,835	7,764	13.8
By region:	North China	2,888	2,392	20.7
	East China	3,372	3,210	5.0
	South China	1,055	832	26.8
	Northeast China	21	27	-22.2
	Other	1,499	1,303	15.0
By coal type:	Thermal coal	8,728	7,616	14.6
	Coking coal	107	148	-27.7
By contract:	Long-term contract	6,180	5,597	10.4
	Spot trading	2,655	2,167	22.5
By transportation:	Seaborne	6,156	5,775	6.6
	Direct arrival	1,077	1,036	4.0
	Local sales	1,602	953	68.1
(2) Self-produced coal export		140	133	5.3
By region:	Taiwan, China	108	76	42.1
	Korea	18	37	-51.4
	Japan	7	20	-65.0
	Other	7	—	—
By coal type:	Thermal coal	140	130	7.7
	Coking coal	0	3	-100.0
By contract:	Long-term contract	140	130	7.7
	Spot trading	0.3	3	-90.0
(3) Proprietary trading		2,394	1,529	56.6
Including:	Self-operated export	1	1	0.0
	Domestic resale	2,077	1,344	54.5
	Import trading	309	184	67.9
	Transshipment trade	7	—	—
(4) Import & export agency sales		358	299	19.7
Including:	Import agency	—	7	—
	Export agency	358	292	22.6

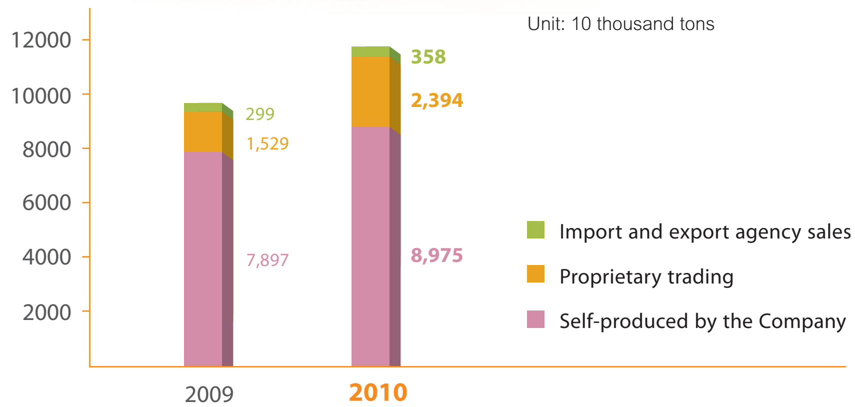
Significant increase in commercial coal sales volume on the back of increasing marketing efforts. Under the market-oriented and customer-focused operation philosophy, the Company improved the coordination among production, transportation and sales, shrewdly streamlined coal flows and took more efforts in marketing to respond to the declined coal quality due to changes in coal depositing conditions in 2010. Consequently, coal sales of 2010 recorded a historical high. Commercial coal sales volume of the Company reached a total of 117.27 million tons, representing an increase of 20.02 million tons or 20.6% over 2009.

Sales volume of self-produced coal reached 89.75 million tons, representing an increase of 10.78 million tons or 13.7% over 2009. In particular, domestic sales reached 88.35 million tons, representing a significant increase of 13.8% over 2009. Export of self-produced coal reached 1.40 million tons, representing an increase of 5.3% over 2009.

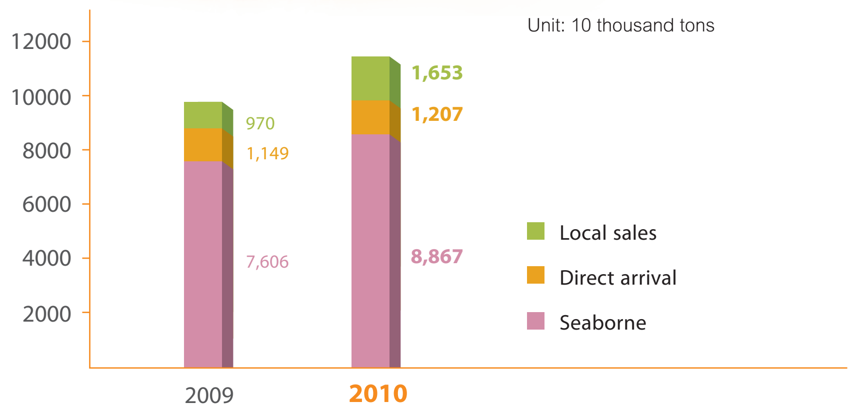
Proprietary coal trading reached 23.94 million tons, representing an increase of 8.65 million tons or 56.6% over 2009. In particular, domestic proprietary trading was 20.77 million tons, representing an increase of 54.5% over 2009; import trading was 3.09 million tons, representing an increase of 67.9% over 2009.

Import and export agency sales reached 3.58 million tons, representing an increase of 590,000 tons or 19.7% over 2009.

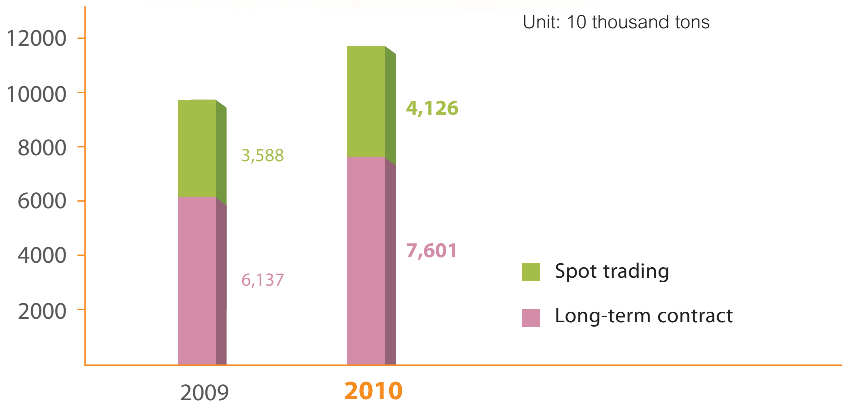
By product sources



By transportation



By contract

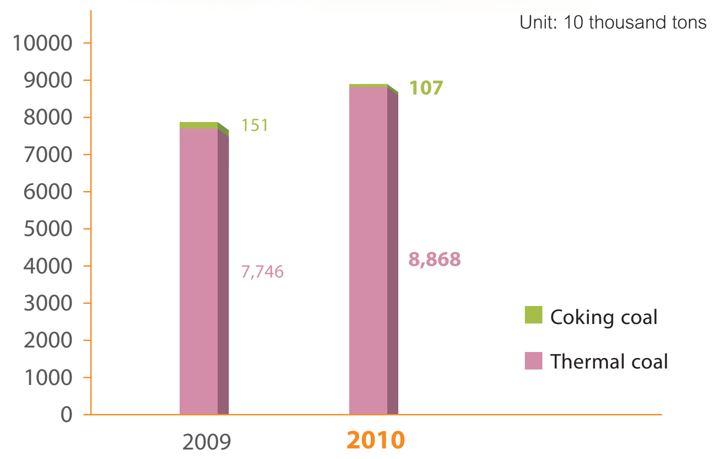


Optimised market structure under flexible marketing strategy. Given the enlarging gap between prices under major thermal coal contracts and market coal prices in 2010, the Company sought to increase the weight of spot coal sales to improve product profitability while ensuring thermal coal supply to major customers. The percentage of spot sales in domestic sales of self-produced coal reached 30.1%, 2.2 percentage points higher than that of 2009. Meanwhile, by developing building materials, metallurgical and other industrial markets which are less price sensitive, the percentage of non-thermal coal sales increased by 4 percentage points year-on-year.

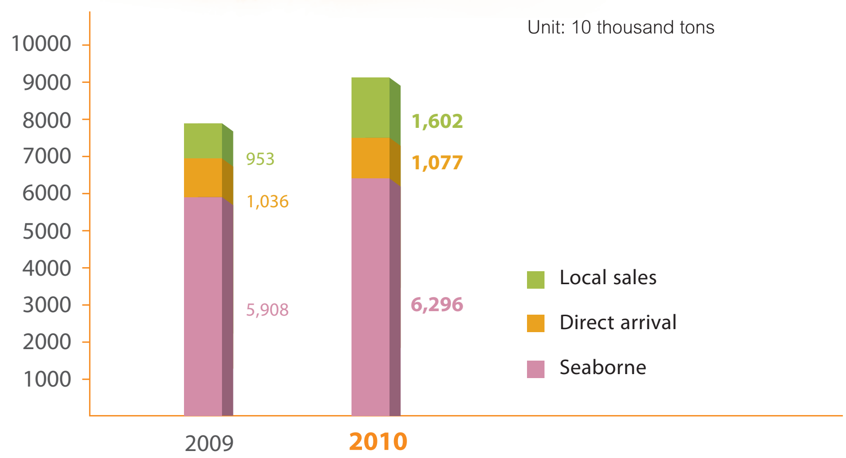
Continuously optimized product structure through developing new coal types. In response to the declined raw coal quality due to changes in coal depositing conditions in Pingshuo Mining Area, the Company timely developed new coal types and actively expanded coal blending and lump coal processing businesses. Firstly, by improving coal blending with premium low sulphur coal, coal blending sales for the year reached 25 million tons, resulting in sound business performance as well as an improvement in coal quality of Pingshuo Mining Area. Secondly, through developing lump coal products of 6 specifications, lump coal sales for the year reached 2.35 million tons, which met different customer needs and increased the product value.

Emerging marketing advantages by accelerating construction of sales and logistic networks. The Company embarked on its distribution business under a unified purchase and sales platform to integrate and develop distribution markets of local branches. Accordingly, a sales network with headquarters playing a main part supplemented by local branches covering major domestic regions of energy consumption was taking shape. Meanwhile, the Company optimised the coordination among its production, transportation and sales and ports under an improving logistic network extending from the source of coal products, loading port and to port of destination, which ensured efficient delivery of resources from the origin to market.

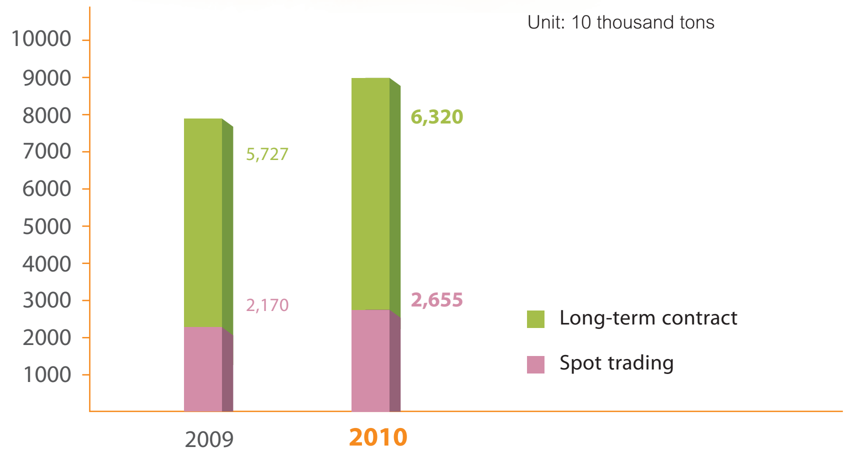
Self-produced coal sales - by coal type



Self-produced coal sales – by transportation



Self-produced coal sales – by contract



• Coking Operations

Mainly as a result of serious capacity surplus and product price outrun by cost, the domestic coking industry remained in the market trough in 2010. Facing the challenging market, the Company's coking subsidiaries took initiatives including reducing inventory, accelerating collection of trade receivables and restricting production in a timely manner to minimise operating loss. Given the market changes and under its development strategy, the Company decisively closed China Coal and Coke Longquan Limited in May, and disposed of China Coal and Coke Mudanjiang Limited at the end of the year through an agreement. Next, the Company will speed up business restructuring to gradually eliminate obsolete capacity and enhance product profitability.

As at 31 December 2010, the Company's coke production capacity was 2.5 million tons/year, representing a year-on-year decrease of 800,000 tons/year.

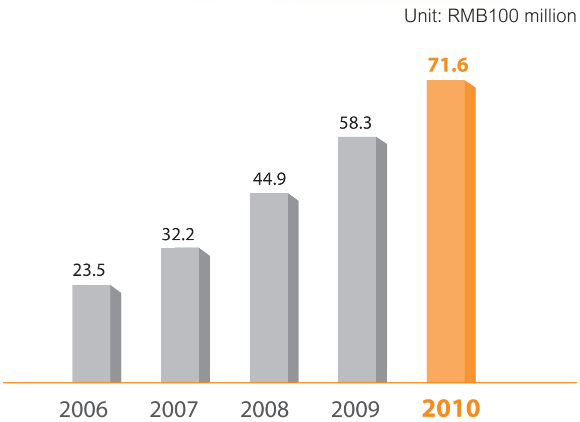
In 2010, the Company's coke production amounted to 2.06 million tons, representing a year-on-year decrease of 3.7%. Coke sales volume reached 2.59 million tons, representing a year-on-year increase of 7.0%. In particular, self-produced coke sales volume was 2.17 million tons, a slightly increase as compared with 2009; proprietary trading volume was 360,000 tons, accounting for 13.9% of total sales volume and representing an increase of 33.3% over 2009.

During the year, the Company's methanol project with a production capacity of 250,000 tons/year commenced production, which produced 142,000 tons of methanol, representing a year-on-year increase of 127,000 tons. To avoid competition within the same industry, the Company was also in charge of methanol sales of its controlling shareholder China Coal Group, and sold a total of 243,000 tons of methanol in 2010.

• Coal Mining Equipment Operations

The Company's coal mining equipment operations maintained a fast growth momentum in 2010. Total production value of coal mining equipment operations was RMB7.16 billion, representing a year-on-year increase of 22.8%. The production volume of coal mining equipment reached 302,000 tons, representing a year-on-year increase of 25.3%, of which 18,300 units (sets) were major coal mining equipment. The sale market of the Company's coal mining equipment has basically covered the domestic major coal miners, with leading market shares of high-end armoured face conveyors, high-end roof supports and high-end road headers in the PRC.

Production value of coal mining equipment production value from 2006 to 2010



Product type	Percentage of sales of the product in the Company in 2010 %	Market share in 2010 %
Medium and high-end armoured face conveyors	59	65
Medium and high-end hydraulic roof supports	65	18
Medium and high-end shearers	70	29
Medium and high-end electric motors	51	68
Medium and high-end road headers and drilling machines	30	15

Scientific and technological innovation led the coal mining equipment industry in the PRC. The Company has held a number of national coal mining equipment technology research projects, and was appointed to prepare the research topics in the "Twelfth Five-year Plan" for the coal mining equipment industry of the PRC. Among the major national technological improvement prizes won by the Company in 2010, three achievements including "High-efficiency Mine SGZ1000/3x1000 (855) armoured face conveyor complete set equipment" were granted the first prize for technological improvements by the China National Coal Association.

The Company solidified its management and control system focusing on "production, quality and service" to improve business performance of its coal mining equipment operations. Through rational allocation of the factors of production, the Company made breakthroughs in key production bottlenecks and increased order performance ratio. By implementing quality track form system and field inspection system, product quality was steadily improved and meanwhile, the brand of zhangjiakou mining machinery was recognised as Famous Trademark of China, which significantly enhanced the intangible asset value. Furthermore, industrial value chains were further extended and upgraded as after-sale services were improved and sound cooperation relationship was established with major customers and large-scale group enterprises at home and abroad.

• Other Operations

In 2010, the production volume of the Company's primary aluminum was 109,000 tons, representing a year-on-year increase of 1.6%. Electricity generated was 4.59 billion Kwh, representing a year-on-year increase of 26.1%. The production volume of gas reached 297 million cubic meters, representing a year-on-year increase of 49.3%.

II. Industry Trend in 2011

(1) Coal Demand

As the Chinese government will strengthen its control on macro-economy to maintain the steady growth of economy, the total coal consumption by thermal power, steel, building materials and chemical industries in China will grow continuously in 2011, which will provide a favourable environment for sound development of coal industry. The coal consumption for 2011 is expected to maintain a moderate expansion. However, influenced by the macro-control policies especially the renewable energy development goal and the energy saving and emission reduction requirement for the "Twelfth Five-year Period", the growth of demand will slow down to some extent.

(2) Coal Supply

As a result of the gradual completion of large-scale coal bases and production resumption of local consolidated coal mines, major coal producers such as Shanxi and Inner Mongolia will release their production capacities in 2011. Meanwhile, the operation renovation of a number of railways including Baotou-Xi'an Railway and Taiyuan-Zhongwei-Yinchuan Railway will accelerate the release of coal production capacity in north Shaanxi and west Inner Mongolia. It is expected that coal production volume in the PRC will post a year-on-year increase of approximately 300 million tons in 2011.

(3) Railway Transportation Capacity

Railway transportation of coal is still far from promising due to the lagged railway construction. Currently, coal transportation demand from Shanxi, Shaanxi and west Inner Mongolia to eastern coastal areas is far beyond the railway capacity, with noticeable gaps both in the increments and the totals. Daqin Railway Line, an artery of coal transportation, is expected to post a capacity expansion around 40 million to 50 million tons in 2011, with Shuohuang Railway Line and Houyue Railway Line little expansion.

(4) Coal Import and Export

In 2010, China imported 165 million tons of coal, representing a year-on-year increase of 30.99%; and the net import amounted to 146 million tons, representing an increase of 40.96%. The year 2011 is expected to witness considerable net coal import as driven by growing demand from south-eastern coastal areas of China and the appreciation of Renminbi, despite of a gradual increase in global coal prices.

(5) Coal Prices

Based on the scenario of basically balanced supply and demand, coal prices are expected to maintain steady as a whole in 2011. The contractual prices of major thermal coal in the year will maintain as the level of last year due to the regulatory control imposed by national macro-control policies. There will still be significant difference between spot prices and major thermal coal contractual prices. When coal consumption increases in peak season and transportation capacity gets tight in some areas, spot prices in certain areas and periods are expected to be stable or on the upside.

III. Principal Production and Operation Activities of the Company in 2011

In 2011, the Company will adhere to its annual production and operation plan closely, strengthen its management, improve the Company's economic performance, enhance the safety assurance ability and the strength and competitiveness of principal operations, in order to accelerate its paces into a large energy enterprise with international competitive edge.

1. **Strive to increase coal production through organising the production in a scientific way.** The Company will press forward the "Three Constructions" covering safe and efficient mines, safety-assured mines and the production technology management system. Production system, layout and equipment of mines will be optimised for coordinated production, with a focus on solidifying the production capacity of 100 million tones for Pingshuo Mining Area. Marketable products will be produced on the market-oriented basis, with improved coal washing process to ensure product quality.

2. **Enhance marketing capability to maximise economic benefit and market presence.** The Company will strengthen the coordination among production, transportation and sales, enhance the organization capacity of coal sourcing, coal blending, purchase and product reengineering capabilities, while enhancing the customised products and marketing for improvements both in volume and efficiency. In addition, the Company will vigorously develop proprietary coal trading business to expand sales. To predominate in the potential market niches, the Company will increase its market sensibility to optimise market network in advance.

3. **Create a safety-assured enterprise to enhance safety assurance capability.** Targeting "zero-fatality", the Company will decisively prevent any large and more serious accident with minor accidents under effective control. Under the requirements on safety and quality standards, the Company will reinforce the construction of three fundamentals comprising production lines, fundamentals and basic capabilities with an aim at improving the safe assurance capability.

4. **Accelerate project progress to fuel the Company's development momentum.** The Company will accelerate the preliminary work of projects to strive for the early construction of projects. Meanwhile, the Company will expedite the construction progress of major projects, aiming to achieve economies of scale as soon as possible. The Company will also make efforts to acquire resources, with a priority to resource assurance for the five major bases.

5. **Strive for key technology research to take the lead in technological advancement in the industry.** To support the five major bases and industrial development, the Company will lay stresses on key technology research including thin coal seam fully-automated complete equipment and domestic manufacturing of large-scale open pit equipment etc.., as well as major technology research for construction of Inner Mongolia and Shaanxi bases, goaf areas of small mines and detection of geological structure, to build a technological foundation for the transformation and upgrading.

6. **Strengthen management and control on operations to improve economic benefit.** The Company will improve fundamentals of operation budgets and strengthen control over budgeting process for better practice of refined management. Centralised purchase will be pushed forward with expanded scope to further reduce purchase cost. The Company expects to reinforce cost management and control overgrowth of costs by optimising production technique, rationally organising production and improving production efficiency.

7. **Expedite team building to provide sufficient talents for the development of the Company.** According to the progresses of major projects, the Company will strengthen the introduction of leading talents at senior level. The Company will continue to use the talent selection and election system oriented by the market, recruit the staffs both internally and externally, enhance the talent reserve system of the Company.

Capital Expenditure

Due to the joint efforts of the staff and coordinated development during the "Eleventh Five-year Period", the Company achieved outstanding performance towards the goal of building a globally competitive energy giant, laying a solid foundation for sustainable growth for the "Twelfth Five-year Period". By increasing investment with emphasis on its principal operations through infrastructure construction and acquisition and restructuring, the Company's capital expenditure increased from RMB3.812 billion in 2006 to RMB19.808 billion in 2010, representing a compound annual growth rate of 50.98% with the aggregate of investment amounted to RMB59.074 billion.

Performance of capital expenditure budgeted from 2006 to 2010

Unit: RMB100 million

Business segment	2006	2007	2008	2009	**2010**
Coal	31.51	35.89	88.04	128.02	**145.88**
Coal chemical	2.08	13.04	15.46	15.07	**35.67**
Coal mining equipment	3.19	9.67	6.61	5.35	**7.30**
Power generation	—	9.45	8.03	3.96	**3.02**
Others	1.34	3.38	6.39	6.18	**6.21**
Total	38.12	71.43	124.53	158.58	**198.08**

I. Performance of Capital Expenditure Budgeted for 2010

Focusing on principal operations including coal, coal chemical, coal mining equipment and power generation, the Company's capital expenditure for 2010 was budgeted at RMB23.498 billion, of which RMB19.808 billion or 84.3% was invested during the reporting period.

Performance of capital expenditure budgeted for 2010 (Items)

Unit: RMB100 million

Items of capital expenditure	**Actual Investment in 2010**	**Budgeted Investment in 2010**	**Actual Investment Ratio %**
Total amount	**198.08**	**234.98**	**84.3**
Infrastructure projects	**101.20**	**180.78**	**56.0**
Acquisition and maintenance of fixed assets	**30.39**	**29.39**	**103.4**
Equity investment	**66.49**	**24.81**	**268.0**

Major equity investment projects included: contribution of RMB1.362 billion for capital increase in Zhongtian Synergetic Company; payment of RMB858 million as the acquisition consideration of the equity interest in Xiaohuigou Coal; payment of RMB693 million as the consideration for Huajin

Company to consolidate equity interest in local coal mines; payment of RMB275 million as the acquisition consideration of the equity interest in Ordos Yihua Mining Resources Company Limited; contribution of RMB181 million for capital increase in Mengda Mining Company; payment of RMB1.2 billion as the acquisition consideration of 50% equity interest in Hecaogou Coal Company; payment of RMB212 million as the acquisition consideration of 22% equity interest held by other shareholders of Shuozhou Great Company Limited, which becomes 100% owned by the Company thereafter; contribution of RMB150 million for capital increase in Mengji Railway Company Limited; and contribution of RMB125 million for capital increase in Ordos Southern Railway Company Limited.

Actual capital expenditure in 2010 (Business segment)

Unit: RMB100 million

Business segment	Actual Investment in 2010	Budgeted Investment in 2010	Actual Investment Ratio %
Coal	145.88	175.13	83.3
Coal chemical	35.67	39.39	90.6
Coal mining equipment	7.30	10.93	66.8
Power generation	3.02	2.98	101.3
Other segments	6.21	6.55	94.8
Total	198.08	234.98	84.3

II. Progresses of major investment projects in 2010

The Pingshuo East Open Pit Mine Project in Shanxi has a production capacity of 20 million tons/year with a total investment budget of RMB10.57 billion, and commenced construction in January 2009. As at 31 December 2010, the actual aggregated investment reached a total of RMB4.645 billion, including RMB3.1 billion invested in 2010, and open pit overburden removal projects completed was 93.4265 million m^3. The coal preparation plant is ready for equipment installation as the main structure of its master building and 90% civil engineering work have been completed. Also, the civil engineering work for raw coal silo has entered into roofing stage and 85% work was completed. A total of 2.726 million m^3 of dedicated rail subgrade earthwork was completed, and 19 bridges were constructed in total.

The Wangjialing Mine Project in Xiangning of Shanxi has a production capacity of 6 million tons/year with a total investment budget of RMB5.021 billion, and commenced construction in April 2007. As at 31 December 2010, the actual investment reached a total of RMB3.263 billion, including RMB1.297 billion invested in 2010. After the flooding accident on 28 March 2010, various effective measures were taken to strengthen safety control. Currently, the coal mine is actively preparing for production resumption. The coal preparation plant is ready for combined trial operation. At the power plant for resource comprehensive utilisation, equipment installation was basically completed for unit 1 and is ready for trial operation, and the major equipment installation was also completed for unit 2.

The Kongzhuang Mine renovation and expansion works in Jiangsu has a production capacity of 1.8 million tons/year with a total investment budget of RMB532 million, and commenced construction in November 2007. As at 31 December 2010, the actual investment reached a total of RMB349 million, including RMB100 million invested in 2010. A total of 10,150 meters of roadway drivage works were completed. The works including final supports for ground auxiliary and renovation work, substation, sewage treatment plant and ventilation shaft renovation were completed. The gangue discharging system was established, and equipment tendering work was basically completed.

The Jiangsu High-precision Aluminum Sheet Project has a production capacity of 100,000 tons/year with a total investment budget of RMB1.701 billion, and commenced construction in May 2009. As at 31 December 2010, the actual investment reached a total of RMB1.38 billion, including RMB580 million invested in 2010. The casting workshop is ready for trial operation. Major equipment installation for cool rolling area and hot rolling area was completed in the sheet workshop, where electric lines and pipelines are being installed currently.

For Zhangjiakou Coal Machinery Equipment Industrial Park Project with a total investment budget of RMB2.362 billion, as at 31 December 2010, the actual investment reached a total of RMB489 million, including RMB300 million invested in 2010. For the foundation works, 5.72 million m^3 of excavated volume and 5.85 million m^3 of filled volume in total had been completed since the commencement of construction, and the foundation works for hydraulic plant, north area of mining chain plant and casting plant were completed.

For the coke-oven gas produced chemical fertilizer in Lingshi of Shanxi with a total investment budget of RMB997 million, as at 31 December 2010, the actual investment reached a total of RMB144 million, including RMB119 million invested in 2010. For the master substation of the project, the construction of 110KV switch board room, main controller and 6KV switch board room were completed. Currently, the external power supply system is under full-scale construction.

The Xinjiang 106# Mine has a production capacity of 1.8 million tons/year with a total investment budget of RMB677 million, and commenced construction in March 2010. As at 31 December 2010, the actual investment reached a total of RMB180 million, including RMB141 million invested in 2010. Currently, the project is in smooth progress.

The Muduchaideng Coal Mine in Ordos has a production capacity of 6 million tons/year with a total investment budget of RMB6.021 billion. After obtaining a consultation letter from the National Energy Administration on commencement of preliminary work in 2010, the project is undergoing authorisation procedures.

III. Arrangement for Capital Expenditure in 2011

The Company's capital expenditure budget for 2011 is RMB34.237 billion, representing an increase of RMB10.739 billion or 45.7% over 2010. Out of the capital expenditure budget amount stated above, RMB27.218 billion (including expenditure of RMB421 million for preliminary works prior to the commencement of projects) will be invested in infrastructure projects; RMB4.177 billion will be invested in the acquisition of fixed assets, small-sized construction, renovation and maintenance; and RMB2.842 billion (including expenditure of RMB45 million for preliminary works prior to the commencement of projects) will be utilised in equity investments.

Set out below is the capital expenditure plan by segments:

Unit: RMB100 million

Business Segment	Investment Budget in 2011	Actual Investment in 2010	Increase/ decrease in 2011 (budget) compared with 2010 (actual) %	% to Total
Coal	243.47	145.88	66.9	71.1
Coal chemical	71.99	35.67	101.8	21.0
Coal mining equipment	16.30	7.30	123.3	4.8
Power generation	2.01	3.02	-33.4	0.6
Others	8.60	6.21	38.5	2.5
Total	342.37	198.08	72.8	100.0

Set out below are the major intrastructure projects in 2011:

Unit: RMB100 million

No.	Name of the Project	Construction Scale	Expected Total Amount of Investment	2011 Budgeted Investment
Coal segment				
1	Pingshuo East Open Pit Mine	20 million tons/year	105.70	50.91
2	Wangjialing Coal Mine in Xiangning of Shanxi	6 million tons/year	50.21	11.82
3	Kongzhuang Mine renovation and expansion works in Jiangsu	1.8 million tons/year	5.32	1.03
4	Hecaogou Coal Mine in Shaanxi	3 million tons/year	21.80	15.51
5	Muguajie Coal Preparation Plant expansion and renovation works	25 million tons/year	9.53	3.83
6	Renovation and expansion project of Xinjiang 106# Mine	1.8 million tons/year	6.77	3.18
7	Muduchaideng Coal Mine in Ordos	6 million tons/year	60.21	18.65
8	Nalin River No. 2 Coal Mine in Ordos	8 million tons/year	68.90	20.05
9	Shanxi Xiaohuigou Coal Mine	3 million tons/year	21.68	3.58
Coal chemical segment				
10	Coke-oven gas produced chemical fertilizer in Lingshi of Shanxi	0.18 million tons/year of synthetic ammonia, 0.30 million tons/year of urea	9.97	5.56
11	Mengda coal based methanol in Ordos	0.60 million tons/year	35.48	12.00
12	Phase 1 of Ordos Tuke Fertilizer Project	1 million tons/year of synthetic ammonia, 1.75 million tons/year of urea	95.06	33.74
Coal mining equipment segment				
13	Zhangjiakou Coal Machinery Equipment Industrial Park Project	—	23.62	7.83
Power generation segment				
14	Phase 2 of Shaqu gas-fired power plant in Shanxi	62MW	5.18	0.14
Resource comprehensive utilisation segment				
15	High-precision aluminum sheets project in Jiangsu	0.10 million tons/year	17.01	2.66

The plan of Major equity investment projects in 2011 includes: contribution of RMB388 million for capital increase in Zhongtian Synergetic Company; payment of RMB840 million as the acquisition consideration of the equity interest in Yulin Energy and Chemical Co., Ltd. of Shaanxi Yanchang Petroleum (Group) Co., Ltd.; payment of RMB464 million as the acquisition consideration of the equity interest in Xiaohuigou Coal; payment of RMB300 million as the acquisition consideration of the equity interest in Mengda Mining Company; contribution of RMB500 million for capital increase in Mengji Railway Company Limited; contribution of RMB100 million for capital increase in Ordos Southern Railway Company Ltd. and contribution of RMB200 million for capital increase in Hohhot-Junggar-Ordos Railway.

According to the development plan and objectives of the Company, the budgeted capital expenditure may be subject to change in the Company's business development (including potential acquisitions), the progress of the investment projects, the change in market conditions and the status of the essential government approvals and regulatory documents. The Company will make timely disclosure in accordance with the requirements of the regulatory authorities and the stock exchanges.

IV. Overview of the "Twelfth Five-Year Plan"

During the period of "Twelfth Five-Year Plan", China Coal will uphold its market-oriented and customer-centered operation philosophy, and will actively promote the economies of scale in production, modernisation in equipment, specialisation of professional teams and informatisation of management. The Company has established strict working standards with high starting point, high target, high quality, high efficiency and high benefits. Putting the development of core coal industry as top priority, the Company will expand coal chemical and power generation-related businesses while optimizing the coal equipment business. The Company will accelerate the construction of five coal production and transformation bases in Shanxi, Inner Mongolia-Shaanxi, Jiangsu, Heilongjiang and Xinjiang, forming an industrial layout with four pillar industries of coal, coal chemical, power generation, coal mining equipment and a geographic layout of five coal production and transformation bases. The Company will focus on the development of Pingshuo recycling economy exemplary zone, the 100 million tons ultra-large coal base in Inner Mongolia-Shaanxi and the core coal industry, expansion in industry chain of coal chemical, power generation-related businesses, as well as economies of scale, intensive management and modernisation of development mode. The Company will strive for strong growth in the production volume of major products, asset size, turnover and profit at the end of the period of the "Twelfth Five-Year Plan", with an aim of doubling the economic volumes.

Coal industry:

Under the direction of the coal industry plan and the relevant policies of the PRC, the Company will improve production layout, product portfolio and market structure, further strengthen the core and fundamental position of coal operations, and improve coal resource acquisition ability and control. In addition to accelerate the safety and technology renovation of its existing production coal mines, the Company will also put focus on the development of the "five large" coal bases located in Shanxi, Inner Mongolia-Shaanxi, Xinjiang etc.. as well as the construction of large-scale safe coal mines with high efficiency. Efforts will also be made to push forward active consolidation of local coal resources and development of overseas resources to further develop the construction of coal logistics infrastructures and distribution network. During "Twelfth Fire-Year Plan", coal production is expected to reach over 200 million tons.

Coal chemical industry:

Based on the plan and layout as well as the policies of the PRC, the Company will take advantage of its strength in the coal industry and develop new types of coal chemical industry from a high starting point. Taking into account of water resources, product transportation and market demand, the Company will establish a technology supporting system and a talent pool for coal chemical development and endeavour to make it as the Company's pillar industry. The Company will promote the strategic adjustment and upgrade of industry structures with focus on coal-based olefin and coal-based natural gas, the improvement of coking and related industries as well as the proactive development of integrated industries involving coal chemical resources. Emphasis will also be placed on the construction of model coal chemical projects and coal, chemical and power bases as well as integrated operation.

Power industry:

Based on the power industry plan, power resources layout as well as the preferential policies on the joint operation between coal and power enterprises of the PRC, the Company will take advantage of its strength in the coal industry and enhance the strategic cooperation between coal and power enterprises by taking into account of water resources, power transmit channels and market demand. Priority will be given to the development of power plants that utilise integrated resources which are fuelled by middling coal, coal slurry and coal gangue. Efforts will be made to forge ahead coal and power joint operation and the construction of coal-fired power generation projects with high volume, high parameter and low emission as well as the construction of the state-level Pingshuo Energy Base. The Company will seek power resources with advanced technology standard and ample expansion capacity in costal regions with intensified power loading and carry out equity investment in large scale coal-fired power generation projects if appropriate.

Coal mining equipment industry

With an aim to developing high-end coal mining equipment products with self-owned intellectual property rights, the Company strives to improve technological innovation and strengthen coal mining equipment industry. Backed by the capability to supply "three machines and one roof support" underground set equipment, the Company will proactively improve its capacity in coal washing and preparation, research and manufacture of underground trackless transport and open pit exploration equipment so as to strengthen the market share of its high-end products. The Company will take the initiative to facilitate the construction of its five coal bases and extend the value chain of coal mining equipment products by focusing on the expansion of coal mining equipment maintenance and leasing service markets. The Company will put emphasis on export expansion in a move to improve its marketing reach and capacity on coal mining equipment. During the Twelfth Five-Year Plan, the Company will endeavour to build its coal mining equipment industry into a pillar industry with sales revenue exceeding RMB10 billion and cement the Company's influence and leadership within the industry.

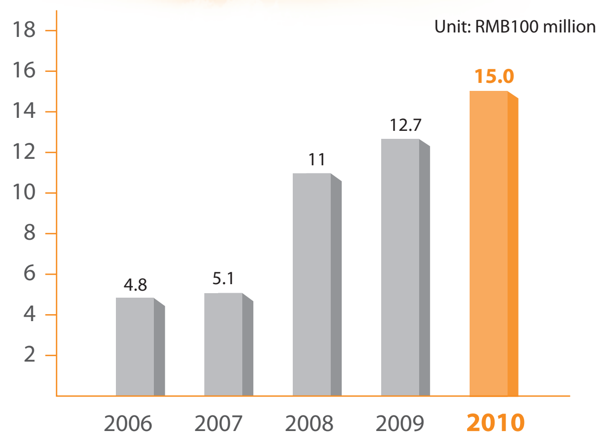
Technological Innovation

In 2010, the Company strengthened top-level design of technological innovation based on its principal operations to develop the cutting edge of technology for its businesses as a whole. A number of key technological breakthroughs were achieved and independent innovation system construction had made important progress, further strengthening the support and steering functions of technological innovation in the Company's growth model transformation and upgrading.

I. Focus on major sectors and projects to intensify research and development on key technologies.

With increasing investment in technology in 2010, the Company undertook 8 state-level technological projects, 14 technological projects for coal industry and 30 projects for revising national and industrial standards; and implemented 5 major technological projects and 48 key programs on the Company Level.

Technological investment of China Coal Energy from 2006 to 2010



– Five key technologies were successfully developed, including fully mechanised top caving method, 10 million ton annual output fully mechanised complete equipment, strip mining method for open pit coal mines, key technologies for open pit and underground joint mining, and ecological treatment and reclamation for open dumping ground. The globally leading technologies effectively overcame the key technological bottlenecks for the 100 million ton level coal production base in Pingshuo.

Experiment and research on fully-mechanised top caving coal mining method for Pingshuo Mining Area

– The national project of development, manufacturing and application of 10 million ton level underground fully-mechanised coal mining and road header complete equipment was finalised. With the domestically leading technology, a number of high-end products with high value-adding were developed, taking the lead in technological progress in the industry.

National key technologies R&D program undertaken under the Eleventh Five-year Plan – Test on complete equipment for extra thick and high coal seam faces (2010)

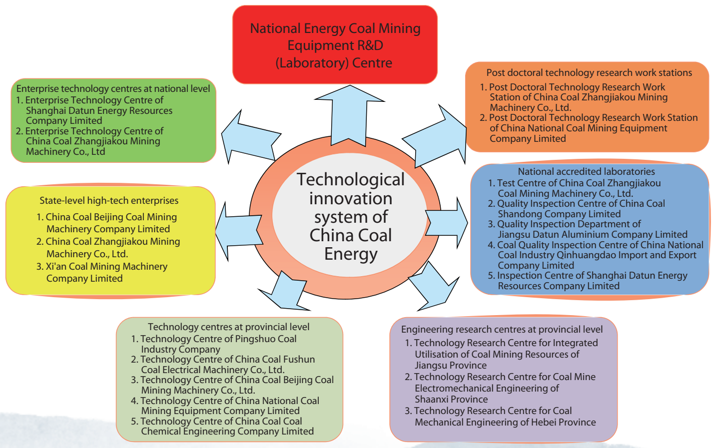
Progress of national technological projects undertaken by China Coal Energy in 2010

No.	Nature of project	Name of project	Progress
1	National High-tech R&D Program (863 Program)	Shearer remote control technology and monitoring system	staged results
2	National High-tech R&D Program (863 Program)	Road header remote control technology and monitoring system	staged results
3	NDRC Innovative Ability Development Program	Improvement of innovative ability for Technology Centre of Shanghai Company	completed and passed acceptance inspection
4	NDRC Innovative Ability Development Program	Improvement of innovative ability for Technology Centre of Zhangjiakou Coal Mining Machinery	major work completed
5	National Key Industrial Technology Development Program	Coal mine gas comprehensive control and utilisation of key equipment – Underbalanced truck-mounted drilling machine for gas drainage on surface	completed industrial trial and passed accreditation
6	National Energy R&D (Laboratory) Centre	Construction of Coal Mining Equipment R&D Centre	being implemented
7	National Key Technologies R&D Program	Complete equipment of 2×1000 fully-mechanised top caving working face AFC for high coal seam	staged results
8	National Key Technologies R&D Program	ZF15000/28/52 LTCC hydraulic roof support for high coal seam	staged results

II. Establish a globally leading research base to help China Coal Energy to develop a global cutting edge

Aiming at establishing a coal mining equipment experiment and research system with the strongest experimental ability and the highest technology level in the world, the Company made overall progress in the construction of the national energy coal mining equipment R&D centre in 2010. Meanwhile, the Company established 1 state-level high-tech enterprise, 2 national accredited laboratories and 1 province-level technological centre. Accordingly, an independent, open and integrated technological innovation system is taking shape.

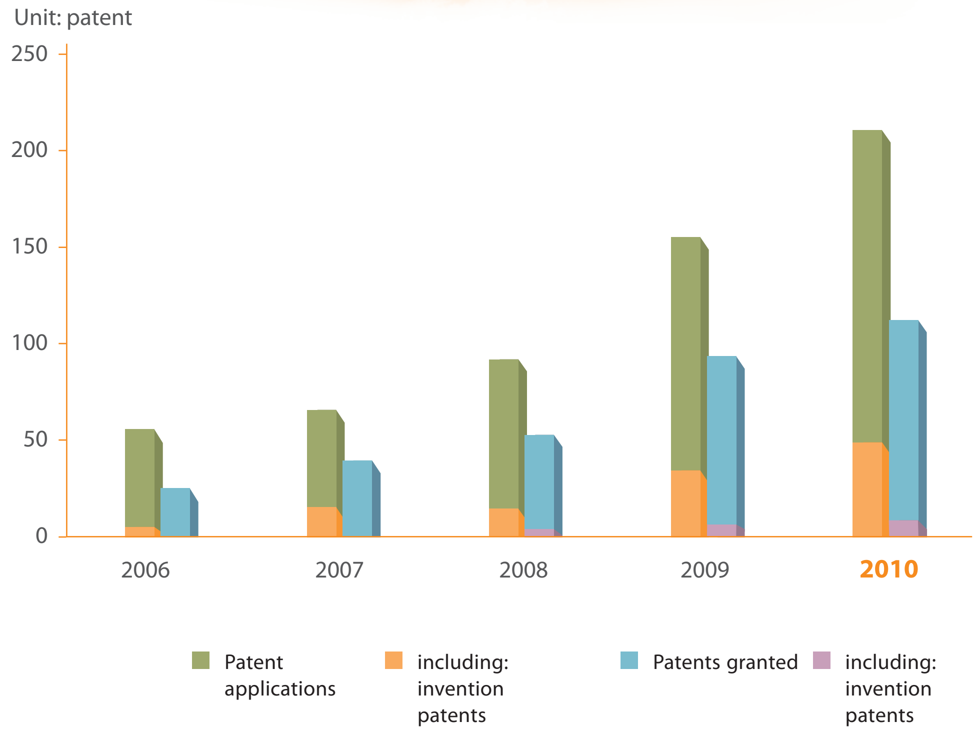
Technological innovation System of China Coal Energy



III. Technological innovation achievements in 2010

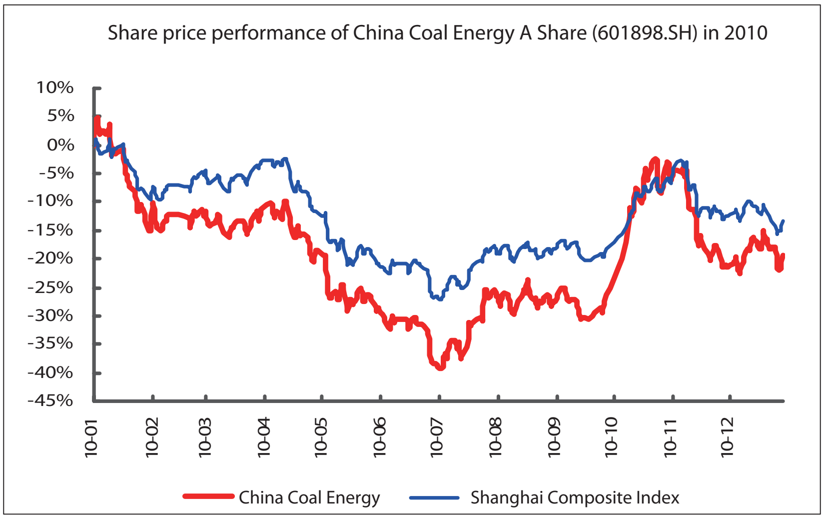
With significantly enhanced independent innovation ability, the Company won 1 national technological improvement award and 18 awards for improvements on coal industry technology in 2010. Meanwhile, 106 patents were granted, including 9 invention patents and 1 patent in the United States. The number of effective patents owned by the Company reached 310.

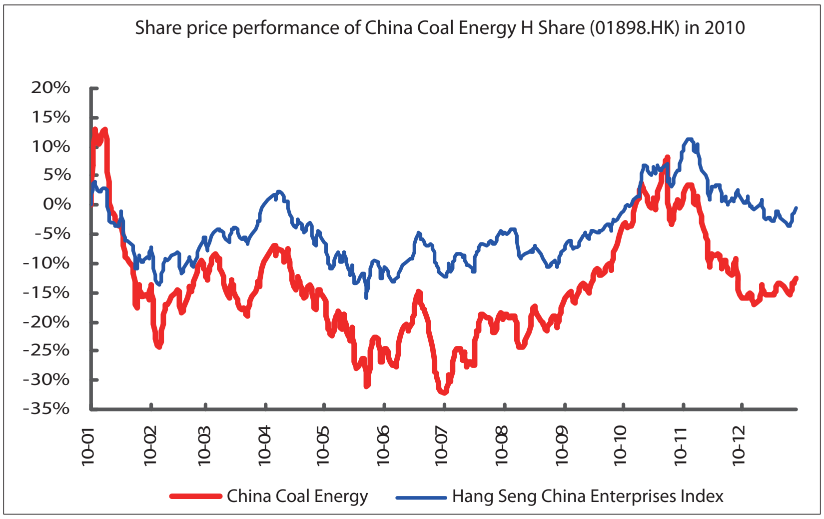
Patent applications of and patents granted to China Coal Energy from 2006 to 2010



Investor Relations

In 2010, China took the lead to step out of the crisis and outperformed other economies. Yet in the dynamic global capital market, the aggravated European debt crisis led to higher risk aversion of investors, and the second round of quantitative easing launched by the United States resulted in excess liquidity globally. Domestically, Chinese government adopted macro control measures in time to "stabilise growth, adjust structure and control inflation", and the capital market fluctuated within a narrow range. As at 31 December 2010, Shanghai Composite Index closed at 2,808.08, representing a decrease of 13.4% from the beginning of the year; and Hang Seng China Enterprises Index closed at 12,692.43, representing a decrease of 0.46% from the beginning of the year.





In response to the complicated domestic and international economic environment in 2010, the Company accelerated the restructuring to upgrade its growth mode under the strategy with a priority on principal operations and the market-oriented and customer-focused operation philosophy. Desirable business results were achieved by the Company accordingly. Facing the dramatic changes and challenges in capital market, the Company highly valued the management of investor relations, continuously enhanced the transparency of corporate governance, extended the scope and depth of information disclosure and improved its communication platform with investors to strengthen the management of investor relations.

In 2010, the Company organised a total of 358 meetings with investors and analysts and met 1,651 attendees, including 2 results announcement meetings, 6 results briefing teleconferences and 67 meetings of non-deal road shows; participated in 21 investment fora organised by securities firms; and arranged two batches of investors totalling 36 attendees for field visits to coal production bases in Shanxi and Shaanxi. Through full-scale and multidimensional communications with investors and analysts on strategic planning, corporate governance, business results, financial position and prospects, the understanding and recognition of the Company in capital market were effectively boosted, and a positive image of the Company in capital market was built up.

In order to satisfy the needs of investors, the Company enhanced voluntary information disclosure. An investor relations column was set up at the Company's website to disclose up-to-date corporate developments including monthly production and operation data, and dedicated staff was appointed to patiently answer different questions brought up by investors through investor enquiry hotline, fax line and mailbox so as to stay in close contact with minority investors all the time.

Investor relations management is a two-way communication process. While delivering corporate information to investors, the Company focuses on collecting feedbacks from all investors, actively assimilates reasonable suggestions from investors and timely passes them to the management as an important reference in decision-making, which effectively contributes to continuous improvements in corporate governance.

List of investor relations events in 2010

Activities	Time	Type	Name of activity	Session(s)	Number of attendees
Major activities	April 2010	A+H Share	2009 annual results briefing teleconference	6	75
	August 2010	A+H Share	2010 interim results announcement meeting (Shanghai, Hong Kong)	2	183
	August 2010	H Share	Global non-deal road show (Europe, U.S., Singapore, Japan)	67	160
	Sub-total			75	418
investment Fora	January 2010	H Share	The ninth UBS Greater China Symposium		23
	January 2010	H Share	Deutsche Bank Access China Conference 2010		44
	April 2010	H Share	Macquarie Chinese Commodities Annual Meeting		33
	May 2010	H Share	The eighth BOCI Investors' Forum		25
	May 2010	H Share	CLSA China Investment Forum		25
	May 2010	A Share	Orient Securities Investors' Forum 2010		10
	May 2010	A Share	UBS Securities A-shares Investment Seminar 2010		6
	May 2010	H Share	J. P. Morgan China Investment Forum		21
	June 2010	A Share	Everbright Securities Interim Strategies Meeting 2010		13
	June 2010	H Share	Credit Suisse China Investment Annual Meeting 2010		17
	October 2010	H Share	Citibank Greater China Investors' Meeting 2010		9
	October 2010	H Share	Macquarie Securities Chinese Commodities Annual Meeting 2010		40
	November 2010	H Share	HSBC First Global Commodities and Futures Meeting		52
	November 2010	H Share	Goldman Sachs Securities China Investment Front Annual Meeting 2010		14
	November 2010	H Share	Merrill Lynch China Investment Summit		18
	November 2010	H Share	The ninth Morgan Stanley Asia-Pacific Investment Summit		115
	November 2010	A Share	Qilu Securities Investment Strategies Meeting 2011		30
	November 2010	A Share	Shenyin Wanguo Face-to-face Meeting between Listed Companies and Investors 2011		20
	December 2010	H Share	Bank of Scotland China Twelfth Five-year Plan Meeting		32
	December 2010	A Share	CITIC Securities Capital Market Annual Meeting 2011		30
	December 2010	A Share	Guodu Securities Coal Investment Strategies Meeting 2011		30
	Sub-total			49	607
Reverse road show	July 2010	A+H Share			36
Day-to-day receptions	January to December 2010	A+H Share	Investors' visits and teleconferences	234	590
	Total			358	1,651

The Company obtained extensive attention and recognition from the capital market for its longstanding and consistent efforts. In September 2010, China Coal Energy was included into Hang Seng Index and thus became a blue chip on Hong Kong stock market.

Awards received by the Company in 2010

No.	Granted by	Awards
1	Financial Times of the UK	No. 357 of FT Global 500
2	Platts of the US	No.2 of Coal and Consumable Fuel Company in the World Platts Global 250 Energy Enterprises
3	China Securities Journal	The Twelfth Session (2009) Top 100 Chinese Listed Companies Golden Bull Award
4	Shanghai Securities News	Golden Governance & Information Disclosure Award for Board Secretary
5	Secutimes	Top 100 Most Valuable Listed Companies on Main Board of China 2009
6	Secutimes	Top 100 Board Secretaries of Listed Companies on Main Board of China 2009
7	Investor Relations Management Research Centre for Chinese Listed Companies	The Fifth Session of Top 100 Investor Relations in China
8	Investor Relations Management Research Centre for Chinese Listed Companies	Social Responsibility Contribution Award
9	Investor Relations Management Research Centre for Chinese Listed Companies	Best Executive of Top 10 Investor Relations in China

In the future, China Coal Energy will continue to adhere to its principles of transparency, integrity, fairness and openness and continue to maintain smooth communication channels with people from all circles, enhance the capital market's understanding and recognition of the Company so as to obtain more support and attention from investors to maximise the Shareholders' value.

Safety, Health, Environmental Protection and Social Responsibilities

I. Production Safety

Adhering to the Scientific Development Concept and the principles of human-oriented and safe development with an aim at "zero fatality", the Company took efforts in implementing accountability of claims with strict safety control and strengthened monitoring and surveillance. Through continuous improvements in "environment, quality and responsibility" systems, production safety was enhanced in full scale. In 2010, the Company's fatality rate of coal production per million tons was 0.041, which continued to stay at the industry leading position.

Firstly, the safety concept was gradually rooted in every person. The Company introduced advanced safety concepts as the guide to the staff's safety awareness and activities, advocating the core concept of "safety is of vital importance, life is of the most value" and a series of leading concepts such as "implementing automation", "production safety can be realised with proper management" and "good working environment plus regulated operation equals to safety". By promoting such advanced concepts, the staff's confidence and resolution in production safety were heightened and enthusiasm was stimulated to inspire and support the Company's safe production.

Secondly, the standardisation level of safety and quality was further improved. Early in the year, an on-site safety and quality standardisation conference was convened to boost standardisation construction of safety and quality, and 8 coal mines were named "State-level Safety and Quality Standardisation Mines". The Company formulated standards and assessment rules on safety and quality standardisation including processing of coal, pitmouth power generation and coal mining equipment industries etc., and embarked on assessment on safety and quality standardisation for coal chemical operations. As a result, safety and quality standardisation work has basically covered each business arm and subsidiary of the Company. Meanwhile, the Company improved incentive measures with higher bonus for qualified enterprises in safety and quality standardisation, and coal mines with the title of State-level Safety and Quality Standardisation Mines were rewarded. Furthermore, the revision of the "Safety and Quality Standard of Coal Mines" prepared by the Company was completed and shall be published and implemented upon the review and approval by experts. This revision will set a higher technical standard for the design, construction and production of coal mines.

Thirdly, safety assurance capability was further improved. Centering on four major development directions and the "five high standards", the Company established a safe, efficient, streamlined and smoothly running production system with a well-established safe production and management system. Meanwhile, the Company sped up updating and upgrading of key technologies and equipment for safe production, proactively promoted the application of safe and reliable new technology, new techniques, new materials and new equipment, and increased the investment in safety in order to enhance the safety assurance capability. In 2010, RMB2.28 billion was invested in safety which effectively improved the working environment. As a result, 12 highly efficient safe mines and 8 super safe mines were established, and the hazard prevention and resistance capabilities of mines were enhanced. The shelter system of coal mines was expedited, and all operating pits completed the construction of five systems including monitoring, life locating, emergency ventilation, rescuing water supply and telecommunication as scheduled.

Fourthly, safety control capability was further improved. Early in the year, responsibility letters of production safety were signed with all subsidiaries under the safety objective management framework. Rules and regulations on safe production were improved to better regulate safety management. To strengthen incentive and restraint mechanism, the Company increased the standards for performance assessment and reward and penalty for persons in charge of subsidiaries, and a structured safety wage system was introduced under which staff salary was linked to safety performance. With strict accountability of claims, the Company pressed forward the fulfilment of safety responsibility and measures, leading to a significant improvement in safety control capability.

Fifthly, the staff's safety consciousness was greatly improved. To strengthen safety education, training for workers were focused on three major procedures, job position standards and operational skills trainings, and the practice of "a topic once a day, a case study once a week and an assessment once a month" was comprehensively promoted for daily safety training. Qualification training for three categories of personnel (major heads of enterprises, safe production managers and special skilled workers) was especially stressed, with a total of 10,775 attendees for the year. The fundamental group and team building was strengthened. Three worker teams of the Company's subsidiaries were named "National Excellent Worker Team", one person was honoured "National Top 10 Worker Team Leader", and two persons were honoured "National Excellent Worker Team Leader". The staff's safety awareness and skills were significantly improved.

On 28 March 2010, a flooding accident occurred in the course of construction at Wangjialing Coal Mine, a mine under construction of Huajin Company (50% owned by the Company), resulting in a death toll of 38 and direct economic loss of RMB49.3729 million. As a result, the completion and operation date of Wangjialing Coal Mine, which was originally scheduled in October 2010, was delayed. On 21 January 2011, Huajin Company was imposed a penalty of RMB2.25 million under the Circular on Results of Investigation and Treatment on Two Extraordinarily Serious Production Safety Accidents at Two Coal Mines (An Wei Ban (2011) No.2) issued by the Office of Safe Production Commission under the State Council. After the accident, the Company instantly launched the safe production special rectification campaign which lasted to the end of the year, focusing on management on flooding prevention and treatment and strengthening field monitoring and examination to eliminate potential accidents and solidify comprehensive works of safe production. Currently, Wangjialing Coal Mine is making active preparation for resuming coal mine construction and striving to coordinate with the relevant government authorities for the early resumption of construction.

II. Occupational Health

Under the mode of occupational health management which is mainly preventive in nature with continuous improvements, the Company pressed forward the construction of occupational health and safe management system to strengthen prevention and control on occupational hazards. A dedicated occupational hazard preventive unit was set up, and the occupational hazard preventive management regulations as well as the archives for occupational hazard factor detection, assessment, occupational health monitoring were established. While strictly following the "3-simultaneous" principle of "To design, construct and commission the main body of project simultaneously with the safeguarding facilities", the Company conducted regular inspections and assessments on occupational hazard factors. The full-scale implementation of such safeguarding measures resulted in a significant improvement in working environment. Shanghai Company was honoured as "2010 National Pioneer in Coal Mine Occupational Safety and Healthy".

The Company covers employment injury insurance and accident insurance for the staff under the relevant laws, and provides labour protection goods to workers free of charge. Trainings on occupational safety and health were strengthened to enhance the preventive management on occupational hazards in enterprises and the self-protection capabilities of the working staff. Shanghai Company completed the second round of educational training on prevention and treatment of occupational hazards. With a total of 15,000 participants, the training rate reached 96%.

The monitoring of occupational health in enterprises and the supervisory inspection tests on working places vulnerable to occupational hazards were strengthened. China Coal and Coke Holdings Limited conducted on-site supervisory inspection tests on 16 working sites of coking enterprises with occupational hazards from dust, benzene, ammonia, high temperature, etc.. At Pingshuo Coal Industry Company and Shanghai Company, occupational health monitoring was conducted for the staff working under high temperature and high above the ground, for dust collection staff, staff engaged in poisonous and hazardous working processes as well as new and departed employees. All monitoring rates exceeded 90%.

III. Environmental Protection

Compared with the end of the Tenth Five-year Period, the Company's integrated energy consumption per RMB10,000 production output in 2010 decreased by 18.9%; the emission of sulphur dioxide was reduced by 25.9%; and emission of chemical oxides was reduced by 33.1%. In 2010, the integrated energy consumption for raw coal production was 3.29 kgce/ton, the utilisation rate of mine water was 78.7% and the integrated utilisation rate of coal gangue was 95.1%, reaching the advanced level in the domestic industry.

Name of indicator	Unit	China Coal Energy	Industry Average
Integrated energy consumption for raw coal production	kgtce/ton	3.29	11.67
Utilisation rate of mine water	%	78.7	61.7
Integrated utilisation rate of coal gangue	%	95.1	62.5

Note: The coal industry data were derived from the China Coal Processing and Utilisation Association.

With a commitment to economical, clean and sustainable development, the Company highly valued reasonable development of resources and protection of ecological environment. The Company took high resource utilisation, low environment pollution and efficient recycling economy as the intrinsic demand for developing its core competitiveness to promote energy saving and environment protection. Accordingly, along with expanding production scale and development by leaps and bounds, the Company effectively controlled energy consumption and major pollutant emission, making full play of its contribution as a bellwether to national economy.

Placing emphasis on reasonable mining of coal resources, the Company introduced advanced equipment and technique including roof supports, overall height mining in one time and top caving. As a result, resource recovery rate for open pit mines exceeded 95%, and recovery rate for underground mines exceeded 80%. The Company pressed forward the application of clean production technologies, whereby waste water, gas and slag as well as residual heat in production process were recycled. By implementing clean production technologies such as frequency control of motor speed, low gas power generation for coal mines, residual heat power generation for coking ovens, cylinder technological renovation for turbines and reconstruction of coal storage yard, energy utilisation ratio was increased for clean production.

The Company established the new system of integrated utilisation of coal under the model of recycling economy to enhance its sustainable development capability. At Pingshuo Mining Area, the "coal-power-building materials industry chain and the land reclamation and reutilisation ecological industry chain" have been established. At Datun Mining Area, a closed-end cycle of "resource-product-waste-recycled resources" was established along its industry chain covering coal mining, preparation, gangue power generation, building materials and primary aluminum. By extending the industry chain in the principle of "making the best use of wastes for conversion into materials", cascaded utilisation of resources was achieved and economic benefit was improved, contributing to the maximised efficiency of resource utilisation and social and environment benefit.

The Company strengthened land reclamation at mining areas and comprehensive environment treatment at plant areas to improve their ecological environment on an ongoing basis. At Pingshuo Mining area, the current land reclamation ratio and vegetation coverage have exceeded 50% and 90% respectively. A one-stop production process covering mining, earth dumping, reclamation and plantation was established, together with a tiered reclamation and plantation mode comprising grass, shrub, arbour and woods. As such, soil erosion was mitigated year by year, and indicators including soil fertility, soil and water conservation, and varieties of vegetation were enhanced as compared with those before mining. At Shanghai Company, by refilling subsidence areas with coal gangue and covering the earth's surface with mud of Weishan Lake, coal gangue was effectively utilised and the Weishan Lake dyke was solidified, and meanwhile allowed local farmer to plant crops.

The Company continued to improve its responsibility and assessment system. Early in the year, indicators and major projects of energy saving and emission reduction were included in corporate production and operation plan as well as the performance responsibility letters for the heads of enterprises, which were strictly assessed for reward or penalty. In light of the strategy of establishing a resource conservative and environment friendly enterprise, the Company pushed forward ISO9001 and ISO14001 management system certification while promoting energy efficiency benchmarking and clean production review. Energy performance contracting was introduced in a bid to explore quantitative management on energy saving and environment protection under a new market mechanism for continuous innovations and optimisations of management mode. The Company strictly implemented the review system for environmental impact assessment, "three-simultaneous" environmental requirements and energy saving performance assessment, to ensure the application of advanced energy and environmental technology in new projects from the starting point.

In May 2010, the Ministry of Environmental Protection of China issued the Circular on Examination Results after Environment Inspection on Listed Companies, which addressed the environmental issues in eliminating obsolete capacity of China Coal and Coke Mudanjiang Limited and relocation in relation to China Coal and Coke Jiuxin Limited, both being subsidiaries of the Company. The Company attached great importance to the issues of elimination of obsolete capacity by China Coal and Coke Mudanjiang Limited. Given the responsibility of the company for gas supply to Mudanjiang city in Heilongjiang, the Company entered into an equity interest transfer agreement with Mudanjiang municipal government on 31 December 2010, pursuant to which the Company transferred 100% equity interest in China Coal and Coke Mudanjiang Limited to Mudanjiang Municipal State-owned Asset Administration Corporation. The relevant registration change procedures were completed on 30 January 2011. In response to the issue on relocation of local villagers in relation to China Coal and Coke Jiuxin Limited, the Company took initiatives to communicate and negotiate with local government and villagers. Currently, the issue is being addressed in an active manner.

Dumping ground at Pingshuo Mining Area

Greenhouse vegetable planting base on reclaimed land

IV. Social Responsibility

A separate social responsibility report has been issued and included as an appendix to this report, which sets out the details of social responsibility.

Directors, Supervisors and Senior Management

1. Directors

Name	Age	Position held in the Company	Date of appointment	Term
Directors				
Wang An	52	Chairman, Executive Director	Chairman: 27 December 2010 Executive Director: 23 December 2010	3 years
Peng Yi	48	Vice Chairman, Non-Executive Director	Vice Chairman: 27 December 2010 Non-Executive Director: 23 December 2010	3 years
Yang Lieke	53	Executive Director, President	Executive Director: 23 December 2010 President: 27 December 2010	3 years
Li Yanmeng	65	Non-Executive Director	23 December 2010	3 years
Zhang Ke	57	Independent Non-Executive Director	23 December 2010	till 23 August 2012
Wu Rongkang	70	Independent Non-Executive Director	23 December 2010	till 21 November 2012
Zhang Jiaren	66	Independent Non-Executive Director	23 December 2010	3 years
Zhao Pei	61	Independent Non-Executive Director	23 December 2010	3 years
Ngai Wai Fung	48	Independent Non-Executive Director	23 December 2010	3 years
Supervisors				
Wang Xi	55	Non-Employee Representative Supervisor, Chairman of the Supervisory Committee	Non-Employee Representative Supervisor: 23 December 2010 Chairman of the Supervisory Committee: 27 December 2010	3 years
Zhou Litao	50	Non-Employee Representative Supervisor	23 December 2010	3 years
Zhang Shaoping	46	Employee Representative Supervisor	23 December 2010	3 years
Senior Management				
Yang Lieke	53	President, Executive Director	President: 27 December 2010 Executive Director: 23 December 2010	3 years
Gao Jianjun	52	Vice-President	27 December 2010	3 years
Qi Hegang	52	Vice-President	27 December 2010	3 years
Niu Jianhua	48	Vice-President	27 December 2010	3 years
Pu Jin	50	Vice-President	27 December 2010	3 years
Weng Qing'an	54	Chief Financial Officer	27 December 2010	3 years
Zhou Dongzhou	52	Secretary to the Board and Company Secretary	27 December 2010	3 years

The Company currently has two executive directors, two non-executive directors and five independent non-executive directors. Other than working relationship, there is no any other relationship between any of the directors, supervisors and senior management of the Company in respect of finance, business and family or in other material ways. The Company has received an annual confirmation letter from each of the independent non-executive directors of the Company with regard to their independence. As at the date of this report, the Company considers all the independent non-executive directors to be independent pursuant to HKSE Listing Rules.

2. Details of Directors, Supervisors and Senior Management

Directors

Wang An, aged 52, is a Chairman and Executive Director of the Second Session of the Board of the Company. As at the date of this report, Mr. Wang is also the Director and General Manager of China Coal Group. Mr. Wang is a member of the Chinese Academy of Engineering and also Dean of the School of Management, China University of Mining and Technology. He graduated in August 1982 from Shanxi Mining Institute with a Bachelor's Degree majoring in underground coal mining. He also holds a Master's 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. He served as the Chief Engineer of Wuda Coal Bureau, the Vice Chairman of the Board, the General Manager and Chief Engineer of Shenfu 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 and Chairman and Executive Director of the First Session of the Board of the Company. Mr. Wang has long term experience in the field of technology management regarding coal production and management of coal production enterprises. He 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.

Peng Yi, aged 48, is a Vice Chairman and Non-Executive Director of the Second Session of the Board of the Company. He is also the Chief Accountant of China Coal Group. Mr. Peng graduated in July 1984 from Wuhan Construction Material Industry Institute (now known as Wuhan University of Technology), and obtained a Master's Degree in Business Administration from Wuhan University in June 1999. He is also a Senior Engineer and a Senior Professional Manager in the coal industry. Mr. Peng was the Head of the Design Department of Zhongnan Architectural Design Institute, the Deputy Head of Zhongnan Architectural Design Institute, Shenzhen Branch, Head of the Finance Department of Zhongnan Architectural Design Institute, Deputy General manager, Chief Economist and Chief of Finance of Wuhan Kaidi Electric Power Company Limited, Chairman of Wuhan Gelin Tiandi Environmental Protection Enterprises Group Company Limited, Chairman of Wuhan Kaidi Lantian Technology Company Limited, Deputy General Manager of China Coal Group and Executive Director, Executive Vice-President and Chief Financial Officer of the First Session of the Board of the Company. Mr. Peng has extensive experience in enterprise management, capital operation and financial management.

Yang Lieke, aged 53, is an Executive Director and President of the Second Session of the Board of the Company. Mr. Yang graduated in June 1982 from Xi'an Mining Institute (now known as Xi'an University of Science and Technology), with a Bachelor's Degree majoring in mining engineering. Mr. Yang is a Senior Engineer and a Senior Professional Manager in the coal industry, and is entitled to special government allowance granted by the State Council. He served as the Manager of the logistics department and planning department of China National Coal Industry Import & Export Corporation, the General Manager of China Coal Import & Export Company, Director of Sunfield Resources Pty. Limited and Shanghai Datun Energy Resources Company Limited and Executive Director and President of the First Session of the Board of the Company. Mr. Yang is familiar with the processes of production, operation and management of coal enterprises as well as the domestic and international coal market. He has extensive experience in enterprise production operation and management, and has more than 20 years of experience in the coal industry.

Li Yanmeng, aged 65, is a Non-Executive Director of the Second Session of the Board of the Company. Mr. Li is also an External Director of China Coal Group and an Independent Non-Executive Director of Dongfang Electric Corporation Limited and Datang International Power Generation Co., Ltd. Mr. Li 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 he is a Senior Engineer. He served as Deputy Director, Deputy Manager and 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 of the Office of the National Electric Power System Reform Working Team, Vice-President of STATE GRID Corporation of China and Independent Non-Executive Director of the First Session of the Board of the Company. 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.

Zhang Ke, aged 57, is an Independent Non-Executive Director of the Second Session of the Board of the Company. Mr. Zhang currently serves as the Chairman and the Principal Partner of ShineWing Certified Public Accountants, the Chairman of Beijing ShineWing Management and Consulting Company Limited, an Independent Director of Hua Rong Securities Company Limited as well as the Vice-President of China Institute of Certified Public Accountants, and Vice-president Beijing Judicial Appraisal Association. Mr. Zhang obtained a Bachelor's Degree in Economics from the Industrial Economics Department of Renmin University of China in 1982. Mr. Zhang is a certified accountant with qualification in securities dealing and a Senior Accountant. 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), an Independent Director of various listed companies including China Minsheng Bank Ltd., Zhuhai Zhongfu Enterprise Co. Ltd., and Air China Limited. Vice-President of Beijing Judicial Appraisal Association, Committee Member of the Examination Board of the Certified Accountants of the Ministry of Finance, Adjunct Professor at the Department of Accounting of Renmin University of China and an Independent Non-Executive Director of the First Session of the Board of the Company. Mr. Zhang has more than 20 years of experience in reviewing and analysing 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.

Wu Rongkang, aged 70, is an Independent Non-Executive Director of the Second Session of the Board of the Company, and serves as senior adviser to the China National Coal Association and Deputy Director of China Coal Industry Technology Consulting Commission. Mr. Wu is a Professorate Senior Engineer and is entitled to special government allowance granted by the State Council. He graduated from the Mining Department of Huainan Mining Institute in September 1961. Mr. Wu served as an Engineer, Chief Engineer and Deputy General Manager of Liyi Coal Mine in Huainan Mining Bureau, Deputy Director-General in Anhui Coal Mining Industry Company, Deputy Director of Huaibei 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, member of National Energy Experts Advisory Committee, visiting professor of Beijing Graduate School of China University of Mining & Technology and Independent Non-Executive Director of the First Session of the Board of the Company. 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.

Zhang Jiaren, aged 66, is an Independent Non-Executive Director of the Second Session of the Board of the Company, Non-Executive Director of Societe Generale (China) Ltd. and Independent Director of Hangzhou Industrial & Commercial Trust Co. Ltd. Mr. Zhang graduated from Hefei Industrial University in 1966 specialising in electrical engineering. Mr. Zhang is a Professorate Senior Economist and is entitled to special government allowance. He was elected as National Model Worker and was a representative of the Ninth National People's Congress. Mr. Zhang served as Technician of Jingmen Refinery Co. Ltd, Technician, Engineer and Vice Division Principal of Zhejiang Refinery Co. Ltd, Deputy Chief of the Department of Engineering of Zhenhai Petrochemical General Plant, President of the refinery of Zhenhai Petrochemical General Plant, Vice-President and President of Zhenhai Petrochemical General Plant, General Manager and Chairman of Zhenhai Refining & Chemical Co., Ltd, Deputy General Manager of China Petrochemical Corporation, Vice-President, Senior Vice-President and Chief Financial Officer, Director of China Petroleum & Chemical Corporation, Chairman of Sinopec Finance Corporation, and Senior Advisor to China Petrochemical Corporation. Mr. Zhang is familiar with the production and operation management of energy chemical enterprises as well as the financial management and capital operation.

Zhao Pei, aged 61, is an Independent Non-Executive Director of the Second Session of the Board of the Company, Executive Director and President of Advanced Technology & Materials Co., Ltd (AT&M), Chairman of Beijing Gang Yan Diamond Products Company, Chairman of Heye Special Steel Co. Ltd, Director of Zhong Lian Advanced Steel Materials Technology Company Limited and Standing Director of Chinese Society for Metals. Mr. Zhao is a PhD of engineering, a Postdoctoral Fellow at the University of Leeds in UK, Professor and Doctorial Tutor, and is entitled to special government allowance. He served as a Professor and Deputy Dean at the University of Science & Technology Beijing, Division Chief of the Science & Technology Department of the Ministry of Metallurgy, Deputy Chief Engineer and Chief of Engineering Center of Central Iron & Steel Research Institute, Vice-President of Central Iron & Steel Research Institute, Chairman of New Metallurgy High-tech Group Co., Ltd and Chairman of Beijing Iron & Steel Research New Metallurgy Engineering Design Co., Ltd. Mr. Zhao is proficient in metallurgical technology and material science and familiar with related enterprises and research institutions both in China and abroad, which allows him to gain full understanding of the technological development and market trend of the sector, and has given him plenty of experiences in the management and operation of large-scale high-tech enterprises and listed companies.

Ngai Wai Fung, aged 48, is an Independent Non-Executive Director of the Second Session of the Board of the Company, Director and Chief Operating Officer of Wallbanck Brothers Securities (Hong Kong) Limited as well as the Managing Director of MNCOR Consulting Limited. He is currently an Independent Non-Executive Director of China Railway Construction Corporation Limited, BaWang International (Group) Holdings Limited, Bosideng International Holdings Limited, Franshion Properties (China) Limited, Powerlong Real Estate Holdings Limited, Sany Heavy Equipment International Holdings Company Limited, SITC International Holdings Company Limited and Biostime International Holdings Limited, and the Vice-President of the Hong Kong Institute of Chartered Secretaries. He graduated from the Hong Kong Polytechnic University, Andrews University of Michigan, the United States and the University of Wolverhampton, the United Kingdom. He has obtained a Master's Degree in Corporate Finance, an MBA Degree and a Bachelor's Degree in Laws (with Honours). Mr. Ngai has more than 18 years of senior management experience, and had been the Executive Director, Chief Financial Officer of a number of Hong Kong listed companies, including China COSCO Holdings Co. Ltd., China Unicom (Hong Kong) Limited, Industrial and Commercial Bank of China (Asia) Ltd. Mr. Ngai has participated in or led many listing, mergers and acquisitions, issuance of bonds projects and provided professional services for many state-owned enterprises and red chip companies.

Supervisors

1. Wang Xi, aged 55, is the Chairman and Non-Employee Representative Supervisor of the Second Session of the Supervisory Committee of the Company and the Employee Director and Union President of China Coal Group. Mr. Wang graduated from Renmin University of China in June 1986, majoring in industrial economy. He is a Senior Economist. He served as Principal Staff Member of National Planning Commission and National Production Commission of the State Council, Vice Division Chief of Economic Operations Bureau of the State Economic and Trade Commission, Division Chief of Fiscal and Financial Affairs Department of the State Economic and Trade Commission, Division Chief and Deputy Director-General of Comprehensive Department of the State Economic and Trade Commission and Deputy Director-General of Performance Examination Bureau of State-owned Assets Supervision and Administration Commission of the State Council. Mr. Wang has long term experience in the relevant national economic operation departments and state-owned assets supervision agencies and gained rich experience in the research of macro-economy policy, analysis of the economic operation, business management and operation performance examination.

2. Zhou Litao, aged 50, is a Non-Employee Representative Supervisor of the Second Session of the Supervisory Committee of the Company and General Legal Counsel of China Coal Group, Executive Vice-President of the Energy Law Academy of China Law Society and Deputy Chairman of Legal Issues Committee of China National Coal Association. 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 an Executive MBA Degree by HEC Business School Paris, France, 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 and Supervisor of the First Session of the Supervisory Committee of the Company. Mr. Zhou is familiar with PRC Civil Law, Commercial Law and International Commercial Principles, and has rich experience in corporate legal matters.

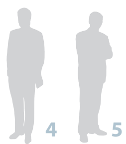
3. Zhang Shaoping, aged 46, is the Employee Representative Supervisor of the Second Session of the Supervisory Committee of the Company and the Deputy General Manager of China National Coal Development Company Limited. He graduated from the Hebei Institute of Coal Mining and Civil Engineering majoring in industrial and civil construction in July 1986, and obtained a Bachelor's Degree in engineering. He is a Senior Engineer and Senior Professional Manager of the coal industry. He served as staff of Beijing Coal Planning and Design General Institute (北京煤炭規劃設計總院), staff and Principal Staff Member of China United Distribution Coal Mine Corporation (中國統配煤礦總公司), Principal Staff Member and Assistant Consultant of Policy and Regulation Department of the Ministry of Coal Industry, Deputy Director of the Office of China National Coal Sales and Transportation Corporation (中國煤炭銷售運輸總公司); Deputy Director and Director of the Party Committee Office and Director of Party Work Department of China National Coal Industry Import and Export Group Corporation and Director of Party Work Department of China National Coal Group Corporation. Mr. Zhang has worked in the coal industry for a long time and has full understanding of the coal industry and extensive experience in business management.

Senior Management

1. Yang Lieke, aged 53, is the President of the Company and Executive Director of the Second Session of the Board. For details, please refer to the "Directors" section in this chapter.

2. Gao Jianjun, aged 52, is the Vice President of the Company, the Chairman and General Manager of Shanghai Datun Energy Resources Company Limited, the Vice Chairman of Tianjin Port China Coal Huaneng Coal Terminal Co. and a Director of Huajin Coking Coal Company, GreenGen Company and Zhongtian Synergetic Energy Company Limited. He 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, and is entitled to special government allowance granted by the State Council. He served as Assistant to the General Manager, General Manager of the Enterprise Development Department 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.

3. Qi Hegang, aged 52, is the Vice President of the Company. He graduated from Shanghai Datun Energy Specialised 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 Professorate 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, the Chief Engineer of Datun Coal Power (Group) Company Limited and a Director of Shanghai Datun Energy Resources Co., Ltd. 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.



4. Niu Jianhua, aged 48, is the Vice President of the Company, the Vice Chairman of Zhejiang Zheneng Zhongmei Zhoushan Coal & Electricity Company Limited and a Director of Guotou Zhongmei Tongmei Jingtang Port Company Limited. 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 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 and the Director of the General Office and Assistant to the General Manager of China Coal Group. Mr. Niu has worked in the coal industry for an extensive period, has developed extensive understanding of the industry, and has rich experience in administrative management.

5. Pu Jin, aged 50, is the Vice President of the Company. He is also an Executive Director and General Manager of China National Coal Mining Equipment Co., Ltd., Vice-president of China National Coal Machinery Industry Association, Executive Director of China Coal Society, Deputy Director of Machinery and Electrical Experts Committee of Coal Industry Technology Committee and Deputy Director of National Coal Industry "653" Steering Committee. He graduated from the China University of Mining and Technology in 1998, majoring in engineering with a Master's Degree in engineering, and he obtained a Doctoral Degree in management studies from the School of Management Science and Engineering of Tongji University in 2003. He is a Professorate Senior Engineer, a National Senior Professional Manager and a Senior Professional Manager in the coal industry, and he is entitled to special government allowance granted by the State Council. He served as Assistant to the General Manager and Deputy General Manager of Automatic Engineering Division and Overseas Operations Division of China National General Machinery Engineering Corp. under the Ministry of Machinery Industry, General Manager of China Coal Shenzhen Company, General Manager of China Coal Southern Energy Resources Co., Ltd. and Chairman of China National Coal Mining Equipment Group Corp. Mr. Pu has extensive experience in enterprise management as well as solid theoretical experience in coal mining machinery.

6. Weng Qing'an, aged 54, is the Chief Financial Officer of the Company, and Chairman of the Supervisory Committee of Huajin Coking Coal Company. He graduated from China University of Mining and Technology in July 1998 with major in accounting. He is a Senior Accountant and a Senior Professional Manager in the coal industry and a Qualified Consultant on Enterprise Law. He served as Section Chief, Deputy Chief Accountant, Deputy Director and Director of the Finance Office of Datun Coal and Electricity (Group) Company Limited, Deputy Chief Accountant, Chief Accountant and Director of Datun Coal and Electricity (Group) Company Limited, Supervisor and Director of Shanghai Datun Energy Company Limited, and Chief Accountant of Pingshuo Coal Industry Company. Mr. Weng has been working for coal mining enterprises at the basic level and listed companies for a long period of time and has over 30 years of working financial experience in state-owned enterprises as well as rich experience in capital operation and financial management in listed companies.

7. Zhou Dongzhou, aged 52, is the Secretary to the Board and the Company Secretary of the Company. He 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's 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 Deputy Head of the Coal Trading Division of China Coal Group, Deputy General Manager of China Coal Import & Export Company and Joint Company Secretary of the Company.

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

Type of position	Name	Position held	Movement	Reason
Directors	Wang An	Executive Director of the Second Session of the Board	Re-elected	Elected as Executive Director of the Second Session of the Board at the second extraordinary general meeting of the Company for the year 2010 convened on 23 December 2010.
		Chairman of the Second Session of the Board	Re-elected	Elected as Chairman of the Second Session of the Board at the First Meeting of the Second Session of the Board for the year 2010 convened on 27 December 2010.
	Peng Yi	Non-Executive Director of the Second Session of the Board	Newly appointed	Elected as Non-Executive Director of the Second Session of the Board of the Company at the second extraordinary general meeting of the Company for the year 2010 convened on 23 December 2010.
		Vice Chairman of the Second Session of the Board	Newly appointed	Elected as Vice Chairman of the Second Session of the Board at the First Meeting of the Second Session of the Board for the year 2010 convened on 27 December 2010.
	Yang Lieke	Executive Director of the Second Session of the Board	Re-elected	Elected as Executive Director of the Second Session of the Board at the second extraordinary general meeting of the Company for the year 2010 convened on 23 December 2010.
		President	Re-elected	Appointed as President of the Company at the First Meeting of the Second Session of the Board for the year 2010 convened on 27 December 2010.

Type of position	Name	Position held	Movement	Reason
	Li Yanmeng	Non-Executive Director of the Second Session of the Board	Newly appointed	Elected as Non-Executive Director of the Second Session of the Board at the second extraordinary general meeting of the Company for the year 2010 convened on 23 December 2010.
	Zhang Ke	Independent Non-Executive Director of the Second Session of the Board	Re-elected	Elected as Independent Non-Executive Director of the Second Session of the Board at the second extraordinary general meeting of the Company for the year 2010 convened on 23 December 2010.
	Wu Rongkang	Independent Non-Executive Director of the Second Session of the Board	Re-elected	Elected as Independent Non-Executive Director of the Second Session of the Board at the second extraordinary general meeting of the Company for the year 2010 convened on 23 December 2010.
	Zhang Jiaren	Independent Non-Executive Director of the Second Session of the Board	Newly appointed	Elected as Independent Non-Executive Director of the Second Session of the Board at the second extraordinary general meeting of the Company for the year 2010 convened on 23 December 2010.
	Zhao Pei	Independent Non-Executive Director of the Second Session of the Board	Newly appointed	Elected as Independent Non-Executive Director of the Second Session of the Board at the second extraordinary general meeting of the Company for the year 2010 convened on 23 December 2010.

Type of position	Name	Position held	Movement	Reason
	Ngai Wai Fung	Independent Non-Executive Director of the Second Session of the Board	Newly appointed	Elected as Independent Non-Executive Director of the Second Session of the Board at the second extraordinary general meeting of the Company for the year 2010 convened on 23 December 2010.
Supervisors	Wang Xi	Non-Employee Representative Supervisor of the Second Session of the Supervisory Committee	Newly appointed	Elected as Non-Employee Representative Supervisor of the Second Session of the Supervisory Committee at the second extraordinary general meeting of the Company for the year 2010 convened on 23 December 2010.
		Chairman of the Second Session of the Supervisory Committee	Newly appointed	Elected as Chairman of the Second Session of the Supervisory Committee at the First Meeting of the Second Session of the Supervisory Committee for the year 2010 convened on 27 December 2010.
	Zhou Litao	Non-Employee Representative Supervisor of the Second Session of the Supervisory Committee	Re-elected	Elected as Non-Employee Representative Supervisor of the Second Session of the Supervisory Committee at the First Meeting of the Second Session of the Supervisory Committee for the year 2010 convened on 23 December 2010.
	Zhang Shaoping	Employee Representative Supervisor of the Second Session of the Supervisory Committee	Newly appointed	Elected as Employee Representative Supervisor of the Second Session of the Supervisory Committee at the Employee Representative Meeting convened on 22 December 2010.

Type of position	Name	Position held	Movement	Reason
Senior Management	Yang Lieke	President	Re-elected	Appointed as President of the Company at the First Meeting of the Second Session of the Board for the year 2010 convened on 27 December 2010.
		Executive Director of the Second Session of the Board	Re-elected	Elected as Executive Director of the Second Session of the Board at the second extraordinary general meeting of the Company for the year 2010 convened on 23 December 2010.
	Gao Jianjun	Vice-President of the Company	Re-elected	Appointed as Vice-President of the Company at the First Meeting of the Second Session of the Board for the year 2010 convened on 27 December 2010.
	Qi Hegang	Vice-President of the Company	Re-elected	Appointed as Vice-President of the Company at the First Meeting of the Second Session of the Board for the year 2010 convened on 27 December 2010.
	Niu Jianhua	Vice-President of the Company	Re-elected	Appointed as Vice-President of the Company at the First Meeting of the Second Session of the Board for the year 2010 convened on 27 December 2010.
	Pu Jin	Vice-President of the Company	Re-elected	Appointed as Vice-President of the Company at the First Meeting of the Second Session of the Board for the year 2010 convened on 27 December 2010.

Type of position	Name	Position held	Movement	Reason
	Weng Qing'an	Chief Financial Officer	Re-elected	Appointed as Chief Financial Officer of the Company at the First Meeting of the Second Session of the Board for the year 2010 convened on 27 December 2010.
	Zhou Dongzhou	Secretary to the Board	Re-elected	Appointed as Secretary to the Board of the Company at the First Meeting of the Second Session of the Board for the year 2010 convened on 27 December 2010.
		Company Secretary	Re-elected	Appointed as Company Secretary at the First Meeting of the Second Session of the Board for the year 2010 convened on 27 December 2010.
Resignation of Directors, Supervisors and Senior Management	Gao Shangquan	Independent Non-Executive Director of the First Session of the Board	Retirement	Expiration of term of office
	Peng Ru Chuan	Independent Non-Executive Director of the First Session of the Board	Retirement	Expiration of term of office
	Li Yanmeng	Independent Non-Executive Director of the First Session of the Board	Retirement	Expiration of term of office

Type of position	Name	Position held	Movement	Reason
	Du Ji'an	Chairman and Supervisor of the First Session of the Supervisory Committee	Retirement	Expiration of term of office
	Chen Xiangshan	Employee Representative Supervisor of the First Session of the Supervisory Committee	Retirement	Expiration of term of office
	Li Fuyou	Vice-President of the Company	Resignation	Job change
	Wang Yuanheng	Joint Company Secretary	Resignation	Resignation

4. Qualified Accountant

Xu Guannan, female, aged 33, is the Qualified Accountant of the Company. She graduated from Jiangxi University of Finance and Economics with a Bachelor's 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 China Construction Bank Beijing Branch before joining the Company.

Directors' Report

Dear shareholders,

The board of directors of China Coal Energy Company Limited (the "**Board**") is pleased to present the directors' report of the Company and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2010 prepared in accordance with the International Financial Reporting Standards.

1. Principal operations

The Group is principally engaged in coal operations, coking operations, coal mining equipment operations and other related operations in China. The coal operations of the Group include coal production, sales and trading. The coking operations of the Group include the production and sales of coke and coal chemical products and sales of coke products. The coal mining equipment operations of the Group include the design, research and development, manufacturing and sales of coal mining machinery and equipment and provision of after-sales services. Other operations of the Group include the production and sales of electricity and primary aluminum. Details of the principal business of the Group's principal subsidiaries are set out in note 46 to the financial statements.

2. Operating results

The financial and operating results of the Group for the year ended 31 December 2010 are set out in the section headed "Financial Statements".

3. Dividends and distributable profits, closure of share register

On 22 March 2011, pursuant to the relevant PRC laws and regulations, the Board recommended the payment of cash dividends of RMB2,072,693,400 to shareholders of the Company, representing 30% of the net profits attributable to equity holders of the Company for the year ended 31 December 2010, which amounted to RMB6,908,978,000 as set out in the consolidated financial statements of the Company prepared in accordance with the PRC Accounting Standards for Business Enterprises. The proposed dividend distribution will be made based on the Company's entire issued share capital of 13,258,663,400 shares, representing a dividend of RMB0.15633 per share (inclusive of tax). The proposed dividend distribution is subject to shareholders' consideration and approval at the 2010 annual general meeting to be convened on 27 May 2011. The dividends will be paid to shareholders whose names appear on the Company's register of members on 27 April 2011. The share registrar of the Company will be closed from 27 April 2011 to 27 May 2011 (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 the Company's 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 April 2011.

All dividends to be distributed will be denominated and declared in Renminbi and will be paid to holders of H Shares in Hong Kong dollars. The amount of dividends payable in Hong Kong dollars shall be calculated based on the average benchmark exchange rate of Renminbi to Hong Kong dollars announced by the People's Bank of China on the date which is five business days prior to 22 March 2011 (Tuesday), being the date of dividend declaration. The dividends are expected to be paid on or about 28 June 2011.

Under relevant regulations of China Securities Depository and Clearing Corporation Limited Shanghai Branch and in line with the market practice regarding dividend distribution for A Shares, the Company will publish a separate announcement in respect of its dividend distribution to holders of A Shares after the Company's annual general meeting for 2010, which, among others, will set out the record date and ex-rights date of dividend distribution for A Shares.

4. 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" of this report.

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

As at 31 December 2010, none of our directors or supervisors had any interests or short position in the 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) which are required to be entered in the register of interests maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or which are required to be notified to the Company and HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

As at 31 December 2010, 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 any of its associated corporations, nor did any of the above-mentioned individuals exercise any such rights to acquire the aforesaid shares or debentures.

6. Public float

Based on the information that is publicly available to the Company and to the knowledge of the directors, as at the date of this report, the Company had maintained the prescribed public float under HKSE Listing Rules.

7. Service contracts of directors and supervisors

Each of the directors and supervisors of the Company entered into a service contract with the Company on 23 December 2010. Pursuant to the terms of the service contract, each of the directors and supervisors agrees to perform his/her duties as the Company's director or supervisor. Term of service: save for Mr. Zhang Ke (director of the Company whose term of service for the second session of the Board commenced from the date of appointment and shall end on 23 August 2012) and Mr. Wu Rongkang (director of the Company whose term of service commenced from the date of appointment and shall end on 21 November 2012), the term of service of other directors is three years from the date of appointment. The term of service for Supervisors is three years from the date of appointment. Such service contracts can be renewed in accordance with the Articles of Association of the Company and the relevant requirements of HKSE Listing Rules, and can be terminated before their expiry date according to the provisions of such contracts.

Save as disclosed above, none of the directors or supervisors of the Company 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).

8. Directors' and supervisors' interests in contracts

Apart from the service contracts, in the year ended 31 December 2010, none of the directors or supervisors of the Company is materially interested, whether directly or indirectly, in any contract of significance to which the Company, or any of its holding companies or any of its subsidiaries, or fellow subsidiaries of the holding company is a party.

9. Remuneration of directors and supervisors

The details of the remuneration of directors and supervisors of the Company for the year ended 31 December 2010 are set out in note 39 to the consolidated financial statements.

For the year ended 31 December 2010, 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 of factors, such as directors' duties, responsibilities and performance as well as the operating results of the Group and so on.

10. Purchase, sale or redemption of shares of the Group

For the year ended 31 December 2010, the Company and its subsidiaries had not purchased, sold or redeemed any securities (the term "securities" has the prescribed meaning under HKSE Listing Rules) of the Group.

11. Use of Proceeds

(1) Use of proceeds from H Share issuance

After deducting related expenses, the net proceeds from H Share issuance of the Company amounted to RMB14.466 billion. For the year ended 31 December 2009, all net proceeds were used in the way disclosed in the prospectus of H Shares. As at 31 December 2010, among the many investment projects funded by the H Share proceeds, the Antaibao underground mine and Heilongjiang methanol project (with a production capacity of 250,000 tons/year) were completed and put into commercial generation, while the Pingshuo East Open Pit Mine project, related coal washing plants and dedicated railways in Pingshuo Minging Area and the comprehensive utilisation project of waste materials of coal mine in Heilongjiang province were still under construction and no revenue was generated.

(2) Use of proceeds from A Share issuance

As at 31 December 2010, the actual application of proceeds from A Share issuance amounted to RMB14.584 billion in total, representing approximately 57.6% of the net proceeds from A Share issuance, details of which are listed below:

Unit: 100 Million

Net Proceeds Raised	253.20	Total proceeds applied during the reporting period	100.60
		Total proceeds applied so far	145.84

Committed project	Any change in project	Proposed investment	Actual investment	Meets the planned schedule	Expected revenue	Actual revenue
Ordos 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	41.58	17.41	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	—	0.12	No	—	—
Supplementing the working capital of the Company for general corporate purpose or for the acquisitions of core business related assets	No	41.33	41.33	Yes	—	—

Unit: 100 Million

Committed project	Any change in project	Proposed investment	Actual investment	Meets the planned schedule	Expected revenue	Actual revenue
Nalin River No. 2 Coal Mine Project developed by Mengda Mining Company with an annual production capacity of 8 million tons of coal	Yes	16.69	13.30	Yes	—	—
Muduchaideng Coal Mine Project developed by Ordos Yihua Mining Resources Company Limited with an annual production capacity of 6 million tons of coal	Yes	44.64	16.94	Yes	—	—
Xiaohuigou Coal Mine Project developed by Xiaohuigou Coal with an annual production capacity of 3 million tons of coal	Yes	28.06	8.53	Yes	—	—
Hecaogou Coal Mine Project developed by Shaanxi Yan'an Hecaogou Coal Mine Co., Ltd. with an annual production capacity of 3 million tons of coal	Yes	12.00	7.00	Yes	—	—
Zhangjiakou Coal Machinery Equipment Industrial Park Project to be developed by China Coal Zhangjiakou Coal Mining Machinery Co., Ltd.	Yes	23.62	6.53	Yes	—	—
Yulin Energy and Chemical Comprehensive Utilisation Project to be developed by Shaanxi Yulin Energy Chemical Company Limited with an annual production capacity of 0.6 million tons of polyethylene and 0.6 million tons of polypropylene	Yes	21.00	6.30	Yes	—	—
Supplementing the working capital of the Company for general corporate purpose or for the acquisitions of core business related assets	Yes	28.38	28.38	Yes	—	—
Total	—	—	145.84	—	—	—

Reasons for failure to meet schedule (by project)	Ordos project and ancillary engineering facilities with an annual production capacity of 25 million tons of coal, 4.2 million tons of methanol and 3 million tons of dimethyl ether is actively seeking approval and preparatory work for the construction has been completed on the whole.
Intended use of unapplied proceeds	Deposited as term deposit with the bank in which a special account for proceeds was maintained.

12. Property, plant and equipment

The details of the changes in the property, plant and equipment of the Company for the year ended 31 December 2010 are set out in note 7 to the audited financial statements for the year.

13. Donation

For the year ended 31 December 2010, the charitable and other donations made by the Company amounted to RMB16.508 million.

14. Subsidiaries and associates

The details of subsidiaries and associates of the Company as at 31 December 2010 are set out in note 46 to the audited financial statements for the year.

15. 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 shareholders of the Company to subscribe for shares on a pro rata basis. Currently the Company does not have any share option arrangement.

16. Major customers and suppliers

For the year ended 31 December 2010, the revenues derived from the Company's largest external customer and its top five external customers accounted for 4.5% and 15% of the operating revenue of the Company for the year ended 31 December 2010 respectively.

For the year ended 31 December 2010, the total purchases from the Company's top five suppliers represented less than 30% of the total purchases made by the Company for the year ended 31 December 2010.

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.

17. Material Contracts

Save as disclosed in the section headed "connected transactions" in this report, none of the Company or any of its subsidiaries entered into any material contracts with the controlling shareholders or any of its subsidiaries other than the Group, nor was there any material contract in relation to the provision of services to the Company or any of its subsidiaries by the controlling shareholder or any of its subsidiaries other than the Group. No arrangement was made in which the shareholders waived or agreed to waive their dividends.

18. Connected transactions

The following are the major connected transactions of the Group during the year of 2010:

(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 transactions under these agreements constitute continuing connected transactions of the Company under Chapter 14A of HKSE Listing Rules. The terms of the relevant connected transaction agreements, the 2010 annual caps and the actual amounts incurred are as follows:

i. Coal Export and Sales Agency Framework Agreement

On 31 December 2008, the Company entered into a coal export and sales agency framework agreement with China Coal Group. The agreement is effective until 31 December 2011 and is renewable upon expiry. Pursuant to the agreement, the Company has appointed China Coal Group as the non-exclusive coal export and sales agent of the Company to provide export quotas and export agency services. The agency services provided by China Coal Group shall be made on terms no less favourable than those 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 2010 was RMB123 million. The actual agency fee incurred in 2010 was RMB8 million.

ii. *Coal Supplies Framework Agreement*

On 31 December 2008, the Company and China Coal Group entered into a coal supplies framework agreement, which is effective until 31 December 2011 and renewable upon expiry. Pursuant to the agreement, China Coal Group will procure that all coal products produced from the mines under restructuring will be supplied exclusively to the Company, and has undertaken not to sell such coal products to any third party.

Pricing principles: (a) market price, which is determined with 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 surrounding areas of the mines which are under restructuring; (b) where market price is unavailable, a price to be agreed between the parties will be adopted, which is calculated based on the price costs incurred in supplying the relevant coal products plus a reasonable 5% profit. The parties will set prices with reference to historical transaction prices (if any).

The annual cap of coal purchase expenditure for 2010 payable by the Company to China Coal Group in respect of the supply of coal products produced at the coal mines under restructuring by China Coal Group to the Company for the year ended 31 December 2010 was RMB1.625 billion. The actual expenditure incurred was RMB278 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 31 December 2008. The agreement is effective until 31 December 2011 and renewable upon expiry. Pursuant to the agreement, China Coal Group and the Company shall provide production material supplies and ancillary services to each other. The Company shall provide related coal export services to China Coal Group 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 2010, (1) the annual cap of the expenses paid for production materials and ancillary services provided by China Coal Group for 2010 was RMB4.105 billion and the actual expenses incurred were RMB1.655 billion; (2) the annual cap of the expenses paid for social and support services provided by China Coal Group for 2010 was RMB70 million and the actual expenses incurred were RMB60 million; (3) the annual cap of the income generated as a result of integrated materials and services provided by the Company to China Coal Group for 2010 was RMB705 million and the actual income was RMB448 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 2010 was RMB270 million and the actual incurred amount was RMB45 million.

iv. Mine Construction, Mine Design and General Contracting Service Framework Agreement

The Company and China Coal Group entered into a mine construction, mine design and general contracting service framework agreement on 31 December 2008. The agreement is effective until 31 December 2011 and renewable upon expiry. Pursuant to the agreement, China Coal Group and its subsidiaries and units shall provide coal mine construction services to the Company and its subsidiaries and units and the Company and its subsidiaries and units shall provide mine design and general contracting services to China Coal Group and its subsidiaries and units.

Pricing principles: in respect of mine construction, mine design and general contracting services required by either party, service providers shall be selected and service charge shall be determined through an independent tender process. If the price and other terms offered by a party are equal to or more favourable than those offered by other independent service providers participating in the tender, the party instead of other independent service providers shall be selected.

For the year ended 31 December 2010, (1) the 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 2010 was RMB6.205 billion, and the actual expenses incurred were RMB2.442 billion; (2) the annual cap of the income receivable by the Company in respect of the provision of mine design services to China Coal Group and its associates for 2010 was RMB254 million, and the actual income was nil.

v. Mine Design and General Contracting Service Framework Agreement

The Company and China Coal Group entered into a mine design and general contracting service framework agreement on 31 December 2009. The agreement is effective until 31 December 2011 and renewable upon expiry. Pursuant to the agreement, China Coal Group and its subsidiaries and units shall provide mine design and general contracting services to the Company and its subsidiaries and units.

Pricing principles: in respect of the mine design and general contracting services under the agreement, service providers and service charge shall be determined by way of tender. If the price and other terms offered by one party are equal to or more favourable than those offered by other independent service providers participating in the tender, that party instead of other independent service providers shall be selected.

For the year ended 31 December 2010, the annual cap of the expenses in respect of the coal mine design and general contracting services provided by China Coal Group and its associates to the Company in 2010 amounted to RMB293 million, and the actual expenses incurred were RMB258 million.

vi. *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 buildings and premises which are mainly used for production and operations.

Pricing principles: total annual property rentals paid by the Company or its relevant subsidiaries to China Coal Group and its associates in relation to structures and properties leased to the Company are approximately RMB71 million. The rentals shall be paid at the end of each year and are subject to review and adjustment every three years by reference to the prevailing market prices within the term of the property leasing framework agreement. The rental payable after adjustment shall not exceed the prevailing market rate to be confirmed by an independent property valuer.

The annual cap for 2010 in respect of property rentals paid by the Company to China Coal Group and its associates in respect of the structures and properties leased amounted to RMB79 million. For the year ended 31 December 2010, the actual rentals incurred were RMB68 million.

vii. *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 total annual rentals of approximately RMB8.9 million. The rentals shall be paid at the end of each year. The rental charges are subject to review and adjustment every three years with reference to the prevailing market rates of comparable land located in the same region or area under similar conditions within the term of the land use rights leasing framework agreement. The rental payable after adjustment shall not exceed the prevailing market rate to be confirmed by an independent property valuer.

The annual cap for 2010 in respect of the land use rights rental paid by the Company to China Coal Group and its associates amounted to RMB23 million. For the year ended 31 December 2010, the actual rental incurred was RMB22 million.

viii. *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 shall be automatically renewed for another 10 years upon expiry. Pursuant to the agreement, China Coal Group shall grant non-exclusive license right of the trademarks to the Company which are registered or being registered in the PRC and overseas before the date of executing the agreement for use both inside and outside of the PRC, and within the scope of the registered category of the licensed trademark. China Coal Group has the right to use the trademarks itself or sub-license them to any of its subsidiaries.

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

ix. *Coal and Other Related Products and Services Supply Framework Agreements*

Datong Coal Industry Co. Ltd., Shanxi Coking Coal Group Co., Ltd., Shaanxi Coal and Chemical Industry Group Co., Ltd., Jizhong Energy Machinery Equipment Co., Ltd. and Shaanxi Yulin Coal Import & Export Group Corporation, all of which being substantial shareholders of the Company's subsidiaries, are all joint venture partners of the Company in respect of its coal and other related products and services business. The Company will continue to purchase from or sell to these five substantial shareholders of the Company's subsidiaries coal and other related products and services. The Company therefore entered into a coal and other related products and services supply framework agreement with each of the aforementioned five substantial shareholders of the Company's subsidiaries. The agreements are effective from 1 January 2009 until 31 December 2011 and renewable upon expiry.

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; and the price agreed by the parties involved.

For the year ended 31 December 2010, (1) the annual cap for 2010 in respect of the expenses paid by the Company for purchasing coal and other related products and services from substantial shareholders of relevant subsidiaries amounted to RMB5.290 billion and the actual expenses incurred were RMB465 million; and (2) the annual cap for 2010 in respect of the income generated from sales of coal and other related products and services by the Company to substantial shareholders of relevant subsidiaries amounted to RMB3.475 billion, and the actual income generated was RMB88 million.

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

The Company and Pingshuo Luda Company entered into a railway leasing and management entrustment service framework agreement on 30 December 2008. The agreement is effective until 31 December 2011 and renewable upon expiry. Pursuant to the agreement, Pingshuo Luda Company shall lease railway from the Company or its relevant subsidiaries and provide management entrustment services to the Company's relevant subsidiaries.

Pricing principles shall be in 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 railway operators in surrounding areas on an arm's length basis; and the price agreed by the parties involved.

The annual cap for 2010 of the total railway leasing fees paid by Pingshuo Luda Company to the Company for the year ended 31 December 2010 amounted to RMB195 million, and the actual income generated was RMB148 million. The annual cap for 2010 of the total railway management entrustment service fees paid by the relevant subsidiaries of the Company to Pingshuo Luda Company for the same period amounted to RMB520 million, and the actual fees incurred were RMB398 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 incurred 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 ordinary course of business;

ii. on normal commercial 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) Non-continuing connected transactions

During the reporting period, the Company did not have any significant non-continuing connected transactions.

19. Reduce horizontal competition

Since its listing, the Company has been committed to addressing horizontal competition arising from the listing of the core assets of China Coal Group, the controlling shareholder of the Company. In 2008, the Company acquired 100% equity interest in Shanxi China Coal Dongpo Coal Industry Company Limited from CCIE Company, a subsidiary of China Coal Group. Such acquisition brought additional coal resources of 158 million tons and verified production capacity of 1.5 million tons per annum.

Currently, the following enterprises of China Coal Group are still engaged in coal production business as well as coal chemical operations:

i. CCIE Company is a wholly-owned subsidiary of China Coal Group. It is principally engaged in the consolidation and technology reformation of local coal mines in Shuozhou and Datong, Shanxi. It is currently involved in consolidation and technology reformation for some local coal mines. Upon completion of the consolidation and technology reformation, there will be 8 new coal mines which have approved production capacity of 7.80 million tons per annum in total. As the conditions of acquisition by the Company for these local mines have not been satisfied due to ongoing governmental approval procedures and absence of relevant certificates and permits, they were initially consolidated by China Coal Group. At present, the approvals for the above-mentioned 8 coal mines have yet to be obtained, and their technological reformation and change in registration of business licenses have not been completed.

ii. China Coal Jinhaiyang Company, a 60% owned subsidiary of China Coal Group. It is principally engaged in the consolidation and technology reformation of local coal mines in Shuozhou, Shanxi, with an approved production capacity of 10.20 million tons per annum. As the conditions of acquisition by the Company for these local mines have not bee satisfied due to ongoing approval procedures and absence of relevant certificates and permits, it is initially consolidated by China Coal Group. At present, the approvals for its projects and certificates of land use rights have yet to be obtained, and relevant technology reformation is still in process.

iii. China Coal Longhua Company, a 76.56% owned subsidiary of China Coal Group. It is principally engaged in businesses including coal production and sales, coal chemicals, transport of coal gas and LPG, logistics and project construction, with an approved production capacity of 2.60 million tons per annum (mainly used for production of coal gas) and a production capacity of 140,000 tons of methanol per annum. Due to its long-term commitment to supply coal gas to Harbin municipality, the company has born heavy social responsibilities. As such, it has very low profitability and can barely make any profit. During the reporting period, all methanol produced by this company was sold to the Company for external sales on an exclusive basis.

iv. Taiyuan Coal Gasification Group, a former indirect subsidiary of China Coal Group. In 2010, the equity interest held by China Coal Group in the company was increased to 51.57%. The company is principally engaged in businesses including coal production and sales, coal coking and by-products processing and municipal gas supply, with a verified production capacity of 4.24 million tons of coal per annum, a production capacity of 1.75 million tons of coke per annum and a production capacity of 250 million m^3 of coal gas per annum. Due to its commitment to coal gas supply to Taiyuan municipality, the company has born heavy social responsibilities and thus it has very low profitability and can barely make any profit.

After communicating with our controlling shareholder, China Coal Group, with respect to the abovementioned issues, China Coal Group is of the view that, upon completion of relevant approval procedures and receipt of licenses and permits, it is expected that the relevant business of CCIE Company will be injected into the Company within one to two years, and the equity interest in China Coal Jinhaiyang Company and China Coal Longhua Company will be transferred to the Company within three to five years, or alternatively, the horizontal competition will be resolved in other ways. The Company will exercise its pre-emptive right by taking into account various factors including conditions of the capital market and its development strategies.

20. Issues, difficulties and risks arising from the operation of the Company and relevant strategies and measures

(1) Risks of fluctuation in macro-economy

The coal industry is a fundamental sector of Chinese economy, which is closely linked to the macro-economy and significantly affected by other relevant industries i.e. electricity, metallurgy, construction materials and chemistry. The cyclical fluctuation of the macro-economy will have a material effect on the coal consumption industry as well as the operation of the coal industry and coal enterprises.

(2) Risks of overcapacity

With the rapid expansion of production capacity due to the increasing investment in the coal industry, the newly developed production capacity will swarm to release in the next few years and the coal market will probably be confronted with serious oversupply. As domestic coal enterprises have similar business models, the homogenised competition among them is fierce and overcapacity may trigger significant price wars and squeeze the profit margin of the coal enterprises.

(3) Risks of rising costs

Due to the varying conditions of coal reserves, costs of coal mining, excavating and transportation may increase significantly. The rising CPI and bulk purchase price have brought up the costs of labour and raw materials of the Company. In recent years, the Company's continuous expenditure on production safety and environment protection also fuelled the rising costs.

(4) Risks of changes in global coal markets

As affected by conditions of demand/supply and the changes in prices of global and domestic coal markets, Chinese coal import underwent significant growth as opposed to dwindling coal export since 2009. As Chinese economy develops in tune with global trend as well as market-oriented reform of its coal industry, the changes in global coal markets will have material effects on the domestic coal market.

(5) Risks of policy changes

The regulatory policies of the central and local governments of China on the coal industry, including tightening approval procedure for mining rights, restricting the pricing of key electricity-coal contracts and the reform on resource taxation, will have material effects on the production and operation of the coal enterprises.

(6) Risks of production safety

Due to the restriction of the geological and mining conditions, coal production involves certain inherent risks in production safety. The Company will push forward the "Three Constructions" covering safe and efficient mines, safety-assured mines and the production technology management system, and improve its safety management system through upgrading automatic production and reducing staff working underground with an aim to ensure safety production. Chinese central and local governments exercise stringent regulatory control and impose more strict requirements on the production and operation, technical support, investment in safety production and infrastructure construction, which present challenges to the domestic coal production. The Company will strengthen communication with the relevant regulatory authorities in an attempt to comply with industrial regulatory requirements and ensure its normal production and operation.

(7) Risks of environment protection

The mining of coal resources will unavoidably affect the environment to a certain extent. The Company has consistently complied with the laws and regulations on energy saving and waste discharge reduction as well as environment protection and upheld the concept of developing "black resources" in a "green way". It has strived to strike a balance between coal mining development and environment protection with increasing investment in technology and environment protection, while actively promoting the recycling economy to establish itself as an energy-saving and environmentally friendly enterprise.

(8) Risks of foreign exchange rates

The Group's operation is affected by the changes in Renminbi exchange rate. The Group's export sales are generally settled with US dollars and the Group has liabilities denominated in foreign currencies, including Japanese Yen and US dollars. Meanwhile, the Group needs foreign currencies, mainly US dollars, to pay for imported equipment and spare parts. As a result, the changes in foreign exchange rates of Renminbi to any other foreign currencies will have two-side compound effects on the operating results of the Company. The appreciation of Renminbi will reduce the Company's export sales income but will lower the Company's costs of imported equipment and spare parts, which in turn will reduce the repayment costs of debts in foreign currencies in the meanwhile.

21. Significant Events

(1) Share capital structure

As at 31 December 2010, 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 Coal Group	7,481,643,774	56.43
H Shares	4,106,663,000	30.97
Inclusive of H Shares held by China Coal Hong Kong Limited, a wholly owned subsidiary of China Coal Group	120,000,000	0.90
Total	13,258,663,400	100.00
Inclusive of shares held by China Coal Group and parties acting in concert with it	7,601,643,774	57.33

(2) Distribution of final dividends for 2009

The Company's 2009 final profit distribution plan was considered and approved at the Company's 2009 annual general meeting held on 25 June 2010. Cash dividends of RMB1,986,650,700 were paid to the shareholders of the Company, equal to 30% of the total profits of the Company available for distribution for the year ended 31 December 2009, which was RMB6,622,169,000 as set out in the consolidated financial statements prepared in accordance with the PRC Accounting Standards of Business Enterprises. The distribution was made based on the Company's entire issued share capital of 13,258,663,400 shares, representing a dividend of RMB0.14984 per share (inclusive of tax).

As at the date of this report, the above final dividends for 2009 had been duly paid to the shareholders of the Company.

(3) Profits available for distribution

On 22 March 2011, pursuant to relevant laws and regulations of the PRC, the Board recommended the payment of cash dividends of RMB2,072,693,400 to the shareholders of the Company, equal to 30% of the net profit attributable to equity holders of the Company for the year ended 31 December 2010, which was RMB6,908,978,000 as set out in the consolidated financial statements prepared in accordance with the PRC Accounting Standards of Business Enterprises. The distribution will be made based on the Company's entire issued share capital of 13,258,663,400 shares, representing a dividend of RMB0.15633 per share (inclusive of tax).

(4) Amendments to the Articles of Association

During the reporting period, the Company made one amendment to the Articles of Association whereas:

(1) Pursuant to the relevant requirements of the State Administration for Industry & Commerce, the wording "mining products" shall be deleted from the business scope of the Company.

(2) According to the operations of the Company, as the sales centre is in charge of the sale and purchase of coke, the wording "sales of coke products" shall be added to the business scope accordingly.

(3) In order to further enhance the specific mechanism for safeguarding the rights of minority shareholders of the Company, the occasion where shareholders individually or jointly holding more than 3% of the total number of the Company's shares with voting rights are entitled to propose resolutions shall be amended from "the Company's annual general meeting" to "the Company's general meeting".

The Company made corresponding amendments to the "business scope" in Article 13 and Clause 1 of Article 79 of the Articles of Association according to the regulatory requirements of the State Administration for Industry & Commerce and the substance of the actual operations of the Company so as to ensure that the Company's operations are lawful and compliant and to further protect the legal rights of minority shareholders of the Company. The above amendments to the Articles of Association were approved at the 2009 annual general meeting of the Company held on 25 June 2010 and were approved by SASAC before the date of this report.

(5) Assets transactions

During the reporting period, there were no material assets transactions.

(6) Other major events

1. *Change in investment projects using the proceeds from the A Share issuance*

The resolution on the change in investment projects using the proceeds from the A Share issuance was considered and passed at the second board meeting of the first session of the Board for the year 2010 convened on 14 July 2010 and was approved at the first extraordinary general meeting for the year 2010 convened on 3 September 2010. The Company agreed to cease using the proceeds from the A Share issuance to invest in the Heilongjiang-based 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 (hereinafter referred to as the "Heilongjiang Project") and to direct the Heilongjiang Project's surplus from the proceeds of A Share issuance of RMB17.017 billion plus interests from the special account of the proceeds of A Share issuance of RMB422 million (in total of RMB17.439 billion) for the following new projects respectively:

(1) RMB1.669 billion for the Nalin River No.2 Coal Mine Project developed by Mengda Mining Company with an annual production capacity of 8 million tons of coal;

(2) RMB4.464 billion for the Muduchaideng Coal Mine Project developed by Ordos Yihua Mining Resources Company Limited with an annual production capacity of 6 million tons of coal;

(3) RMB2.806 billion for the Xiaohuigou Coal Mine Project developed by Shanxi China Coal Pingshuo Xiaohuigou Coal Co., Ltd. with an annual production capacity of 3 million tons of coal;

(4) RMB1.200 billion for the Hecaogou Coal Mine Project developed by Shaanxi Yan'an Hecaogou Coal Mine Co., Ltd. with an annual production capacity of 3 million tons of coal;

(5) RMB2.362 billion for the Zhangjiakou Coal Machinery Equipment Industrial Park Project to be developed by China Coal Zhangjiakou Coal Mining Machinery Co., Ltd.;

(6) RMB2.100 billion for the energy and chemical comprehensive utilisation project to be developed by Shaanxi Yulin Energy Chemical Company Limited with an annual production capacity of 0.6 million tons of polyethylene and 0.6 million tons of polypropylene;

(7) RMB2.838 billion for supplementing the Company's working capital.

Please refer to the relevant announcement for more details in relation to the change in investment projects using the proceeds from the A Share issuance.

2. *The flooding accident at Wangjialing Coal Mine, a mine owned by Huajin Company*

For details, please refer to the "Safety, Health, Environmental Protection and Social Responsibilities" section of this report.

3. *Environmental Protection*

For details, please refer to the "Safety, Health, Environmental Protection and Social Responsibilities" section of this report.

4. *Provision of financing guarantee for Wangjialing Coal Mine of Huajin Company*

At the third board meeting of the first session of the Board for the year 2010 convened on 13 August 2010 and the second extraordinary general meeting for the year 2010, the Company passed a resolution to approve the provision of a guarantee for an amount not exceeding RMB931.8250 million for Huajin Company's borrowings from the National Development Bank. As of 31 December 2010, no loan agreement in relation to such borrowings was signed by Huajin Company. As such, there was no actual aggregate amount of the said guarantee. For more details, please refer to the announcement published on 13 August 2010 by the Company in relation to the external guarantees.

5. *General election of directors*

(1) Appointment of members of the second session of the Board and the Supervisory Committee

At the second extraordinary general meeting for the year 2010 convened on 23 December 2010, a resolution was passed to appoint Mr. Wang An and Yang Lieke as executive directors of the second session of the Board of the Company, Mr. Peng Yi and Li Yanmeng as non-executive directors of the Company, Mr. Zhang Ke, Wu Rongkang, Zhang Jiaren, Zhao Pei and Ngai Wai Fung as independent non-executive directors of the Company. The second session of the Board shall comprise the above nine directors. The term of service for the second session of the Board shall be three years commencing from the date on which the resolution proposed at such general meeting was approved. Among the directors, the term of service for Mr. Zhang Ke shall commence from the date of appointment to 23 August 2012 while the term of service for Mr. Wu Rongkang shall commence from the date of appointment and end on 21 November 2012.

At the second extraordinary general meeting for the year 2010 convened on 23 December 2010, a resolution was passed to appoint Mr. Wang Xi and Zhou Litao as the non-employee representative supervisors of the second session of the Supervisory Committee of the Company. At the employee representative meeting on 22 December 2010, Mr. Zhang Shaoping was appointed as the employee representative supervisor of the second session of the Supervisory Committee of the Company. The second session of the Supervisory Committee of the Company shall comprise Mr. Zhang Shaoping, Wang Xi and Zhou Litao. The term of service for the second session of the Supervisory Committee shall be three years commencing from the date on which the resolution proposed at such general meeting was approved.

Among the members of the first session of the Board of the Company, Mr. Gao Shangquan, Peng Ru Chuan, Li Yanmeng ceased to be independent non-executive directors of the Company with effect from 23 December 2010 due to the expiration of their terms of service; among the members of the first session of the Supervisory Committee of the Company, Mr. Du Ji'an and Chen Xiangshan ceased to be supervisors of the Company with effect from 23 December 2010 due to the expiration of their terms of service.

(2) Election of chairman and vice chairman of the second session of the Board of the Company

At the first meeting of the second session of the Board for the year 2010 held on 27 December 2010, a resolution was passed to approve the election of Mr. Wang An and Mr. Peng Yi as chairman and vice chairman of the second session of the Board respectively.

(3) Election of the chairman of the second session of the Supervisory Committee of the Company

At the first meeting of the second session of the Supervisory Committee for the year 2010 held on 27 December 2010, a resolution was passed to approve the election of Mr. Wang Xi as the chairman of the Supervisory Committee.

(4) Appointment and resignation of senior management

At the first meeting of the second session of the Board for the year 2010 held on 27 December 2010, a resolution was passed to approve the appointment of Mr. Yang Lieke as the president of the Company, Mr. Gao Jianjun, Qi Hegang, Niu Jianhua and Pu Jin as vice presidents of the Company, Mr. Weng Qing'an as the chief financial officer of the Company and Mr. Zhou Dongzhou as the secretary to the Board and the company secretary of the Company. The terms of office for the said senior management shall commence from the date on which the resolution proposed at such board meeting was approved and end on the date on which the third session of the Board of the Company is being constituted and a new session of senior management of the Company is being appointed.

At the fifth meeting of the first session of the Board for the year 2010 held on 5 November 2010, a resolution was passed to approve the resignation of Mr. Li Fuyou as the vice president of the Company due to change of work. Mr. Li Fuyou ceased to discharge his duties as a vice president of the Company commencing from the date on which the resolution proposed at such board meeting was approved. At the first meeting of the second session of the Board for the year 2010 held on 27 December 2010, a resolution was passed to approve the resignation of Mr. Wang Yuanheng as the joint company secretary of the Company. Mr. Wang Yuanheng ceased to discharge his duties as the joint company secretary of the Company commencing from the date on which the resolution proposed at such board meeting was approved.

(5) Re-election of the Board committees under the second session of the Board

At the first meeting of the second session of the Board for the year 2010 held on 27 December 2010, a resolution was passed to approve that the Strategic Planning Committee under the second session of the Board of the Company shall be chaired by Mr. Wang An, the chairman of the Board and an executive director, with Mr. Peng Yi, Yang Lieke, Wu Rongkang, Zhang Jiaren and Zhao Pei as the members.

At the first meeting of the second session of the Board for the year 2010 held on 27 December 2010, a resolution was passed to approve that the Audit Committee under the second session of the Board of the Company shall be chaired by Mr. Zhang Ke, an independent non-executive director, with Mr. Peng Yi, Zhao Pei and Ngai Wai Fung as the members.

At the first meeting of the second session of the Board for the year 2010 held on 27 December 2010, a resolution was passed to approve that the Nomination Committee under the second session of the Board of the Company shall be chaired by Mr. Zhang Jiaren, an independent non-executive director, with Mr. Wang An and Wu Rongkang as the members.

At the first meeting of the second session of the Board for the year 2010 held on 27 December 2010, a resolution was passed to approve that the Remuneration Committee under the second session of the Board of the Company shall be chaired by Mr. Ngai Wai Fung, an independent non-executive director, with Mr. Peng Yi, Zhang Ke and Zhao Pei as the members.

At the first meeting of the second session of the Board for the year 2010 held on 27 December 2010, a resolution was passed to approve that the Safety, Health and Environmental Protection Committee under the second session of the Board of the Company shall be chaired by Mr. Wu Rongkang, an independent non-executive director, with Mr. Yang Lieke and Li Yanmeng as the members.

The terms of office of the members and chairmen of each of the said Board committees will commence from the date on which the resolution proposed at such board meeting was approved, and will end on the expiry of their terms of directorship of the second session of the Board.

22. Material Legal Proceeding

As at 31 December 2010, 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 2010.

23. 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 2010. The financial statements prepared by the Company in accordance with the International Financial Reporting Standards have been audited by PricewaterhouseCoopers.

Resolution in relation to the appointment of PricewaterhouseCoopers as the Company's international auditor for the year 2011 and PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the Company's domestic auditor for the year 2011 will be considered at the 2010 annual general meeting to be convened on 27 May 2011.

24. Taxation

Pursuant to provisions of the "Notice Relating to Taxes Applicable to Foreign Enterprises and Foreign Nationals in Relation to Dividends and Gains obtained from the Holding and Transferring of Shares" (Guo Shui Fa [1993] No. 045) issued by the State Administration of Taxation of the PRC, foreign individuals holding H Shares are temporarily exempted from paying individual income tax for dividends they receive from a domestic enterprise within the PRC issuing the H Shares.

Pursuant to provisions of the "Notice Regarding Questions on Withholding Enterprise Income Tax When PRC Resident Enterprises Distribute Dividends 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, enterprise income tax is withheld at a unified tax rate of 10% on dividends for 2008 and subsequent years paid by a PRC resident enterprise to foreign non-resident enterprises as Shareholders of H Shares. Non-resident enterprise Shareholders may apply for a tax refund in accordance with the relevant requirements such as the tax agreement (arrangement) upon receipt of any dividends. Shareholders are recommended to consult their taxation advisors regarding the owning and disposing of H Shares in the PRC and in Hong Kong and other tax effects.

25. Reserves

Details of changes in the reserves of the Group during the year are set out in note 25 to the consolidated financial statements and the consolidated statement of changes in equity respectively.

As at 31 December 2010, reserves available for distribution to shareholders by the Company in accordance with the laws and regulations of the PRC were RMB9.606 billion.

26. 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.

27. Subsequent Events

There are no material subsequent events for the Group.

By order of the Board
China Coal Energy Company Limited
Wang An
Chairman and Executive Director

Beijing, China
22 March 2011

As at the date of this directors' report, the executive directors of the Company are Wang An, Yang Lieke; the non-executive directors of the Company are Peng Yi, Li Yanmeng; and the independent non-executive directors of the Company are Zhang Ke, Wu Rongkang, Zhang Jiaren, Zhao Pei and Ngai Wai Fung.

Supervisory Committee Report

During the reporting period, all members of the supervisory committee of the Company ("Supervisory Committee") have duly discharged their duties with the utmost diligence, conscientiousness, integrity and perseverance in accordance with the relevant requirements of the Company Law of the People's Republic of China ("Company Law"), the Articles of Association and the rules of procedures for the supervisory committee of the Company.

I. The work of the Supervisory Committee

During the reporting period, the Supervisory Committee convened five physical meetings, details of which are set out below:

Sessions of Meetings	Dates of Meetings	Newspapers for disclosure of the Resolutions	Date for disclosure of the Resolutions
First meeting for 2010 of the first session of the Supervisory Committee	22 April 2010	China Securities Journal, Shanghai Securities News	23 April 2010
Second meeting for 2010 of the first session of the Supervisory Committee	14 July 2010	China Securities Journal, Shanghai Securities News, Securities Times	15 July 2010
Third meeting for 2010 of the first session of the Supervisory Committee	13 August 2010	China Securities Journal, Shanghai Securities News, Securities Times	14 August 2010
Fourth meeting for 2010 of the first session of the Supervisory Committee	26 October 2010	China Securities Journal, Shanghai Securities News, Securities Times	27 October 2010
First meeting for 2010 of the second session of the Supervisory Committee	27 December 2010	China Securities Journal, Shanghai Securities News, Securities Times	28 December 2010

The first meeting for 2010 of the first session of the Supervisory Committee convened on 22 April 2010 considered and approved six resolutions in relation to the Company's 2009 annual report and its summary, 2009 annual results announcement, report of the Supervisory Committee, 2009 annual financial report, proposed profits distribution plan for 2009, report of the Board for 2009 on the self-assessment of the Company's internal control, and the first quarterly report for 2010.

The second meeting for 2010 of the first session of the Supervisory Committee convened on 14 July 2010 considered and approved the resolution on the change in investment projects using the proceeds from the A Share issuance.

The third meeting for 2010 of the first session of the Supervisory Committee convened on 13 August 2010 considered and approved the resolution on 2010 interim report of the Company.

The fourth meeting for 2010 of the first session of the Supervisory Committee convened on 26 October 2010 considered and approved the resolution on the third quarterly report for 2010 of the Company.

The first meeting for 2010 of the second session of the Supervisory Committee convened on 27 December 2010 considered and approved the resolution on the election of chairman of the Supervisory Committee.

The Company completed the change of session of the Supervisory Committee in the year. The members of the second session of Supervisory Committee of the Company were elected, with Mr. Wang Xi assuming the position of the chairman of the Supervisory Committee and non-employee representative supervisor, Mr. Zhou Litao appointed as a non-employee representative supervisor and Mr. Zhang Shaoping appointed as an employee representative supervisor. Mr. Du Ji'an no longer holds the position of the chairman of the Supervisory Committee and a non-employee representative supervisor, and Mr. Chen Xiangshan no longer holds the position of an employee representative supervisor.

II. Opinions of the Supervisory Committee in respect of the work of the Company

In 2010, the Company employed reforms and developments aggressively, improved its core business competency and endeavored to step up scientific development. The industry layout and re-organisation of structure of the Company achieved remarkable progress, further elevated the Company's capability in independent innovation and strengthened control, and reinforced the Company's cohesiveness. The Supervisory Committee is pleased to acknowledge the Company's accomplishment and has high expectations for its future development.

III. Independent opinions have been given by the Supervisory Committee in respect of the following issues of the Company in 2010:

(1) Legitimate Operation of the Company in 2010

In accordance with the relevant laws and regulations, the Supervisory Committee duly supervised the convening procedures and resolutions put forth in the shareholders' general meeting and Board meeting, the implementation of the relevant resolutions of the shareholders' general meeting by the Board, duties performed by the senior management and the establishment and consistent implementation of the Company's comprehensive internal management system. The Supervisory Committee is of the opinion that the Company was able to operate in strict compliance with the laws and regulations of the state and in accordance to the prescribed procedures of a listed company, and that the decision-making procedures are within the boundaries of laws. The Company was decisive in improving internal control system and had preliminarily built up an internal control system oriented on risk control. Directors and senior management of the Company have duly performed their duties, and the Supervisory Committee is not aware of any act of the directors or senior management of the Company which is in violation of any laws, regulations and the Articles of Association or is detrimental to the interests of the Company.

(2) Examination on the financial affairs of the Company

After carefully reviewing the annual financial report, the proposed profit distribution plan, the change in accounting policies and other matters of the Company, the Supervisory Committee considers that the Company's financial management and accounting works are increasingly standardised, and the auditor's report with standard unqualified opinions provided by PricewaterhouseCoopers Zhong Tian CPAs Limited Company (PricewaterhouseCoopers) represented a true, objective and fair description of the financial conditions, operating results and cash flow of the Company.

(3) Use of proceeds

The first extraordinary general meeting for 2010 was convened on 3 September 2010 by the Company, during which the resolution on the change in investment projects using the proceeds from the A Share issuance was considered and approved. The amount involved in this change of use of proceeds was RMB17.439 billion, of which RMB2.838 billion will be used to supplement the working capital of the Company.

During the reporting period, the expended proceeds from A Share issuance amounted to RMB10.060 billion while the accumulated expended proceeds amounted to RMB14.584 billion. The actual expenses incurred are consistent with that the Company undertook to fund the projects.

(4) Acquisition or disposal of assets by the Company

During the reporting period, the Company was not involved in any transaction involving material acquisition or disposal of assets, nor was the Supervisory Committee aware of any internal transactions. No known circumstances that were detrimental to shareholders' equity interest or would incur loss on the Company's assets were discovered.

(5) Connected transactions

During the reporting period, the Company has not made any material extraordinary connected transactions. All continuing connected transactions of the Company were carried out in accordance with the relevant terms in the executed continuing connected transactions framework agreements. The considerations of these transactions conform to the pricing principle stated in the relevant agreements. The actual annual amount incurred under each continuing connected transaction did not exceed the relevant annual caps.

All connected transactions of the Company in 2010 were conducted 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 has conducted supervision over the Board's implementation of the resolutions passed at the shareholders' general meeting during the reporting period, and is of the opinion that the Board has been able to duly perform its duties, strengthen scientific decision-making as well as actively and consistently implement the relevant resolutions of the shareholders' general meeting, hence promoted the sustainable and harmonious development of the Company.

(7) Opinions of self-assessment report on internal control

The Supervisory Committee has duly reviewed the Board's Self-assessment Report on Internal Control of the Company for 2010. The Supervisory Committee is of the opinion that the self-assessment report on internal control of the Company has given a true picture of the conditions of internal control of the Company, and made appropriate assessment on the internal control of the Company. The Supervisory Committee has no dissenting opinions on the Company's self-assessment report on internal control.

In 2011, the Supervisory Committee will continue to duly perform its duties in strict compliance with the Company Law, the Articles of Association and the relevant provisions. With the interest of the Company and the shareholders in mind, the Supervisory Committee shall remain loyal and exercise due diligence in the completion of each and every task at hand, step up its supervisory effort, in order to play a bigger role in the realisation of a rapid and harmonious development of the Company.

By Order of the Supervisory Committee
China Coal Energy Company Limited
Wang Xi
Chairman of the Supervisory Committee

Beijing, China
22 March 2011

Corporate Governance Report

During the reporting period, the Company endeavored to pursue standardised operations, improve its corporate governance structure, accelerate the development of information systems, promote the establishment of a comprehensive risk management system and internal control system as well as enhance management efficiency and corporate governance.

1. Overview of Corporate Governance

As a company registered in the PRC and dually listed both in Hong Kong and Shanghai, the Company has strictly complied with the PRC laws and regulations as well as the relevant requirements under SSE Listing Rules and HKSE Listing Rules. It has also established a standardised and comprehensive corporate governance structure for its legal entities.

In order to optimise the system of corporate governance, the Company has formulated management policies such as "Articles", "Rules of Procedures of Shareholder's General Meetings", "Rules of Procedures of the Board of Directors", "Rules of Procedures of the Supervisory Committee", "Rules of Procedures of the Management", "Work Manual of the Strategic Planning Committee under the Board", "Work Manual of the Audit Committee under the Board", "Work Manual of the Remuneration Committee under the Board", "Work Manual of the Safety, Health and Environmental Protection Committee under the Board", "Work Manual of the Nomination Committee under the Board", "Work System of Independent Directors, Annual Report Work System of Independent Directors", "Work Regulations for Reviewing Annual Financial Report by the Audit Committee under the Board", "Investment Management Measures", "Provisional Measures for Performance Evaluation of the Company's Senior Management", "Provisional Measures for the Remunerations of the Company's Senior Management", "Implementation Rules on Provisional Measures for the Remunerations of the Company's Senior Management", "Financial Management Measures", "Accounting and Auditing Measures", "External Guarantee Management System", "Information Disclosure Management Measures", "Internal Reporting System of Material Information", "Management Measures on Investor Relations", "Management Measures on Connected Transactions", "Implementation Rules for the Management Measures on Connected Transactions", "Management Systems on Proceeds Raised through A Shares", "Management Measures on the Shares of the Company Held by Its Directors, Supervisors, Senior Management and Company Insiders (and Changes Thereof)", "Internal Control and Auditing System", "The Registration System on Company Insiders" and "The Accountability System for Material Errors in Annual Report Information Disclosure".

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 HKSE Listing Rules. As of 31 December 2010, the Company strictly complied with the code provisions under the "Code on Corporate Governance Practices" set out in Appendix 14 of HKSE Listing Rules.

In the following aspects, the corporate governance practices adopted by the Company were more stringent than the code provisions set out in the "Code on Corporate Governance Practices".

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

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

2. Substantial Interests and Short Positions of the Company held by Substantial Shareholders

As of 31 December 2010, according to the register of interests required to be maintained pursuant to section 336 of the Securities and Futures Ordinance, the interests or short positions of the parties (excluding directors or supervisors) who are entitled to exercise or control the exercise of 5% or more of the voting rights at 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 in issue (%)	Percentage in the total shares in issue (%)
China National Coal Group Corporation	7,481,643,773	A Shares	N/A	Beneficial owner	81.75	56.43
Morgan Stanley	325,126,400	H Shares	Long position	Interest of controlled corporation	7.92	2.45
	85,072,598		Short position		2.07	0.64
Blackrock, Inc.	315,951,857	H Shares	Long position	Interest of controlled corporation	7.69	2.38
	18,092,479		Short position		0.44	0.14
Davis Selected Advisers, L.P.	248,098,000	H Shares	Long position	Investment Manager	6.04	1.87
JPMorgan Chase & Co.	239,631,762	H Shares	Long position	Of which 19,491,762 shares were held by beneficial owners, 68,307,000 shares were held by Investment Manager	5.84	1.81
	10,831,290		Short position	Beneficial owner	0.26	0.08
	151,833,000		Lending pool	Custodian – corporation/ approved lending agents	3.70	1.15

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

Save as disclosed above, as at 31 December 2010, according to the register of interests required to be maintained pursuant to section 336 of the Securities and Futures Ordinance, there were no other persons who were interested or held short positions in the Company's shares or underlying shares of equity derivatives of the Company.

3. 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 to HKSE Listing Rules as at 31 December 2010. Upon making specific enquiries, the Company confirmed that all Directors had complied with the Model Code throughout 2010.

4. Board of Directors

(1) Composition and term of office

The Second Session of the Board of the Company comprises nine directors, namely Wang An, Peng Yi, Yang Lieke, Li Yanmeng, Zhang Ke, Wu Rongkang, Zhang Jiaren, Zhao Pei and Ngai Wai Fung. For the term of service of each of the directors and other particulars, please refer to the section of this report headed "Directors, Supervisors and Senior Management".

Under the Articles of Association, the Board has the following principal responsibilities: to decide the Company's operational plans and investment plans; to set up the Company's annual financial budgets and 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 and to appoint or remove the Company's vice president in accordance with the nomination of the president; and other functions assigned by a 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 to give a true and fair view of the financial position, operating results and cash flow of the Company during the reporting period. When preparing the financial statements for the year ended 31 December 2010, the Board has selected applicable accounting policies, and made prudent, fair and reasonable judgment and estimations and prepared the financial statements on an ongoing basis. The responsibilities of the international auditors are set out in the independent auditor's report of this annual report.

Apart from the working relationships in the Company, there were no financial, business or family relationships or other material relationships among the directors, supervisors and senior management.

(2) Convening of Board Meetings in 2010

In 2010, the Board of the Company convened six meetings altogether, among which the first session of the Board convened five meetings while the second session of the Board convened one meeting, with an average attendance rate of 100% (including attendance by written proxy). The table below sets out the attendance of the Company's directors at the Board meetings:

Names	Position in the Company	Attendance in person	Attendance by proxy	Attendance rate%
Wang An	Chairman, Executive Director	6/6		100
Peng Yi	Vice Chairman, Non-Executive Director	1/1		100
Yang Lieke	Executive Director, President	5/6	1/6	100
Li Yanmeng	Non-Executive Director	1/1		100
	Independent Non-Executive Director	5/5		100
Zhang Ke	Independent Non-Executive Director	5/6	1/6	100
Wu Rongkang	Independent Non-Executive Director	6/6		100
Zhang Jiaren	Independent Non-Executive Director	1/1		100
Zhao Pei	Independent Non-Executive Director	1/1		100
Ngai Wai Fung	Independent Non-Executive Director	1/1		100
Gao Shangquan*	Independent Non-Executive Director	3/5	2/5	100
Peng Ru Chuan*	Independent Non-Executive Director	5/5		100

*: Mr. Gao Shangquan and Mr. Peng Ru Chuan resigned as independent non-executive directors on 23 December 2010 due to expiration of their term of office.

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

(1) At the first meeting in 2010 of the first session of the Board held on 22 April 2010, a total of 15 resolutions were considered and approved, which mainly included the consideration of the annual report for 2009 and its summary, the results announcement for 2009, the directors' report, the financial accounts, the proposed profit distribution plan and capital expenditure plans for 2009, the remuneration of directors and supervisors for 2010, the engagement of accounting firms for reviewing the interim financial report and auditing the annual financial report for 2010, the report of the Board on the self-assessment of internal control of the Company for 2009, the social responsibility report for 2009, amendments to the Articles of Association and amendments to the Rules of Procedures Governing Shareholders' General Meetings, the first quarter report for 2010 and convening of the annual general meeting for 2009. The report of the Board of the Company on the implementation of the resolutions for 2009 was also reviewed at the meeting.

(2) The second meeting for 2010 of the first session of the Board convened on 14 July 2010 considered and approved two resolutions, in relation to the change in investment projects of the Company using the net proceeds from the A Share issuance and the convening of the first extraordinary general meeting for the year 2009. The implementation of the resolutions considered at the first meeting for 2010 of the first session of the Board was reviewed at the meeting.

(3) The third meeting for 2010 of the first session of the Board convened on 13 August 2010 considered and approved two resolutions, in relation to the interim report of the Company for 2010 and the provision of a guarantee for the financing of Wangjialing Mine Project led by Huajin Company Limited. The implementation of the audit, health and safety work in the first half of 2010 and the arrangement of such work in the second half of the year was reviewed at the meeting.

(4) The fourth meeting for 2010 of the first session of the Board convened on 26 October 2010 considered and approved two resolutions, in relation to the third quarterly report of the Company for 2010 and registration system on company insiders.

(5) The fifth meeting for 2010 of the first session of the Board convened on 5 November 2010 considered and approved three resolutions, in relation to the re-election of the Board, convening of the second extraordinary general meeting of the Company for 2010 and the resignation of Li Fuyou as Vice-President of the Company.

(6) The first meeting for 2010 of the second session of the Board convened on 27 December 2010 considered and approved six resolutions, which mainly included the election of Chairman, Vice Chairman, members and chairmen of specific committees under the Board, the appointment of senior management such as President and Vice-President of the Company and the payment of remuneration to senior management for 2009 and proposal on payment of delayed performance-linked salary during their first term of office. The report on the Company's general information was reviewed by the second session of the Board.

During the reporting period, the Company complied with all relevant code provisions in terms of the number of board meetings held, board meeting procedures, board meeting minutes and records and rules for convening the meetings. The attendance rate reflected that all directors of the Company were diligent and responsible and were 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

During the reporting period, all members of the Board duly and diligently discharged their obligations as directors, implemented the resolutions of shareholders' general meetings and completed all duties and tasks authorised by shareholders' general meetings in compliance with the provisions under relevant domestic and overseas laws and regulations and the Articles of Association.

(1) In response to the resolutions at the shareholders' general meeting for the year 2009 convened on 25 June 2010, the Board:

1) continued to engage PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers as its domestic and international auditors respectively for the 2010 fiscal year and confirmed that the auditing expense was RMB12.3 million;

2) distributed profit for 2009 of RMB1,986,650,700 to existing shareholders of the Company in July 2010, representing a dividend of RMB0.14984 per share (inclusive of tax); and

3) completed the amendment to the "Articles", "Rules of Procedures Governing Shareholder's General Meetings" and to the term in relation to operating scope in the second paragraph of Article 13 and the first paragraph of Article 79 of the Articles of Association as well as completing industry and commerce registration and record filing.

(2) In response to the resolutions at the first extraordinary general meeting for 2010 convened on 3 September 2010, the Board completed the change in investment projects using the net proceeds from the A Share issuance. The Company changed such original projects as a Heilongjiang-based 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 into the following seven new investment projects: the Nalin River No. 2 Coal Mine Project with an annual production capacity of eight million metric tons of coal, the Muduchaideng Coal Mine Project with an annual production capacity of six million metric tons of coal, the Xiaohuigou Coal Mine Project with an annual production capacity of three million metric tons of coal, the Hecaogou Coal Mine Project with an annual production capacity of three million metric tons of coal, the Zhangjiakou Coal Machinery Equipment Industrial Park Project, the Yulin Energy and Chemical Comprehensive Utilisation Project with an annual production capacity of 0.6 million metric tons of polyethylene and 0.6 million metric tons of polypropylene as well as the replenishment of the Company's liquidity.

(3) In response to the resolutions at the second extraordinary general meeting for 2010 convened on 23 December 2010, the Company convened the first meeting for 2010 of the second session of the Board on 27 December 2010, at which the Chairman, Vice Chairman, chairman of the Supervisory Committee, chairmen and members of specific committees under the Board of the Company were elected, senior management such as President and Vice-President of the Company were appointed and service contracts were signed between the Company and all directors and supervisors of the second session of the Board and the Supervisory Committee respectively.

5. The Chairman and the President

The Company's chairman is Mr. Wang An and its president is Mr. Yang Lieke. The chairman and the president are two different positions with clearly delineated responsibilities. The chairman shall not serve as the president concurrently, and the terms of reference of the chairman and the president are also clearly set out in writing. Please refer to the Articles of Association for more details. Senior management personnel of the Company other than directors and supervisors of the Company are responsible for the Company's daily operations and their duties are set out in the section headed "Directors, Supervisors and Senior Management" in this report.

6. Insurance Arrangement

Pursuant to the Recommended Best Practice A1.9 under the "Code on Corporate Governance Practices", the Company should 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.

7. Remuneration Committee

The remuneration committee of the Company currently comprises three independent non-executive directors and one non-executive director. "Work Manual of the Remuneration Committee" clearly defines the status, composition, terms of reference, decision-making procedures as well as rules of procedures of the remuneration committee. The major responsibilities of the remuneration committee are to submit remuneration policies of the Company's directors and senior management to the Board and assess the performance of senior management. The responsibilities of the remuneration committee comply with the relevant requirements of HKSE Listing Rules. The remuneration committee is accountable to the Board.

In 2010, the remuneration committee held two meetings which mainly considered the remuneration of directors and supervisors for 2010, the performance appraisal benchmark of senior management for 2010 and the annual report of the Company for 2009.

The term of service of members of the remuneration committee is the same as that of directors, and committee members are eligible for re-election upon expiry of their term of service. The remuneration committee under the second session of the Board consists of four members, among which the chairman of the remuneration committee is independent non-executive director Ngai Wai Fung, and the committee members are Vice Chairman cum non-executive director Peng Yi and independent non-executive director Zhang Ke and Zhao Pei.

Attendance details of the remuneration committee under the first session of the Board in 2010 (including attendance by written proxy) are as follows:

Member of the Committee	Attendance in person	Attendance by proxy	Attendance Rate%
Peng Ru Chuan (Chairman of the first session of the remuneration committee)	2	0	100
Zhang Ke	2	0	100
Li Yanmeng	2	0	100

The Company's remuneration committee under the second session of the Board was established with effect from 27 December 2010. No meeting was convened during the reporting period.

8. Nomination Committee

The nomination committee of the Company currently comprises two independent non-executive directors and one executive director. The "Work Manual of the Nomination Committee" clearly defines the status, composition, terms of reference, decision-making procedures as well as rules of procedures of the nomination committee. It particularly requires that the chairman of the nomination committee is to be elected from the independent directors. The major responsibilities of the nomination committee are to study the election criteria and procedures of the Company's directors and senior management, examine candidates for directors and senior management and give recommendations to the Board, and to assess the independence of the independent non-executive directors. The responsibilities of nomination committee comply with the relevant requirements of HKSE Listing Rules. The nomination committee is accountable to the Board.

In 2010, the nomination committee held one meeting, at which the change of session of the Board was considered. The term of service of the members of the nomination committee is the same as that of directors, and committee members are eligible for re-election upon expiry of their term of service. The nomination committee under the second session of the Board consists of three members, among which the chairman of the nomination committee is independent non-executive director Zhang Jiaren, and the committee members are Chairman cum executive director Wang An and independent non-executive director Wu Rongkang.

Attendance details of the nomination committee under the first session of the Board in 2010 (including attendance by written proxy) are as follows:

Member of the Committee	Attendance in person	Attendance by proxy	Attendance Rate%
Gao Shangquan (Chairman of the first session of the nomination committee)	1	0	100
Wang An	1	0	100
Wu Rongkang	1	0	100

The Company's nomination committee under the second session of the Board was established with effect from 27 December 2010. No meeting was convened during the reporting period.

9. Audit Committee

The audit committee under the Board of the Company currently comprises three independent non-executive directors and one non-executive director. The "Work Manual of the Audit Committee under the Board" clearly defines the status, composition, terms of reference, decision-making procedures as well as rules of procedures of the audit committee. The audit committee is mainly responsible for supervising the truthfulness and completeness of the Company's financial statements, as well as the effectiveness of the Company's internal control and risk management system; engaging accounting firm and supervising its work; reviewing the Company's annual and interim report and results announcement; preparing significant accounting policies and practices adopted by financial reports; and establishing a procedure for handling complaints regarding accounting and audit matters, potential illegal acts and doubtful accounting or audit matters. The responsibilities of the audit committee comply with the relevant requirements of HKSE Listing Rules. The audit committee is accountable to the Board.

In 2010, the audit committee held three meetings altogether, at which the annual report for 2009, the interim and quarterly reports of the Company for 2010, the profit distribution plan for 2009, the production and operational plans, the financial plans and capital expenditure plans of the Company for 2010, the engagement of the auditing firm for 2010 and the self-assessment report regarding the Company's internal control for 2009 were considered. According to the "Regulations for Reviewing the Annual Financial Report by the Audit Committee under the Board", the report regarding the preliminary findings on the audit of final accounts for 2009, the completion status of the Company's audit work in the first half of 2010 and the arrangements for the second half of the year, the commencement of 2010 internal self-assessment of the Company and the planning matters of the audit work of the Company for 2010 were heard at the meetings.

The term of service of the members of the audit committee is the same as that of directors, and committee members are eligible for re-election upon expiry of their term of service. On 23 December 2010, the second session of the Board was established upon consideration and approval by the shareholders' general meeting. On 27 December 2010, the Board considered and approved the resolution on members and chairmen of the special committees under the second session of the Board. The audit committee under the second session of the Board consists of four members, among which the chairman of the committee is independent non-executive director Zhang Ke, and the committee members are Vice Chairman cum non-executive director Peng Yi and independent non-executive directors Zhao Pei and Ngai Wai Fung.

Attendance details of the audit committee in 2010 (including attendance by written proxy) are as follows:

Attendance details of the audit committee under the first session of the Board:

Composition	Attendance in person	Attendance by proxy	Attendance Rate%
Zhang Ke (Chairman of the audit committee)	2	0	100
Gao Shangquan	0	2	100
Peng Ru Chuan	2	0	100

Attendance details of the audit committee under the second session of the Board:

Composition	Attendance in person	Attendance by proxy	Attendance Rate%
Zhang Ke (Chairman of the audit committee)	1	0	100
Peng Yi	1	0	100
Zhao Pei	1	0	100
Ngai Wai Fung	1	0	100

10. Strategic Planning Committee

The strategic planning committee of the Company comprises six directors, of which three are independent non-executive directors. The "Work Manual of the Strategic Planning Committee" clearly defines the status, composition, terms of reference, decision-making procedures as well as rules of procedures of the strategic planning committee. The strategic planning committee is mainly responsible for conducting studies regarding the Company's long term development strategy, material investments, financing, capital operation plans, capital expenditure plans and providing recommendations to the Board, and is entitled to examine the implementation of the aforesaid matters. The responsibilities of the strategic planning committee comply with the relevant requirements of HKSE Listing Rules. The strategic planning committee is accountable to the Board.

In 2010, the strategic planning committee held two meetings altogether, at which the annual report for 2009, capital expenditure plans for 2010 and the interim report for 2010 were considered.

The term of service of the members of the strategic planning committee is the same as that of directors, and committee members are eligible for re-election upon expiry of their term of service. On 27 December 2010, the Board considered and approved the resolution in relation to the members and chairmen of the special committees under the second session of the Board. The strategic planning committee under the second session of the Board comprises six members, including Wang An, Chairman of the Company, as chairman of the committee, and Vice-President cum non-executive director Peng Yi, executive director cum President Yang Lieke, and independent non-executive directors Wu Rongkang, Zhang Jiaren and Zhao Pei as committee members.

Attendance details of the strategic planning committee in 2010 (including attendance by written proxy) are as follows:

Attendance details of the strategic planning committee under the first session of the Board:

Composition	Attendance in person	Attendance by proxy	Attendance rate%
Wang An (Chairman of the strategic planning committee)	2	0	100
Gao Shangquan	1	1	100
Wu Rongkang	2	0	100
Li Yanmeng	2	0	100
Yang Lieke	2	0	100

The strategic planning committee under the second session of the Board was established with effect from 27 December 2010 and no meeting was convened during the reporting period.

11. Safety, Health and Environmental Protection Committee

The safety, health and environmental protection committee of the Company comprises three directors, of which one is an independent non-executive director. The "Work Manual of the Safety, Health and Environmental Protection Committee" clearly defines the status, composition, terms of reference, decision-making procedures as well as rules of procedures of the safety, health and environmental protection committee. The safety, health and environmental protection committee is mainly responsible for the implementation of the Company's safety, health and environmental protection plans, supervision of the potential responsibilities, changes of laws and regulations and technological transformation related to safety, health and environmental protection issues. The safety, health and environmental protection committee is accountable to the Board.

In 2010, the safety, health and environmental protection committee held two meetings altogether, at which the annual report of the Company for 2009, the social responsibility report for 2009, and the interim report for 2010 were considered. The report regarding the completion status of the Company's safety, health and environmental protection work in the first half of 2010 and the arrangements for the second half of the year were heard.

The term of service of the members of the safety, health and environmental protection committee is the same as that of directors, and committee members are eligible for re-election upon expiry of their term of service. The safety, health and environmental protection committee under the second session of the Board consists of three members, among which the chairman of the committee is independent non-executive director Wu Rongkang, and the committee members are executive director cum President Yang Lieke and non-executive director Li Yanmeng.

Attendance details of the safety, health and environmental protection committee in 2010 (including attendance by written proxy) are as follows:

Attendance details of the safety, health and environmental protection committee under the first session of the Board:

Composition	Attendance in person	Attendance by proxy	Attendance Rate%
Wu Rongkang (Chairman of the safety, health and environmental protection committee)	2	0	100
Yang Lieke	2	0	100

The Company's safety, health and environmental protection committee under the second session of the Board was established with effect from 27 December 2010. No meeting was convened during the reporting period.

12. Performance of Duties by Independent Directors

There are five independent non-executive directors in the Board. The "Work System of Independent Directors" of the Company clearly defines the employment requirements, independence, nomination, election and replacement criteria, and the duties and obligations of independent directors. In addition to the duties empowered by the Company Law, HKSE Listing Rules, SSE Listing Rules and other relevant laws and regulations such as reviewing material connected transactions, the Company also empowers the independent directors with the duty to propose to appoint or remove an accounting firm.

During the reporting period, the independent directors strictly complied with all relevant laws and regulations such as the Company Laws, Guidelines in relation to the Establishment of the System of Independent Directors, and Certain Rules regarding Strengthening Protection of the Interests of the Public Shareholders as well as the rules and requirements under the Articles of Association, the Work System of Independent Directors and the Annual Report Work System of Independent Directors. Independent directors performed their duties independently and attended relevant meetings in 2010, investigated thoroughly its subsidiaries, seriously took part in the decision-making of the Company's significant matters, expressed independent opinions on relevant matters of the Company, gave constructive advice and recommendations regarding the governance of the Company, reform development and production and operation. During the course of performance of duties, independent directors upheld the legal rights of shareholders, especially the minority shareholders independently and objectively, fully exploiting the functions of independent directors.

In 2010, the Company convened a total of two meetings of independent directors at which the following resolutions were considered: results announcement of the Company for 2009, directors' report, profit distribution plan for 2009, production and operation plan for 2010, financial plan for 2010, engagement of accounting firms for reviewing the interim financial report and auditing the annual financial report for 2010, report on the self-assessment of internal control, risk management system and manual of the Company and the first quarterly report for 2010. The report prepared by PricewaterhouseCoopers Zhong Tian CPAs Limited Company on the audit of the financial report of the Company for 2009 was also reviewed by the independent directors.

Attendance details of the meetings of independent directors in 2010 (including attendance by written proxy) are as follows:

Attendance details of the meetings of independent directors of the first session of the Board:

Composition	Attendance in person	Attendance by proxy	Attendance rate%
Gao Shangquan	0	2	100
Zhang Ke	2	0	100
Peng Ru Chuan	2	0	100
Wu Rongkang	2	0	100
Li Yanmeng	2	0	100

The Second Session of the Board was established on 23 December 2010 and no meeting of the independent directors was convened during the reporting period.

13. Remuneration Of Auditors

In 2010, the Company's international auditor was PricewaterhouseCoopers, and the domestic auditor was PricewaterhouseCoopers Zhong Tian CPAs Limited Company. The Company's annual audit fees for the year ended 31 December 2010 were RMB12.30 million in aggregate. The Company did not incur any non-audit fees in 2010.

14. Shareholders and Shareholders' General Meeting

In order to ensure that all shareholders of the Company enjoy equal status and effectively exercise their own rights, the Company convenes shareholders' general meetings every year in accordance with the Articles of Association. During the reporting period, three shareholders' general meetings were held, including the 2009 annual shareholders' general meeting and two extraordinary shareholders' general meetings.

1. At the 2009 annual shareholders' general meeting held on 25 June 2010, the following 10 resolutions were approved: "Resolution on Directors' Report of the Company for 2009", "Resolution on Report of Supervisory Committee of the Company for 2009", "Resolution on Financial Report for 2009", "Resolution on Proposed Profit Distribution Plan of the Company for 2009", "Resolution on Capital Expenditure Plans of the Company for 2010", "Resolution on Remuneration of Directors and the Supervisors of the Company for 2010", "Resolution on Auditors to Review Interim Financial Report and Audit Annual Report for 2010", "Resolution on Amendments to the Articles of Association and Amendments to the Rules of Procedure for Shareholders' General Meeting", "Resolution on General Mandates to Issue Shares" and "Resolution on Amendments to the Relevant Terms of the Scope of Business Operations in the Articles of Association".

2. At the first extraordinary shareholders' general meeting held on 3 September 2010, "Resolution on the Change in Investment Projects Using the Proceeds from the A Share Issuance" was considered and approved by a poll.

3. At the second extraordinary shareholders' general meeting held on 13 December 2010, "Resolution on the Provision of Financing Guarantee for Wangjialing Coal Mine of Huajin Company", "Resolution on the Change of Session of the Board of Directors" and "Resolution on the election of the non-employee representative supervisors of the second session of the Supervisory Committee" were considered and approved by a poll.

15. Supervisors and Supervisory Committee

The Second Session of the Supervisory Committee of the Company comprises three supervisors, namely Mr. Wang Xi, Mr. Zhou Litao and Mr. Zhang Shaoping. For the term of service of each of the Supervisors and other particulars, please refer to the section headed "Directors, Supervisors and Senior Management" of this report. The Supervisory Committee is accountable to the shareholders' general meeting and reports its work to the general meeting.

The Company completed the change of session of the Supervisory Committee this year. The second session of the Supervisory Committee was established through election, with Mr. Wang Xi assuming the position of Chairman of the Supervisory Committee and non-employee representative supervisor, Mr. Zhou Litao appointed as a non-employee representative supervisor and Mr. Zhang Shaoping appointed as an employee representative supervisor. Mr. Du Ji'an no longer held the position of Chairman of the Supervisory Committee and non-employee representative supervisor, and Mr. Chen Xiangshan no longer held the position of employee representative supervisor.

The principal duties of the Supervisory Committee are to supervise, inspect and assess the Company's operation in accordance with the laws, financial affairs of the Company and whether the Directors and senior management of the Company have performed their duties lawfully.

During the reporting period, the Supervisory Committee convened five meetings, among which four meetings were held by the first session of the Supervisory Committee and one by the second session of the Supervisory Committee. Attendance details of the Supervisory Committee are as follows:

	Supervisor	Attendance in person	Attendance by proxy	Attendance Rate%
The first session of the Supervisory Committee	Du Ji'an	4/4	0	100
	Zhou Litao	4/4	0	100
	Chen Xiangshan	4/4	0	100
The second session of the Supervisory Committee	Wang Xi	1/1	0	100
	Zhou Litao	1/1	0	100
	Zhang Shaoping	1/1	0	100

16. Establishment and Implementation of Ancillary Mechanisms

1. Management of Connected Transactions

During the reporting period, the Company further strengthened its management of connected transactions, strictly complied with the various agreements signed with connected parties and managed and standardised connected transactions in accordance with HKSE Listing Rules and SSE Listing Rules, the regulations set out in the "Management Measures on Connected Transactions" and the "Detailed Rules for the Implementation of the Management Measures for Connected Transactions" of the Company.

In order to further strengthen the management of connected transactions and implement consistently the various management systems on connected transactions, the working panel on connected transactions management set out to its subsidiaries such as Shanghai Company and Ordos Branch Company numerous times, in a bid to conduct investigations and researches and promptly updated the list of connected persons, accurately worked out the connected transaction amounts, analysed and discussed the problems encountered in the management of the connected transactions of its subsidiaries, put forward remedial measures and supervised and procured its subsidiaries to take precautionary measures and improve the level of management of connected transactions. The Company also invited its perennial legal advisor to conduct training programmes on the basic knowledge of connected transactions management and the latest governing regulations for the management personnel of connected transactions from the Company's key subsidiaries, aiming to strengthen their competency in managing connected transactions and pave the way for the improvement of the Company's overall management of connected transactions.

In addition, the Company also took the initiative to implement various management systems on connected transactions, which required the implementation of budget management, monthly monitoring, early warning for caps, regular consultation system, the recognition of connected parties and connected persons, as well as the management flow of the exempted continuing connected transactions and newly concluded connected transactions. These moves have further facilitated and reinforced the Company's management of connected transactions.

The Company continued to enhance its routine management over continuing connected transactions 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 and in accordance with the established price determination principles and general commercial principles. Secondly, the actual value of continuing connected transactions was controlled and budgeted in advance.

In order to control the actual amount of connected transactions for 2010, the Company re-forecasted the annual caps of various continuing connected transactions for 2010 on the basis of the exempted caps and in light of the macro-economic trend and the actual situation of the Company. As regards the daily management, a monthly reporting system and an early warning system were implemented by each affiliate to the continuing connected transactions budgeted. The Company required each affiliate to submit unbudgeted connected transactions to the connected transaction management team prior to their occurrence, whereupon the internal control and approval procedure and the information disclosure of the Company will be followed after consideration and approval by the connected transaction management team.

Through improving the management system of connected transactions, optimising the organisational 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 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 on 5 September 2006 to set up a decision-making mechanism to avoid conflicts of interest.

2. Development of Internal Control System

In 2010, the Company further enhanced and improved the establishment of its internal control system and proactively pressed ahead with the information processes. The ERP information system was put into operation, which helped facilitate the Company's corporate management upgrade by completing the preparation work of the internal control manual and the internal control assessment manual, marking the establishment of a risk-oriented internal control system. The Company established a comprehensive management system covering investment, financial management, accounting and auditing, external guarantees, connected transactions and the use of capital. Through optimising the working procedures, strengthening various control measures such as supervision and assessment, the Company places stresses on the establishment and implementation of the internal control system of financial reporting. The Company stepped up its management in key business areas such as finance, purchases and sales. The Company also made extra efforts in overseeing the implementation of policies, laws and regulations and systems, and in the assessment, rewards and penalties of the progress of production, safety and construction projects and the fulfillment of operating indicators. In addition, it established an effective motivation and checks and balances mechanism and further improved its capacity of management and control. The Company consistently implemented the requirements under the "Basic Standard for Enterprise Internal Control" and the "Guidelines for Enterprise Internal Control" jointly promulgated by the five ministries including the Ministry of Finance and China Securities Regulatory Commission. The Company put more emphasis on the self-assessment of internal control and formulated the "Assessment Form on the Effectiveness of Internal Control" based on the 18 application guidelines on internal control. The assessment form features detailed assessment criteria for each of the application guidelines and sets out key controlling targets and major assessment areas. The Company sent the assessment form to units under the Company in a move to facilitate their effective execution of self-assessment on internal control. Each unit was active in identifying any control deficiencies and enhanced their operation and management through self-assessment on internal control.

The Board of the Company had assessed the internal control system in relation to the financial reports in accordance with the requirement of "Basic Standard for Enterprise Internal Control" and considered it effective on the reporting period.

PricewaterhouseCoopers Zhong Tian CPAs Limited Company engaged by the Company has audited the effectiveness of the Company's internal control system in relation to the financial reports and issued standard unqualified opinions.

In 2011, the Audit Committee of the Company and the Board will consider the internal control manual and the internal control assessment manual which have been duly prepared, as well as formulate implementation rules for the internal control system. Pursuant to the implementation rules of the internal control system, the Company has established a guidance team led by the chairman of the Board to implement the internal controls throughout 2011 based on the principles of "effective compliance, system optimisation, reinforced assessment and constant improvement". The implementation will proceed by four stages, namely, optimising system establishment, making internal control assessment, internal control auditing and alignment for improvement. By reviewing existing policies, systems and processes, identifying pitfalls of internal control, making internal control assessment, formulating correction proposals and implementing correction measures, the Company will further regulate its operation and management to prevent and avoid operating risks and continuously improve the internal control management.

3. Risk Management System

In 2010, the Company's comprehensive risk management system achieved substantial progress. Through synchronised design and efficient links between the Company and the secondary pilot companies (Pingshuo Coal Industry Company, Shanghai Company and China Coal Equipment Company), the Company laid a sound foundation for the establishment, promotion and effective operation of the comprehensive risk management system within the Company. The Company highly values the building of a risk management atmosphere, cultivating a positive risk management culture, strengthening daily risk management, conducting regular assessment and continuous monitoring tasks. By setting out or designing more than 800 key control points and linking risk events in the risk event databank with the Company's business processes, risk management tasks were closely linked with the Company's daily operation. In addition, closed loop operation of risk management tasks was realised through the implementation of risk management from a macroscopic perspective to the microscopic and specific business processes. The Company commenced risk assessment work considering the internal and external environment and identified 8 principle risks, which mainly include economic cycle fluctuation risks, industry policy adjustment risks, coal demand reduction risks, new industry competition risks, product and industry structure risks, investment decision-making risks, safe production risks and labour management risks, etc.. Most of the aforementioned risks were external risks and inherent industry risks, which fully reflected the characteristics of the risks in the coal industry and the current stage of development. The Company will enhance and optimise specific control mechanisms and maintain an up-to-date risk event databank, in order to keep the Company's risk management work up-to-date, better in line with the Company's business and management development and thus improve the risk control competency of the Company as a whole.

Human Resources Management Report

In 2010, the Company adhered to its development strategy and the human-oriented concept to carry out its human resources management work. Following the development trend of talents, the rules of human resources work and the strategy of talent-based corporate competitiveness, plans were prepared and implemented in a scientific way with strengthened management and control to improve the performance, thus fuelling the Company's rapid growth with talent and human resource assurance. In respect of improving the staff quality, the Company diversified the training approaches focusing its development objectives with emphasis on the establishment of three teams of "management, technology and skills", creating a fair atmosphere of learning knowledge, valuing safety, competing technologies and enhancing skills. In respect of improving the workforce deployment mechanism, the Company continued to refine its talent structure, promoted rational mobility of personnel and made more efforts on public recruitment and competition for positions, in order to form a dynamic selection and employment mechanism within the Company. In respect of the income allocation, the Company strived to establish a more scientific, rational and effective income allocation system, and continuously improved management methods on enterprise total wages and remuneration allocation methods for senior management to establish an efficiency-oriented remuneration system within the Company.

Leveraging of the opportunity of preparing the human resources plan to establish a two-tier talent development system for the headquarters and subsidiaries. The Company prepared short term, middle term and long term talent plans in accordance with its overall development strategy to meet the Company's needs for talents. Based on strict control on the total headcount, the Company continued to push ahead with strategic adjustment to talent structure and optimise talent structure and layout, so as to accommodate its base construction and industry development.

Focusing on strategic goals to strengthen management team building of subsidiaries. Considering the actual condition of management teams at different levels, the Company followed strict talent selection and employment mechanisms according to the requirements both on ability and integrity, with a priority on integrity. In light of the guideline of "Youthful, Knowledgeable and Professional", the Company continued to improve the staffing and talent turnover for management teams of its subsidiaries, which optimised their talent structure at different levels and boosted their mobility and capability. Meanwhile, the Company fortified the identification and cultivation of backup talents under effective systems. Along with the annual appraisal, the Company carried out recommendation and identification work for backup talents, and a preliminary backup talent base was established.

Reinforcing talent introduction and promoting public recruitment and internal competition for positions. In the "open, fair, competitive and selective" principles, the Company actively conducted public recruitment and internal competition for positions to continuously optimise allocation of human resources. Responding to the shortage of professional technical talents, the Company strengthened public recruitment to attract qualified talents, while seeking to recruit and cultivate fresh graduates from universities. On the basis of scientific allocation, the headquarters redeveloped the staffing plan for business functions, leading to an optimised organisation structure and more reasonable staffing. The subsidiaries, according to their respective conditions, also embarked on a series of works on competition for positions.

Pressing forward the enterprise total wage allocation system reform under strengthened incentive and restriction mechanisms. To continuously improve staff income and strengthen the incentive and restriction mechanisms, the Company formulated the basic principle for corporate income distribution reform that salary is determined according to position and adjusted based on performance in light of the corporate strategy, to encourage capability development and gradually keep up with market standards. It is specified that a differentiated income distribution mode based on the categorisation of three teams shall be adopted in subsidiaries, where internal income distribution should be further streamlined, and fundamental management of income distribution should be continuously strengthened.

Establishing a training system under the corporate development strategy to conduct various business training. With an aim at building a learning organisation, the Company encourages the staff to improve overall calibre through continuous study. Firstly, the Company carried out training programmes for managerial personnel. By increasing the investment of in-house classes and partnering with universities and famous training institutions, the Company focused on the training for management teams of subsidiaries, backup talents, staff at the headquarters, technological experts and middle-to-high class professionals. Emphases were placed on improving strategic decision-making, operation and management, market competition and innovative capabilities of managers, as well as the capabilities of technological professionals to grasp up-to-date technology and solve technological difficulties. Secondly, the Company strengthened the guide and inspection on training at subsidiary level, focusing on knowledge updates of technological professionals, and on-the-job training and skill improvement for workers at the production line. The Company further promoted joint education programmes with universities and colleges for the cultivation of talent of the most wanted specialties, to meet the needs arising from its fast growth and industry restructuring.

Staff data

Function categories	Staff number	Percentage (%)
Management staff	4,635	8.3
Engineering and technical staff	8,325	14.9
Sales staff	1,031	1.8
Production staff	35,938	64.1
Others	6,084	10.9
Total	56,013	100.0

Education categories	Staff number	Percentage (%)
Graduate and above	520	0.9
Undergraduate	6,239	11.1
Associate degree	8,772	15.7
Below associate degree	40,482	72.3
Total	56,013	100.0

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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 135 to 281, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, 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 Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit 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, 22 March 2011

Balance Sheets

As at 31 December 2010

		Group			Company		
	Note	**As at 31 December 2010 RMB'000**	As at 31 December 2009 RMB'000 (restated- Note 3.1.1(d))	As at 1 January 2009 RMB'000 (restated- Note 3.1.1(d))	**As at 31 December 2010 RMB'000**	As at 31 December 2009 RMB'000 (restated- Note 3.1.1(d))	As at 1 January 2009 RMB'000 (restated- Note 3.1.1(d))
ASSETS							
Non-current assets							
Property, plant and equipment	7	**46,417,897**	38,120,837	30,585,132	**137,860**	23,791	4,119,459
Investment properties	8	**31,158**	32,403	33,725	**—**	—	—
Land use rights	9	**2,563,782**	2,584,842	2,619,081	**—**	—	410,385
Mining rights	10	**18,611,170**	15,259,134	7,040,495	**—**	—	1,815,866
Intangible assets	11	**42,579**	42,655	41,440	**11,402**	13,222	15,151
Investments in subsidiaries	12	**—**	—	—	**39,105,430**	30,696,318	22,470,637
Investments in associates	13	**3,994,877**	2,029,934	1,301,783	**3,464,886**	1,446,110	1,217,259
Investments in jointly controlled entities	14	**426,516**	411,666	594,757	**8,433**	8,433	8,433
Available-for-sale financial assets	16	**1,220,765**	936,787	558,268	**785,000**	545,000	170,062
Deferred income tax assets	28	**180,737**	147,626	131,291	**5,059**	—	34,861
Loans to subsidiaries	17	**—**	—	—	**5,110,320**	5,869,320	4,375,820
Long-term receivables	18	**684,894**	626,894	701,022	**191,865**	3,851,215	60,000
Other non-current asset		**61,844**	33,786	33,126	**—**	—	—
		74,236,219	60,226,564	43,640,120	**48,820,255**	42,453,409	34,697,933
Current assets							
Inventories	19	**6,215,074**	4,978,327	4,239,638	**392,355**	196,812	86,648
Trade and notes receivables	20	**7,005,589**	4,963,537	5,635,129	**1,687,720**	906,879	1,052,993
Prepayments and other receivables	21	**5,438,569**	3,645,227	3,584,564	**7,207,583**	7,013,736	7,088,331
Derivative financial instruments and other financial assets at fair value through profit or loss	22	**—**	—	300,000	**—**	—	300,000
Restricted bank deposits	23	**2,494,816**	1,844,098	2,121,593	**—**	—	286,703
Term deposits with initial terms of over three months	23	**4,623,526**	22,813,484	27,383,030	**3,784,620**	22,600,000	27,187,000
Cash and cash equivalents	23	**22,922,396**	12,628,413	7,888,283	**18,922,529**	6,699,541	3,964,402
		48,699,970	50,873,086	51,152,237	**31,994,807**	37,416,968	39,966,077
TOTAL ASSETS		**122,936,189**	111,099,650	94,792,357	**80,815,062**	79,870,377	74,664,010

Balance Sheets

As at 31 December 2010

	Note	Group			Company		
		As at 31 December 2010 RMB'000	As at 31 December 2009 RMB'000 (restated- Note 3.1.1(d))	As at 1 January 2009 RMB'000 (restated- Note 3.1.1(d))	**As at 31 December 2010 RMB'000**	As at 31 December 2009 RMB'000 (restated- Note 3.1.1(d))	As at 1 January 2009 RMB'000 (restated- Note 3.1.1(d))
EQUITY							
Equity attributable to the equity holders of the Company							
Share capital	24	**13,258,663**	13,258,663	13,258,663	**13,258,663**	13,258,663	13,258,663
Reserves	25	**42,817,680**	42,193,425	41,417,816	**40,504,525**	39,866,075	39,321,982
Retained earnings							
– Dividends proposed after the balance sheet date	38	**2,072,693**	1,986,651	2,043,559	**2,072,693**	1,986,651	2,043,559
– Others		**15,899,535**	11,156,653	6,628,201	**7,556,397**	4,351,854	1,408,620
		74,048,571	68,595,392	63,348,239	**63,392,278**	59,463,243	56,032,824
Non-controlling interests		**12,289,979**	9,600,310	4,680,691	**—**	—	—
Total equity		**86,338,550**	78,195,702	68,028,930	**63,392,278**	59,463,243	56,032,824

Balance Sheets

As at 31 December 2010

		Group			Company		
	Note	**As at 31 December 2010 RMB'000**	As at 31 December 2009 RMB'000 (restated- Note 3.1.1(d))	As at 1 January 2009 RMB'000 (restated- Note 3.1.1(d))	**As at 31 December 2010 RMB'000**	As at 31 December 2009 RMB'000 (restated- Note 3.1.1(d))	As at 1 January 2009 RMB'000 (restated- Note 3.1.1(d))
LIABILITIES							
Non-current liabilities							
Long-term borrowings	26	**10,715,916**	11,286,700	10,193,510	**4,026,000**	4,300,000	4,361,000
Long-term payables	27	**15,807**	192,302	336,432	**—**	—	319,347
Deferred income tax liabilities	28	**5,091,269**	4,236,462	1,953,690	**—**	—	—
Deferred revenue		**295,992**	237,779	29,099	**—**	—	9,949
Provision for employee benefits		**265,726**	275,990	202,331	**—**	—	14,072
Provision for close down, restoration and environmental costs	31	**822,149**	1,155,530	1,054,703	**—**	—	—
		17,206,859	17,384,763	13,769,765	**4,026,000**	4,300,000	4,704,368
Current liabilities							
Trade and notes payables	29	**9,253,983**	6,801,448	6,813,713	**1,766,969**	1,139,576	2,155,812
Accruals, advance and other payables	30	**6,997,116**	7,085,494	3,963,942	**11,629,348**	14,866,479	11,355,546
Taxes payable		**1,651,327**	610,177	1,296,984	**(79,533)**	40,079	415,460
Short-term borrowings	26	**396,196**	386,981	368,296	**—**	—	—
Current portion of long-term borrowings	26	**1,025,989**	602,658	518,715	**80,000**	61,000	—
Current portion of provision for close down, restoration and environmental costs	31	**66,169**	32,427	32,012	**—**	—	—
		19,390,780	15,519,185	12,993,662	**13,396,784**	16,107,134	13,926,818
Total liabilities		**36,597,639**	32,903,948	26,763,427	**17,422,784**	20,407,134	18,631,186
TOTAL EQUITY AND LIABILITIES		**122,936,189**	111,099,650	94,792,357	**80,815,062**	79,870,377	74,664,010
NET CURRENT ASSETS		**29,309,190**	35,353,901	38,158,575	**18,598,023**	21,309,834	26,039,259
TOTAL ASSETS LESS CURRENT LIABILITIES		**103,545,409**	95,580,465	81,798,695	**67,418,278**	63,763,243	60,737,192

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

These financial statements have been approved for issue by the Board of Directors on 22 March 2011.

Wang'an	**Weng Qing'an**	**Chai Qiaolin**
Chairman of the Board	*Chief Financial Officer*	*Manager of Finance Department*
Executive Director		

Consolidated Income Statement

For the year ended 31 December 2010

	Note	Year ended 31 December 2010 RMB'000	2009 RMB'000 (restated- Note 3.1.1(d))
Revenue	6	**70,302,637**	53,187,027
Cost of sales			
Materials		**(31,189,858)**	(21,551,324)
Staff costs		**(3,767,958)**	(3,171,833)
Depreciation and amortisation		**(3,437,439)**	(2,338,655)
Repair and maintenance		**(682,127)**	(550,549)
Transportation costs		**(8,478,956)**	(6,905,137)
Sales taxes and surcharges		**(1,174,810)**	(918,900)
Others		**(7,093,436)**	(5,719,936)
Cost of sales		**(55,824,584)**	(41,156,334)
Gross profit		**14,478,053**	12,030,693
Selling, general and administrative expenses		**(3,749,111)**	(2,936,023)
Other (loss)/income	34	**(53,896)**	429,418
Other gains, net		**386,537**	248,356
Profit from operations		**11,061,583**	9,772,444
Finance income	33	**484,087**	897,596
Finance costs	33	**(593,065)**	(445,117)
Share of profits of associates and jointly controlled entities		**46,290**	90,647
Profit before income tax		**10,998,895**	10,315,570
Income tax expense	36	**(2,847,876)**	(2,395,399)
Profit for the year		**8,151,019**	7,920,171
Profit attributable to:			
Equity holders of the Company		**7,466,357**	7,409,336
Non-controlling interests		**684,662**	510,835
		8,151,019	7,920,171
Basic and diluted earnings per share for the profit attributable to the equity holders of the Company (RMB)	37	**0.56**	0.56
Dividends distributed	38	**1,986,651**	2,043,559
Dividends proposed after the balance sheet date attributable to all shareholders of the Company	38	**2,072,693**	1,986,651

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
		(restated-Note 3.1.1(d))
Profit for the year	**8,151,019**	7,920,171
Other comprehensive income:		
Fair value changes on available-for-sale financial assets, net of tax	**(8,518)**	10,147
Disposal of available-for-sale financial assets, net of tax	**—**	(5,219)
Share of other comprehensive income of an associate	**(4,040)**	—
Currency translation differences	**(3,816)**	(129)
Other comprehensive income for the year, net of tax	**(16,374)**	4,799
Total comprehensive income for the year	**8,134,645**	7,924,970
Total comprehensive income attributable to:		
Equity holders of the Company	**7,449,983**	7,414,135
Non-controlling interests	**684,662**	510,835
	8,134,645	7,924,970

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to equity holders of the Company					
	Share capital RMB'000	Reserves RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2009						
(as previously reported)	13,258,663	36,544,532	8,774,008	58,577,203	4,250,125	62,827,328
Effect of adoption of IFRS 1 (Note 3.1.1(d))	—	4,873,284	(102,248)	4,771,036	430,566	5,201,602
Balance at 1 January 2009 (restated)	13,258,663	41,417,816	8,671,760	63,348,239	4,680,691	68,028,930
Profit for the year	—	—	7,409,336	7,409,336	510,835	7,920,171
Other comprehensive income	—	4,799	—	4,799	—	4,799
Appropriations	—	894,233	(894,233)	—	—	—
Acquisition of a subsidiary under common control (Note 2(f))	—	(58,183)	—	(58,183)	(35,015)	(93,198)
Purchase of equity from a non-controlling shareholder (Note 44(a))	—	(69,090)	—	(69,090)	(100,479)	(169,569)
Acquisition of subsidiaries not under common control (Note 2(b), 2(c), 2(d), 2(e))	—	—	—	—	4,142,017	4,142,017
Contributions	—	—	—	—	439,645	439,645
Dividends (Note 38)	—	—	(2,043,559)	(2,043,559)	(44,372)	(2,087,931)
Others	—	3,850	—	3,850	6,988	10,838
Balance at 31 December 2009 (restated)	13,258,663	42,193,425	13,143,304	68,595,392	9,600,310	78,195,702
Profit for the year	—	—	7,466,357	7,466,357	684,662	8,151,019
Other comprehensive income	—	(16,374)	—	(16,374)	—	(16,374)
Appropriations	—	638,368	(638,368)	—	—	—
Purchase of equity from a non-controlling shareholder (Note 44(a))	—	(50,123)	—	(50,123)	(23,377)	(73,500)
Acquisition of subsidiaries not under common control	—	—	—	—	1,176,644	1,176,644
Contributions	—	53,440	—	53,440	950,565	1,004,005
Dividends (Note 38)	—	—	(1,986,651)	(1,986,651)	(86,830)	(2,073,481)
Disposal of subsidiaries	—	—	—	—	(12,657)	(12,657)
Others	—	(1,056)	(12,414)	(13,470)	662	(12,808)
Balance at 31 December 2010	13,258,663	42,817,680	17,972,228	74,048,571	12,289,979	86,338,550

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

Consolidated Cash Flow Statement

For the year ended 31 December 2010

		Year ended 31 December	
		2010	2009
		RMB'000	RMB'000
	Note		(restated)
Cash flows from operating activities			
Cash generated from operations	40	**12,623,520**	13,147,781
Interest paid		**(655,513)**	(622,441)
Interest income received		**781,206**	1,884,675
Income tax paid		**(2,066,179)**	(2,721,959)
Net cash generated from operating activities		**10,683,034**	11,688,056
Cash flows from investing activities			
Purchases of property, plant and equipment		**(12,059,551)**	(8,225,329)
Proceeds from disposal of property, plant and equipment		**51,137**	24,443
Purchases of land use rights, mining rights and intangible assets		**(235,511)**	(741,357)
Proceeds from disposal of land use rights, mining right and intangible assets		**390**	—
Proceeds from disposal of other financial assets at fair value through profit or loss		**—**	465,367
Purchases of available-for-sale financial assets		**(276,996)**	(380,468)
Prepayment for investments		**(1,016,515)**	(325,227)
Purchase of non-controlling interest subsidiaries		**(191,870)**	(51,200)
Acquisition of subsidiaries (Note 2(a), 2(b), 2(c), 2(d), 2(e))		**(580,151)**	(1,275,174)
Payment of previous year acquisition consideration		**(339,087)**	—
Acquisition of a subsidiary under common control (Note 2(f))		**—**	(93,197)
Increase in investments in associates		**(2,020,376)**	(494,938)
Dividends received		**53,527**	1,871
Proceeds from disposal of available-for-sale financial assets		**38,539**	22,978
Increase in investments in jointly controlled entities		**(25,000)**	—
Increase in long-term receivables		**(160,000)**	—
Decrease in placement of term deposits with initial terms of over three months		**18,189,958**	4,569,546
Deposit for a future investment		**—**	(360,000)
Disposal of subsidiaries (Note 2(g))		**(16,182)**	332,612
Contributions		**53,440**	—
Net cash generated from/(used in) investing activities		**1,465,752**	(6,530,073)

Consolidated Cash Flow Statement

For the year ended 31 December 2010

	Note	Year ended 31 December 2010 RMB'000	2009 RMB'000 (restated)
Cash flows from financing activities			
Proceeds from short-term borrowings		**380,100**	590,085
Repayments of short-term borrowings		**(370,885)**	(577,240)
Proceeds from long-term borrowings		**560,800**	1,895,900
Repayments of long-term borrowings		**(836,541)**	(681,367)
Repayments of borrowings from non-controlling shareholders		**(456,846)**	—
Contributions from non-controlling shareholders		**950,565**	439,645
Dividends paid to the Company's shareholders		**(1,986,651)**	(2,043,559)
Dividends paid to non-controlling shareholders		**(93,469)**	(39,205)
Net cash used in financing activities		**(1,852,927)**	(415,741)
Net increase in cash and cash equivalents		**10,295,859**	4,742,242
Cash and cash equivalents, at beginning of the year		**12,628,413**	7,888,283
Net foreign exchange losses		**(1,876)**	(2,112)
Cash and cash equivalents at end of the year		**22,922,396**	12,628,413

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 the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Restructuring"). The Company and its subsidiaries (collectively the "Group") is principally engaged in mining and processing of coal, sales of coal and coke products and manufacturing and sales of coal mining machinery. The address of the Company's registered office is 1 Huang Si Da Jie, Chaoyang District, Beijing, the PRC.

The H shares of the Company have been listed on The Main Board of the Stock Exchange of Hong Kong Limited since December 2006, while its A shares have been listed on the Shanghai Stock Exchange since February 2008.

2. BASIS OF PRESENTATION

(a) Acquisition of Shanxi Xiaohuigou Coal Industry Company Limited in 2010

In order to increase the Group's coal resources, in January 2010, the Company's subsidiary, China Coal Pingshuo Coal Industry Company Limited ("Pingshuo Coal"), entered into a share purchase agreement with Shanxi Donghui Coal Coking & Chemicals Group Co., Ltd. ("Donghui Group"), a third-party company and an unrelated natural person, pursuant to which 55% equity interest in Shanxi Xiaohuigou Coal Industry Company Limited ("Xiaohuigou Coal") was transferred to Pingshuo Coal for a total consideration of RMB1,160,302,000. Xiaohuigou Coal is principally engaged in coal mining. The portion that the consideration is less than the share of fair value of identifiable assets is recognised as negative goodwill and recorded as other gains in 2010.

2. BASIS OF PRESENTATION (Continued)

(a) Acquisition of Shanxi Xiaohuigou Coal Industry Company Limited in 2010 (Continued)

Consideration and negative goodwill are recognised as follows:

Consideration:	RMB'000
Cash paid for the acquisition	580,151
Cash unpaid for the acquisition	580,151
Total consideration	1,160,302
Less: Share of fair value of identifiable assets acquired	(1,438,121)
Negative goodwill	(277,819)
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipments	89,571
Mining rights	3,585,353
Trade and other payables	(189,571)
Deferred income tax liabilities	(870,588)
Total identifiable net assets	2,614,765
Attributable to the equity holders of the Company	1,438,121
Attributable to non-controlling interests	1,176,644
	2,614,765
Cash paid for the acquisition	580,151
Cash and cash equivalents acquired from the acquisition	—
Net cash outflow from the acquisition	580,151

2. BASIS OF PRESENTATION (Continued)

(a) Acquisition of Shanxi Xiaohuigou Coal Industry Company Limited in 2010 (Continued)

At 31 December 2010	RMB'000
Revenue	—
Profit for the year	—
Cash flows from operating activities	—
Total cash flows, net	70,764

Non-controlling interests are determined by the share of fair value of identifiable net assets in the subsidiary.

As at 31 December 2010, Xiaohuigou Coal is still in the construction phase.

(b) Acquisition of Xi'an Coal Mining Machinery Company Limited in 2009

Prior to 1 January 2009, the Company's subsidiary, China National Coal Mining Equipment Company Limited ("China Coal Equipment"), held 50% of the total shareholdings of Xi'an Coal Mining Machinery Company Limited ("Xi'an Mining Machinery") and accounted for it as a jointly controlled entity by using the equity method. Effective from 1 January 2009, China Coal Equipment has obtained effective control over Xi'an Mining Machinery, and as such Xi'an Mining Machinery became a subsidiary of the Group.

The assets and liabilities of Xi'an Mining Machinery were adjusted to their fair values on 1 January 2009 based on the valuation report issued by a qualified independent valuer.

2. BASIS OF PRESENTATION (Continued)

(b) Acquisition of Xi'an Coal Mining Machinery Company Limited in 2009 (Continued)

Summary of the assets, liabilities, and net assets at the date of commencement of accounting for Xi'an Mining Machinery as a subsidiary, are set out below:

	Fair value
	RMB'000
Cash and cash equivalents	171,008
Trade and other receivables	258,406
Inventories	378,261
Property, plant and equipment	78,445
Land use rights	70,491
Deferred income tax liabilities	(7,762)
Trade and other payables	(413,014)
Tax payables	(723)
	535,112
Attributable to the equity holders of the Company	267,556
Attributable to non-controlling interests	267,556
	535,112
Cash and cash equivalents acquired from accounting for Xi'an Mining Machinery as a subsidiary	171,008
Net cash inflow from accounting for Xi'an Mining Machinery as a subsidiary	171,008

2. BASIS OF PRESENTATION (Continued)

(c) Acquisition of Ordos Yihua Mining Resources Company Limited in 2009

On 10 December 2009, the Company entered into a share purchase agreement with a third-party company, Ordos Yihua Industrial Company Limited ("Yihua Industrial Company"), pursuant to which Yihua Industrial Company transferred its 37.45% equity interest in Ordos Yihua Mining Resources Company Limited ("Yihua Mining") to the Company for a total consideration of RMB1,101,184,000. Up to 31 December 2010, RMB880,947,200 has been paid and the remaining consideration will be paid within year 2011. In addition, according to the share purchase agreement, the Company contributed RMB813,000,000 to Yihua Mining as additional capital, resulting in an increase in the Company's total shareholdings in Yihua Mining to 51%. The contribution of RMB813,000,000 has been fully paid by 31 December 2009. The acquisition date was 31 December 2009, the date that the Company was able to govern the financial and operating policies of Yihua Mining. Yihua Mining is principally engaged in coal mining and manufacture and sale of chemical products.

Summary of the assets, liabilities, and net assets of Yihua Mining (after the additional contributed capital mentioned above) at the date of acquisition are set out below:

	Fair value
	RMB'000
Cash and cash equivalents	816,420
Restricted bank deposits	25,000
Trade and other receivables	34,592
Property, plant and equipments	378,261
Mining rights	3,899,073
Short term borrowings	(9,000)
Trade and other payables	(476,749)
Deferred income tax liabilities	(914,295)
	3,753,302
Attributable to the equity holders of the Company	1,914,184
Attributable to non-controlling interests	1,839,118
	3,753,302
Cash paid for the acquisition	(1,418,651)
Cash and cash equivalents acquired from the acquisition	816,420
Net cash outflow from the acquisition	(602,231)

2. BASIS OF PRESENTATION (Continued)

(d) Acquisition of Wushenqi Mengda Mining Company Limited in 2009

On 10 December 2009, the Company entered into a share purchase agreement with third-party companies, Inner Mongolia Yuan Xing Energy Company Limited ("Yuan Xing Energy Company") and Shanghai Zendai Investment Management Company Limited ("Zendai Company"), pursuant to which the two companies together transferred 51% equity interest in Wushenqi Mengda Mining Company Limited ("Mengda Mining") to the Company for a total consideration of RMB1,495,361,900. Up to 31 December 2010, RMB975,784,700 has been paid and the remaining consideration will be paid within year 2011. In addition, according to the share purchase agreement, the Company and other shareholders contributed RMB341,400,000 to Mengda Mining as additional capital in proportion to their respective equity interests. The Company's proportion of RMB174,114,000 has been fully paid by 31 December 2009. The acquisition date was 31 December 2009, the date that the Company was able to govern the financial and operating policies of Mengda Mining. Mengda Mining is principally engaged in coal mining and manufacture and sale of chemical products.

Summary of the assets, liabilities, and net assets of Mengda Mining (after the additional contributed capital mentioned above) at the date of acquisition are set out below:

	Fair value RMB'000
Cash and cash equivalents	341,728
Trade and other receivables	12,111
Property, plant and equipments	339,407
Mining rights	4,007,132
Intangible assets	38
Trade and other payables	(501,753)
Deferred income tax liabilities	(925,181)
	3,273,482
Attributable to the equity holders of the Company	1,669,476
Attributable to non-controlling interests	1,604,006
	3,273,482
Cash paid for the acquisition	(1,149,899)
Cash and cash equivalents acquired from the acquisition	341,728
Net cash outflow from the acquisition	(808,171)

2. BASIS OF PRESENTATION (Continued)

(e) Acquisition of Inner Mongolia Mengda New Energy Chemical Base Development Company Limited in 2009

On 10 December 2009, the Company entered into a share purchase agreement with third-party companies, Yuan Xing Energy Company and Zendai Company, pursuant to which these two companies transferred 56.915% equity interest in Inner Mongolia Mengda New Energy Chemical Base Development Company Limited ("Mengda New Energy Company") to the Company for a total consideration of RMB569,150,000. The consideration has been fully paid by 31 December 2009. In addition, according to the share purchase agreement, the Company contributed RMB231,000,000 to Mengda New Energy Company as additional capital, resulting in the Company's total shareholdings in Mengda New Energy Company to 65%. The contribution has been fully paid by 31 December 2009. The acquisition date was 31 December 2009, the date that the Company was able to govern the financial and operating policies of Mengda New Energy Company. Mengda New Energy Company is principally engaged in methanol production.

Summary of the assets, liabilities, and net assets of Mengda New Energy Company (after the additional contributed capital mentioned above) at the date of acquisition are set out below:

	Fair value
	RMB'000
Cash and cash equivalents	764,370
Trade and other receivables	368,870
Investment in associates	198,195
Available-for-sale financial assets	500
Property, plant and equipments	237,021
Land use right	280
Intangible assets	45
Deferred income tax liabilities	(2,731)
Trade and other payables	(335,063)
	1,231,487
Attributable to the equity holders of the Company	800,150
Attributable to non-controlling interests	431,337
	1,231,487
Cash paid for the acquisition	(800,150)
Cash and cash equivalents acquired from the acquisition	764,370
Net cash outflow from the acquisition	(35,780)

2. BASIS OF PRESENTATION (Continued)

(f) Acquisition of Xuzhou Sifang Aluminium Group Company Limited in 2009

On 10 September 2009, Shanghai Datun Energy Resources Company Limited ("Shanghai Datun") entered into a share purchase agreement with Datun Coal & Electricity Company Limited ("DTCE Company"), pursuant to which DTCE Company transferred its 100% equity interest in Xuzhou Sifang Aluminium Group Company Limited ("Sifang Aluminium") to Shanghai Datun for a cash consideration of RMB93,197,000. The acquisition was approved by the shareholders' meeting of Shanghai Datun held on 10 September 2009 and by the relevant government authority on 19 October 2009. The consideration has been fully paid by 31 December 2009. Sifang Aluminium is principally engaged in manufacturing and processing of aluminium related products.

The Company holds a 62.43% equity interest in Shanghai Datun, while DTCE Company is a wholly-owned subsidiary of China Coal Group. Hence, this transaction does not affect the ultimate control of Shanghai Datun, DTCE Company and Sifang Aluminium by China Coal Group, and that control is not transitory. As such this acquisition was considered as a common control combination, and the Company had accounted for it in a manner similar to uniting of interests.

(g) Disposal of China Coal Xi'an Design Engineering Company Limited and China Coal Handan Design Engineering Company Limited in 2009

On 4 December 2009, the Company entered into a share purchase agreement with China Coal Group, pursuant to which the Company transferred its 100% equity interest in China Coal Xi'an Design Engineering Company Limited and China Coal Handan Design Engineering Company Limited to China Coal Group for a total consideration of RMB472,279,100. Such disposal was approved by the Board of Directors of the Company on 4 December 2009 and by the relevant governmental authority on 24 December 2009. The consideration has been fully received on 31 December 2009, being the disposal date.

The gains on disposal of China Coal Xi'an Design Engineering Company Limited and China Coal Handan Design Engineering Company Limited amounting to RMB217,872,000 were recorded as other income in the consolidated income statement (Note 34) and disclosed as gains and expenses of corporate function in segment information (Note 6).

2. BASIS OF PRESENTATION (Continued)

(g) Disposal of China Coal Xi'an Design Engineering Company Limited and China Coal Handan Design Engineering Company Limited in 2009 (Continued)

The assets and liabilities and operating results of China Coal Xi'an Design Engineering Company Limited and China Coal Handan Design Engineering Company Limited at the date of disposal are as follows:

	As at 31 December 2009 (date of disposal) RMB'000
Cash and cash equivalents	139,667
Trade and other receivables	434,271
Inventories	10,023
Available-for-sale financial assets	100
Property, plant and equipment	154,786
Land use rights	1,547
Intangible assets	139
Deferred income tax assets	2,309
Trade and other payables	(458,042)
Tax payables	(3,833)
Provision for employee benefits	(3,113)
Net assets disposed	277,854

	For the year ended 31 December 2009 RMB'000
Revenue	841,865
Operating profit	63,768
Net profit	52,691
Cash received from the disposal	472,279
Cash and cash equivalents disposed with the disposal	(139,667)
Net cash inflow from the disposal	332,612

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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 financial assets 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.

3.1.1 *Changes in accounting policy and disclosures*

(a) New and amended standards adopted by the Group

The following new and amended IFRSs are mandatory for the first time for the financial year beginning 1 January 2010.

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are 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 value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation (Continued)

3.1.1 *Changes in accounting policy and disclosures (Continued)*

(a) New and amended standards adopted by the Group (Continued)

As the Group has adopted IFRS 3 (revised), it is required to adopt IAS 27 (revised), 'Consolidated and separate financial statements', at the same time. IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control 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.

- IFRS 8 (amendment) 'Operating segments', effective for periods beginning on or after 1 January 2010. Disclosure of information about total assets and liabilities for each reportable segment is required only if such amounts are regularly provided to the chief operating decision maker. The Group has applied IFRS 8 (amendment) from 1 January 2010. The Group has revisited its information provided to the chief operating decision maker and determined such information should be included in disclosure of segment information.

- IAS 17 (amendment) 'Leases', effective for periods beginning on or after 1 January 2010. The amendment removes the specific guidance on the classification of long-term leases of land as operating lease. When classifying land leases, the general principles applicable to the classification of leases should be applied. The classification of land leases has to be reassessed on adoption of the amendment on the basis of information existing at inception of the leases. The Group has applied IAS 17 (amendment) from 1 January 2010. The Group's management has reassessed land leases classification by referring to the general principles set out in the standard, and concluded that the amendment has no impact on the Group's classification of land leases which are considered as operating lease.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation (Continued)

3.1.1 *Changes in accounting policy and disclosures (Continued)*

(b) The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2010, but are not currently relevant for the Group.

- IFRIC 17, 'Distributions of non-cash assets to owners'.
- IFRIC 18, 'Transfers of assets from customers'.
- IFRIC 9 (amendment), 'Reassessment of embedded derivatives' and IAS 39 (amendment), 'Financial instruments: recognition and measurement'.
- IFRIC 16, 'Hedges of a net investment in a foreign operation'.
- IAS 1 (amendment), 'Presentation of financial statements'.
- IAS 36 (amendment), 'Impairment of assets'.
- IAS 39 (amendment), Eligible hedge items.
- IFRS 2 (amendment), 'Group cash-settled share-based payment transaction'.
- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation (Continued)

3.1.1 *Changes in accounting policy and disclosures (Continued)*

(c) The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

- IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption.

  The Group is yet to assess IFRS 9's full impact. However, initial indications are that it may affect the Group's accounting for its debt available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the Group recognised such gains in other comprehensive income.

- Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted.

  The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the revised standard from 1 January 2011. When the revised standard is applied, the Group and the parent will need to disclose any transactions between its subsidiaries and its associates. It is, therefore, not possible at this stage to disclose the impact, if any, of the revised standard on the related party disclosures.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation (Continued)

3.1.1 *Changes in accounting policy and disclosures (Continued)*

(c) The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2010 and have not been early adopted: (Continued)

- 'Classification of rights issues' (amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. The Group will apply the amended standard from 1 January 2011.

- IFRIC-Int 14 (amendments), 'Prepayments of a minimum funding requirement', corrects an unintended consequence of IFRIC-Int 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset for any surplus arising from the voluntary prepayment of minimum funding contributions in respect of future service. This was not intended when IFRIC-Int 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The amendments are not currently relevant to the Group.

- IFRIC-Int 19, 'Extinguishing financial liabilities with equity instruments' clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted. The interpretation is not currently relevant to the Group as it does not have such transaction.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation (Continued)

3.1.1 *Changes in accounting policy and disclosures (Continued)*

(d) The following new amendment to standard has been issued but is not effective for the financial year beginning 1 January 2010 and has been early adopted:

- IFRS 1 (amendment), 'First time Adoption of International Financial Reporting Standards', clarifies that entities may employ the 'deemed cost' exemption not only when the 'deemed cost' is measured before the date of transition to IFRS, but also if the 'deemed cost' is measured during the first IFRS reporting period. This amendment should be applied for annual periods beginning on or after 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Group has decided to adopt this amendment from 1 January 2010.

  The effect of the adoption of this amendment to the Group's financial statements is as below:

	For the year ended and as at 31 December 2009		
	RMB'000 (as previously reported)	RMB'000 (restatement)	RMB'000 (restated)
Total assets	104,855,362	6,244,288	111,099,650
Total liabilities	31,412,359	1,491,589	32,903,948
Equity attributable to the equity holders of the Company	64,228,494	4,366,898	68,595,392
Profit attributable to equity holders of the Company	7,834,332	(424,996)	7,409,336

	For the year ended and as at 31 December 2008		
	RMB'000 (as previously reported)	RMB'000 (restatement)	RMB'000 (restated)
Total assets	88,511,900	6,280,457	94,792,357
Total liabilities	25,684,572	1,078,855	26,763,427
Equity attributable to the equity holders of the Company	58,577,203	4,771,036	63,348,239
Profit attributables to equity holders of the Company	7,131,007	(316,114)	6,814,893

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Other accounting policies

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December 2010.

(i) Subsidiaries

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

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Other accounting policies (Continued)

(a) Consolidation (Continued)

(i) Subsidiaries (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

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

(ii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Other accounting policies (Continued)

(a) Consolidation (Continued)

(iii) Associates

Associates are all entities over which the Group has significant influence but not control or joint 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 recognized 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.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Other 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 whereby the Group together with the other venturers undertakes 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 the equity method of accounting and is initially recognised at cost.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Other accounting policies (Continued)

(b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, defined as the person who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the President Office that makes strategic decisions.

(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.

Foreign currency gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other gains, net'.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Other accounting policies (Continued)

(c) Foreign currency translation (Continued)

(iii) Group companies

The results and financial positions of all of 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 consolidated income statement as part of the gain or loss on sale.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Other 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, other than costs incurred in acquiring land use and mining rights, 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 capitalized 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, consisting 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 to the income statement during the financial year in which they are incurred.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Other accounting policies (Continued)

(e) Property, plant and equipment (Continued)

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 3.2(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)

3.2 Other accounting policies (Continued)

(f) Deferred stripping cost

Stripping ratio of open-pit mine is the ratio of the volume of overburden or waste to be removed to get access to the coal body, to the volume of corresponding coal to be mined. Current period stripping cost of the open-pit mine is calculated and recognised based on the long-term stripping ratio of certain mine area. When the actual stripping ratio of current period varies from the long-term stripping ratio, the actual stripping expenditures with respect to the variance are deferred and recorded as an fixed asset, or the stripping expenditures which have been previously deferred and recorded as an fixed asset are reversed and recognised as current period stripping costs. Long-term stripping ratio is the estimate of overall stripping ratio of certain mine area made by the management based on actual stripping ratios in previous periods and planned stripping ratios for future periods to the extent that can be reasonably forecasted. At each balance sheet date, the long-term stripping ratio is re-assessed by the management with the information updated in current period and amendment will be made if necessary. Changes in estimates of long-term stripping ratio 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 or 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 3.2(e)).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Other accounting policies (Continued)

(h) Investment Properties (Continued)

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 30 years to 48 years.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalized 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.

(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.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Other accounting policies (Continued)

(l) Impairment of non-financial assets

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Some examples of such indicators are listed as below:

- An asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes in the technological, market, economic or legal environment in which the Group operates or in the market to which an asset is dedicated, and these changes have an adverse effect on the Group.
- The market interest rates or other market rates of return on investments have increased, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- Evidence is available of obsolescence or physical damage of an asset.
- An asset becomes idle, plans to discontinue or restructure the operation to which an asset belongs, and plans to dispose of an asset before the previously expected date of disposal. Etc..

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Other accounting policies (Continued)

(m) Financial assets

Classification

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 2010, the Group does not have any held to maturity financial assets and all of the financial assets at fair value through profit or loss had been disposed of in 2009.

(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 22(a)), which is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the financial assets are provided internally on that basis to the entity's key management personnel.

(ii) Loans and receivables

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Other accounting policies (Continued)

(m) *Financial assets (Continued)*

Classification (Continued)

(iii) Available-for-sale financial assets

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

Recognition and measurement

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. The investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost. 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 year 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Other accounting policies (Continued)

(m) *Financial assets (Continued)*

Recognition and measurement (Continued)

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Other accounting policies (Continued)

(m) Financial assets (Continued)

Impairment

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). 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)

3.2 Other 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 acceptance, are discounted with banks, they are derecognised from the balance sheet as the 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Other accounting policies (Continued)

(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.

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Other accounting policies (Continued)

(u) Current and deferred income tax (Continued)

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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income faxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(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 year 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 service 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Other accounting policies (Continued)

(v) Employee benefits (Continued)

(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 year.

(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)

3.2 Other 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 capitalized 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 capitalized 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Other accounting policies (Continued)

(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 Group 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

The Group provides transportation services. The transportation services are provided based on market-price contract, with contract terms generally less than one year.

Revenue from transportation services is generally recognised in the period the services are provided.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Other 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 flows 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, including those pertaining to general borrowings, incurred for the construction of any qualifying assets are capitalized 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Other accounting policies (Continued)

(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.

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 as available-for-sale financial assets.

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.

– *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 23(c)), and trade and notes receivables (Note 20(c)) and borrowings (Note 26(g)) denominated in foreign currency) expose it to foreign exchange risk arising from various currency exposures primarily with respect to the 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.

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 RMB93,199,000 in 2010 (2009: RMB105,622,000), 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 RMB33,174,000 in 2010 (2009: RMB52,852,000), 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 subject to adjustments by the PRC government. 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)

(a) Market risk (Continued)

(iii) Cash flow and fair value interest rate risk (Continued)

If interest rates on RMB-denominated borrowings had been 0.1% higher/lower with all other variables held constant, post-tax profit for 2010 would have been RMB2,438,000 (2009: RMB3,935,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(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.

As at 31 December 2010, the Group holds approximately 72% (2009: 79%) of bank deposits in state-owned banks and the rest of deposits are placed with other financial institutions located mainly in the PRC and certain overseas banks with good credit ratings. Management believes these financial institutions are of high credit quality and there is no significant credit risk on such bank deposits.

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.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(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 26(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 26(i)) and cash and cash equivalents (Note 23)) on the basis of expected cash flow.

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 date to the contractual maturity date.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
Group				
At 31 December 2010				
Bank borrowings	2,053,982	2,509,060	4,289,467	7,015,260
Trade and other payables	16,251,098	—	—	—
Long-term payables	—	1,090	1,636	14,729
At 31 December 2009				
Bank borrowings	1,665,929	1,601,017	5,435,054	8,045,876
Trade and other payables	13,886,942	—	—	—
Long-term payables	—	208,860	2,508	15,274
Company				
At 31 December 2010				
Bank borrowings	306,275	301,890	1,462,783	3,839,767
Trade and other payables	13,396,317	—	—	—
At 31 December 2009				
Bank borrowings	294,139	309,878	1,203,973	4,629,450
Trade and other payables	16,006,055	—	—	—

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 2010 and 2009 were as follows:

	2010	2009
	RMB'000	RMB'000
		(restated)
Total borrowings (Note 26)	**12,138,101**	12,276,339
Total equity	**86,338,550**	78,195,702
Total capital	**98,476,651**	90,472,041
Gearing ratio	**12.33%**	13.57%

The change in the gearing ratio during 2010 resulted primarily from the increase in equity contributed by the Group's net profit earned in 2010. Therefore, the Group has no further plan to use special measures to adjust its gearing ratio in the foreseeable future.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2010, the Group has the following assets which we defined as level 1 that are measured at fair value:

	As at 31 December 2010 RMB'000	As at 31 December 2009 RMB'000
Available-for-sale financial assets		
– Equity securities	**16,083**	27,411

The fair value of financial instruments traded in active market is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

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.

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

(iii) Reserve estimates

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

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

Because the economic assumptions used to estimate reserves 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.

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

(v) Income taxes

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities 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 be reflected in 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 the past experience and best estimation of future expenditures, 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.

(vii) Fair value determination in acquisitions

The Group follows the guidance of IFRS 3 to determine the fair value of investees in non-common control acquisitions. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the investees' recoverable reserves in the mines, historical performance and future outlook, future operational plans, changes in the overall cash flow positions, and estimated pre-tax discount rate. Higher fair value increment in the investees, e.g. in mining rights, properties, plant and equipment, land use rights, will increase the related amortisation and depreciation charges in the Group's consolidated financial statements, as well as the estimation of goodwill upon the acquisition. Management follows respective accounting policy to ensure the investees' assets and liabilities stated at the Group's consolidated financial statements represented their fair value upon acquisition.

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

(viii) Deferred overburden removal costs

Factors affecting the determination of average stripping ratios include, among others, the overall geological conditions of the open mines during the course of operations, the future mining activities, overall operational plans in foreseeable future, which require complex and difficult geological judgements and calculations to interpret the data. Changes of the average stripping ratios will impact the financial positions (e.g. property, plant and equipment) and operating results (e.g. cost of sales) of the Group and management reassess the reasonableness of the average stripping ratios at each balance sheet date.

6 SEGMENT INFORMATION

1) General information

a. Factors that management used to identify the entity's reportable segments

The chief operating decision maker ("CODM") has been identified as the President Office (總裁辦公會). It reviews the Group's internal reports in order to assess performance and allocate resources.

The Group's reportable segments are entities or group of entities that offer different products and services, which is the basis by which the CODM makes decisions about resources to be allocated to the segment and assesses its performance. They are managed according to different nature of products and services, production process and the environment in which they are operating. Most of these entities engage in just one single business, except for a few entities dealing with a variety of operations. Financial information of these entities has been separately presented as discrete segment information for CODM's review.

6 SEGMENT INFORMATION (Continued)

1) General information (Continued)

b. Types of products and services from which each reportable segment derives its revenues

The CODM assesses the performance of three reportable segments: coal, coke and coal-chemical product and mining machinery.

Types of products from which each reportable segment derives its revenues are as follows:

- Coal – Production and sales of coal;
- Coke and coal-chemical products – Production and sales of coke and coal-chemical products;
- Mining machinery – Manufacturing and sales of mining machinery.

2) Information about reportable segment profit, assets and liabilities

a. Measurement of operating segment profit or loss, assets and liabilities

The measurement of profit or loss, assets and liabilities of the operating segments are the same as those described in the summary of significant accounting policies. The CODM evaluates performance on the basis of profit or loss before income tax expense. The Group accounts for inter-segment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices. The amounts of segment information are denominated in RMB, which is consistent with the amounts in the reports used by the CODM.

6 SEGMENT INFORMATION (Continued)

2) Information about reportable segment profit, assets and liabilities (Continued)

b. Reportable segments' profit, assets and liabilities

	For the year ended and as at 31 December 2010				
	Coal	Coke and coal-chemical product	Machinery	Others (note (a))	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue					
Total Revenue	56,265,697	4,888,100	7,071,131	4,169,628	72,394,556
Inter-segment revenue	(427,005)	—	(975,672)	(689,242)	(2,091,919)
Revenue from external customers	55,838,692	4,888,100	6,095,459	3,480,386	70,302,637
Profit/(Loss) from operations	11,443,202	(568,436)	497,473	72,154	11,444,393
Profit/(Loss) before income tax	11,134,575	(602,371)	450,633	835	10,983,672
Interest income	35,126	57,297	2,569	410	95,402
Interest expense	(163,004)	(103,066)	(55,479)	(47,030)	(368,579)
Depreciation and amortisation	(2,956,567)	(162,385)	(126,582)	(354,484)	(3,600,018)
Share of profits of associates and jointly controlled entities	29,158	8,417	9,908	—	47,483
Income tax expense	(2,732,805)	(19,066)	(75,897)	(20,108)	(2,847,876)
Other material non-cash items					
Provision for impairment of assets	(6,234)	(160,002)	(30,087)	(25,384)	(221,707)
Segment assets and liabilities					
Segment assets	65,846,430	6,491,023	9,238,469	5,047,863	86,623,785
Include: investment in associates and jointly controlled entities	351,919	551,642	77,431	—	980,992
Expenditures for non-current assets	10,845,221	825,279	558,849	183,058	12,412,407
Segment liabilities	23,199,577	492,288	4,223,025	3,126,651	31,041,541

6 SEGMENT INFORMATION (Continued)

2) Information about reportable segment profit, assets and liabilities (Continued)

b. Reportable segments' profit, assets and liabilities (Continued)

	For the year ended and as at 31 December 2009 (restated)				
	Coal	Coke and coal-chemical product	Machinery	Others (note (a))	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue					
Total Revenue	41,175,385	3,589,970	5,949,127	4,197,519	54,912,001
Inter-segment revenue	(265,919)	—	(694,097)	(764,958)	(1,724,974)
Revenue from external customers	40,909,466	3,589,970	5,255,030	3,432,561	53,187,027
Profit from operations	9,160,254	29,424	436,684	137,060	9,763,422
Profit before income tax	8,932,855	23,698	393,472	78,620	9,428,645
Interest income	31,084	52,737	4,604	2,447	90,872
Interest expense	(307,661)	(1,633)	(5,366)	(7,665)	(322,325)
Depreciation and amortisation	(2,217,022)	(118,043)	(116,274)	(281,008)	(2,732,347)
Share of profits of associates and jointly controlled entities	24,710	68,662	6,853	—	100,225
Income tax expense	(2,327,331)	4,562	(34,355)	(38,275)	(2,395,399)
Other material non-cash items					
Reversal of/(Provision for) impairment of assets	1,402	(8,005)	(20,813)	(2,423)	(29,839)
Segment assets and liabilities					
Segment assets	62,736,423	6,754,667	7,438,673	5,401,485	82,331,248
Include: investment in associates and jointly controlled entities	420,013	543,225	44,592	—	1,007,830
Expenditures for non-current assets	8,052,225	396,441	276,839	1,029,578	9,755,083
Segment liabilities	21,867,449	856,500	3,420,181	3,444,578	29,588,708

note:

(a) Revenue from segments below the quantitative thresholds are attributable to four operating segments of the Group. Those segments include an aluminium factory, two power generating plants, an equipment purchase agency and a tendering service provider. None of those segments has ever met any of the quantitative thresholds for determining reportable segments.

6 SEGMENT INFORMATION (Continued)

3) Reconciliations of reportable segments' revenue, profit or loss, assets and liabilities

a. Revenue

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Total revenue for reportable segments	**72,394,556**	54,912,001
Elimination of inter-segment revenue	**(2,091,919)**	(1,724,974)
Entity's revenue	**70,302,637**	53,187,027

b. Profit from operations

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
		(restated)
Total profit from operations for reportable segments	**11,444,393**	9,763,422
Elimination of inter-segment profits	**(102,898)**	(96,145)
Other corporate (expense)/income	**(279,912)**	105,167
Profit from operations	**11,061,583**	9,772,444

6 SEGMENT INFORMATION (Continued)

3) Reconciliations of reportable segments' revenue, profit or loss, assets and liabilities (Continued)

c. Profit before income tax

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
		(restated)
Total profit before tax expense for reportable segments	**10,983,672**	9,428,645
Elimination of inter-segment profits	**(102,898)**	(96,145)
Other corporate income	**118,121**	983,070
Profit before income tax	**10,998,895**	10,315,570

d. Assets

	31 December	31 December
	2010	2009
	RMB'000	RMB'000
		(restated)
Total assets for reportable segments	**86,623,785**	82,331,248
Elimination of inter-segment accounts	**(2,562,752)**	(2,855,969)
Other unallocated amounts	**38,875,156**	31,624,371
Entity's assets	**122,936,189**	111,099,650

6 SEGMENT INFORMATION (Continued)

3) Reconciliations of reportable segments' revenue, profit or loss, assets and liabilities (Continued)

e. Liabilities

	31 December 2010 RMB'000	31 December 2009 RMB'000 (restated)
Total liabilities for reportable segments	**31,041,541**	29,588,708
Elimination of inter-segment accounts	**(2,340,652)**	(2,379,564)
Other unallocated amounts	**7,896,750**	5,694,804
Entity's liabilities	**36,597,639**	32,903,948

f. Other material items

	Year ended 31 December 2010		
	Reportable segment totals RMB'000	**Others (note (a)) RMB'000**	**Entity's totals RMB'000**
Interest income	**95,402**	**388,685**	**484,087**
Interest expense	**(368,579)**	**(93,094)**	**(461,673)**
Depreciation and amortisation	**(3,600,018)**	**(8,127)**	**(3,608,145)**
Share of profits/(losses) of associates and jointly controlled entities	**47,483**	**(1,193)**	**46,290**
Income tax expense	**(2,847,876)**	**—**	**(2,847,876)**
Provision for impairment of assets	**(221,707)**	**(17,158)**	**(238,865)**
Investment in associates and jointly controlled entities	**980,992**	**3,440,401**	**4,421,393**
Expenditures for non-current assets	**12,412,407**	**120,375**	**12,532,782**

6 SEGMENT INFORMATION (Continued)

3) Reconciliations of reportable segments' revenue, profit or loss, assets and liabilities (Continued)

f. Other material items (Continued)

	Year ended 31 December 2009 (restated)		
	Reportable segment totals	Others (note (a))	Entity's totals
	RMB'000	RMB'000	RMB'000
Interest income	90,872	806,724	897,596
Interest expense	(322,325)	(185,786)	(508,111)
Depreciation and amortisation	(2,732,347)	(4,348)	(2,736,695)
Share of profits/(losses) of associates and jointly controlled entities	100,225	(9,578)	90,647
Income tax expense	(2,395,399)	—	(2,395,399)
Provision for impairment of assets	(29,839)	—	(29,839)
Investment in associates and jointly controlled entities	1,007,830	1,433,770	2,441,600
Expenditures for non-current assets	9,755,083	562	9,755,645

note:

(a) Amounts represent: (i) other items from non-reportable segments which included assets, liabilities, gains and expenses of corporate function; and (ii) items that eliminated on a group basis.

6 SEGMENT INFORMATION (Continued)

4) Geographical information

Analysis of revenue

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Domestic markets	**69,037,360**	52,446,952
Asia Pacific markets	**1,212,102**	739,945
Other overseas markets	**53,175**	130
	70,302,637	53,187,027

note:

(a) Revenue is attributed to countries on the basis of the customers' location.

Analysis of non-current assets

	31 December 2010 RMB'000	31 December 2009 RMB'000 (restated)
Domestic markets	**72,788,440**	59,042,555
Asia Pacific markets	**6,312**	8,568
Other overseas markets	**39,965**	57,242
	72,834,717	59,108,365

5) Information about major customers

Revenue from the top five customers of the Group for the year ended 31 December 2010 represents approximately 15% of the Group's total revenue (for the year ended 31 December 2009: 24%).

7 PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Mining structures RMB'000	Plant, machinery and equipment RMB'000	Railway structures RMB'000	Motor vehicles, fixtures and others RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2009 (as previously reported)	5,499,347	4,382,104	9,610,351	376,921	684,910	8,456,738	29,010,371
Effect of adoption of IFRS 1 (Note 3.1.1(d))	635,002	403,351	418,640	117,768	—	—	1,574,761
At 1 January 2009 (restated)	6,134,349	4,785,455	10,028,991	494,689	684,910	8,456,738	30,585,132
At 1 January 2009 (restated)							
Cost	7,640,315	6,636,044	17,781,727	747,736	929,566	8,456,738	42,192,126
Accumulated depreciation	(1,505,966)	(1,850,589)	(7,752,736)	(253,047)	(244,656)	—	(11,606,994)
Net book amount	6,134,349	4,785,455	10,028,991	494,689	684,910	8,456,738	30,585,132
Year ended 31 December 2009 (restated)							
Opening net book amount	6,134,349	4,785,455	10,028,991	494,689	684,910	8,456,738	30,585,132
Acquisition of subsidiaries (Note 2(b), 2(c), 2(d), 2(e))	61,629	—	60,611	—	27,724	883,170	1,033,134
Disposal of a subsidiary (Note 2(g))	(60,062)	—	(15,836)	—	(21,531)	(57,357)	(154,786)
Additions	301,504	1,247,564	1,264,087	—	105,176	6,149,232	9,067,563
Transfer upon completion	1,515,751	329,444	3,755,988	—	33,660	(5,634,843)	—
Disposals	—	—	(12,260)	(3,084)	(27,583)	—	(42,927)
Depreciation charge (Note 32)	(331,667)	(362,700)	(1,446,230)	(22,069)	(204,613)	—	(2,367,279)
Closing net book amount	7,621,504	5,999,763	13,635,351	469,536	597,743	9,796,940	38,120,837
At 31 December 2009 (restated)							
Cost	9,459,137	8,213,052	22,834,317	744,652	1,047,012	9,796,940	52,095,110
Accumulated depreciation	(1,837,633)	(2,213,289)	(9,198,966)	(275,116)	(449,269)	—	(13,974,273)
Net book amount	7,621,504	5,999,763	13,635,351	469,536	597,743	9,796,940	38,120,837

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

Group (Continued)

	Buildings RMB'000	Mining structures RMB'000	Plant, machinery and equipment RMB'000	Railway structures RMB'000	Motor vehicles, fixtures and others RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2010							
Opening net book amount	7,621,504	5,999,763	13,635,351	469,536	597,743	9,796,940	38,120,837
Acquisition of a subsidiary (Note 2(a))	—	—	—	—	—	89,571	89,571
Additions	76,971	342,489	1,621,933	2,700	348,777	9,904,400	12,297,270
Transfer upon completion	1,326,130	412,554	2,426,512	—	61,505	(4,226,701)	—
Disposals	(21,210)	(651,072)	(107,457)	(15)	(26,500)	(90)	(806,344)
Depreciation charge (Note 32)	(415,875)	(648,992)	(1,832,785)	(19,658)	(203,446)	—	(3,120,756)
Provision for impairment	(11,018)	—	(151,004)	—	(659)	—	(162,681)
Closing net book amount	8,576,502	5,454,742	15,592,550	452,563	777,420	15,564,120	46,417,897
At 31 December 2010							
Cost	10,841,028	8,317,023	26,775,305	747,337	1,430,794	15,564,120	63,675,607
Accumulated depreciation	(2,253,508)	(2,862,281)	(11,031,751)	(294,774)	(652,715)	—	(17,095,029)
Accumulated impairment	(11,018)	—	(151,004)	—	(659)	—	(162,681)
Net book amount	8,576,502	5,454,742	15,592,550	452,563	777,420	15,564,120	46,417,897

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Buildings RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles and others RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2009 (as previously reported)	955,084	915,271	78,054	2,124,090	4,072,499
Effect of Adoption of IFRS 1 (Note 3.1.1(d))	24,362	22,598	—	—	46,960
At 1 January 2009 (restated)	979,446	937,869	78,054	2,124,090	4,119,459
At 1 January 2009 (restated)					
Cost	1,088,173	1,162,665	98,259	2,124,090	4,473,187
Accumulated depreciation	(108,727)	(224,796)	(20,205)	—	(353,728)
Net book amount	979,446	937,869	78,054	2,124,090	4,119,459
Year ended 31 December 2009 (restated)					
Opening net book amount	979,446	937,869	78,054	2,124,090	4,119,459
Transfer to a subsidiary	(979,446)	(937,030)	(66,163)	(2,124,090)	(4,106,729)
Additions	—	206	13,273	—	13,479
Depreciation charge	—	—	(2,418)	—	(2,418)
Closing net book amount	—	1,045	22,746	—	23,791
At 31 December 2009 (restated)					
Cost	—	2,024	29,942	—	31,966
Accumulated depreciation	—	(979)	(7,196)	—	(8,175)
Net book amount	—	1,045	22,746	—	23,791
Year ended 31 December 2010					
Opening net book amount	—	1,045	22,746	—	23,791
Additions	—	—	15,558	104,671	120,229
Depreciation charge	—	(325)	(5,835)	—	(6,160)
Closing net book amount	—	720	32,469	104,671	137,860
At 31 December 2010					
Cost	—	2,024	45,500	104,671	152,195
Accumulated depreciation	—	(1,304)	(13,031)	—	(14,335)
Net book amount	—	720	32,469	104,671	137,860

During the year ended 31 December 2010, the depreciation charges of the Group were recorded in cost of sales with an amount of RMB2,874,898,000 (2009: RMB2,013,842,000), selling, general and administrative expenses with an amount of RMB163,822,000 (2009: RMB217,678,000), cost of inventories which remained unsold as at year end with an amount of RMB79,766,000 (2009: RMB55,599,000) and other gains with an amount of RMB2,270,000 (2009: RMB80,160,000) respectively.

8 INVESTMENT PROPERTIES

	Group RMB'000
At 1 January 2009	
Cost	34,949
Accumulated depreciation	(1,224)
Net book amount	33,725
Year ended 31 December 2009	
Opening net book amount	33,725
Depreciation charge	(1,322)
Closing net book amount	32,403
At 31 December 2009	
Cost	34,949
Accumulated depreciation	(2,546)
Net book amount	32,403
Year ended 31 December 2010	
Opening net book amount	32,403
Depreciation charge	(1,245)
Closing net book amount	31,158
At 31 December 2010	
Cost	34,949
Accumulated depreciation	(3,791)
Net book amount	31,158

8 INVESTMENT PROPERTIES (Continued)

The following amounts are recognised in the consolidated income statement:

	Group	
	2010	2009
	RMB'000	RMB'000
Rental income	**3,443**	2,381
Direct operating expenses arising from rental-generating investment properties	**1,469**	1,399

The rental income, related depreciation charge and direct operating expenses are recorded in other gains for the year ended 31 December 2009 and 2010.

The fair value of investment properties as at 31 December 2010 is approximately RMB99,592,000 (2009: RMB83,596,000).

9 LAND USE RIGHTS

	Group	**Company**
	RMB'000	RMB'000
Balance at 1 January 2009 (as previously reported)	615,268	56,345
Effect of adoption of IFRS 1 (Note 3.1.1(d))	2,003,813	354,040
Balance at 1 January 2009 (restated)	2,619,081	410,385
Balance at 1 January 2009 (restated)		
Cost	2,788,214	417,565
Accumulated amortisation	(169,133)	(7,180)
Net book amount	2,619,081	410,385

9 LAND USE RIGHTS (Continued)

	Group RMB'000	Company RMB'000
Year ended 31 December 2009 (restated)		
Opening net book amount	2,619,081	410,385
Transfer to a subsidiary	—	(410,385)
Acquisition of subsidiaries (Note 2(b), 2(e))	70,771	—
Additions	57,800	—
Amortisation charge	(61,784)	—
Disposal	(101,026)	—
Closing net book amount	2,584,842	—
At 31 December 2009 (restated)		
Cost	2,815,759	—
Accumulated amortisation	(230,917)	—
Net book amount	2,584,842	—
Year ended 31 December 2010		
Opening net book amount	2,584,842	—
Additions	45,922	—
Amortisation charge	(63,163)	—
Provision charge	(272)	—
Disposal	(3,547)	—
Closing net book amount	2,563,782	—
At 31 December 2010		
Cost	2,858,134	—
Accumulated amortisation	(294,080)	—
Provision charge	(272)	—
Net book amount	2,563,782	—

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.

The amortisation charges were recorded in cost of sales with an amount of RMB39,490,000 (2009: RMB41,766,000) and selling, general and administrative expenses with an amount of RMB23,673,000 (2009: RMB20,018,000).

10 MINING RIGHTS

	Group RMB'000	Company RMB'000
Balance at 1 January 2009 (as previously reported)	3,680,836	535,678
Effect of adoption of IFRS 1 (Note 3.1.1(d))	3,359,659	1,280,188
Balance at 1 January 2009 (restated)	7,040,495	1,815,866
Balance at 1 January 2009 (restated)		
Cost	7,847,504	1,815,866
Accumulated amortisation	(807,009)	—
Net book amount	7,040,495	1,815,866
Year ended 31 December 2009 (restated)		
Opening net book amount	7,040,495	1,815,866
Transfer to a subsidiary	—	(1,815,866)
Acquisition of subsidiaries (Note 2(c), 2(d))	7,906,205	—
Additions	625,376	—
Amortisation charge	(312,942)	—
Closing net book amount	15,259,134	—
At 31 December 2009 (restated)		
Cost	16,379,085	—
Accumulated amortisation	(1,119,951)	—
Net book amount	15,259,134	—
Year ended 31 December 2010		
Opening net book amount	15,259,134	—
Acquisition of a subsidiary (Note 2(a))	3,585,353	—
Additions	177,437	—
Amortisation charge	(410,754)	—
Closing net book amount	18,611,170	—
At 31 December 2010		
Cost	20,141,875	—
Accumulated amortisation	(1,530,705)	—
Net book amount	18,611,170	—

The amortisation charge was recorded in cost of sales for the years ended 31 December 2010 and 2009.

11 INTANGIBLE ASSETS

	Group RMB'000	Company RMB'000
Balance at 1 January 2009 (as previously reported)	41,374	15,151
Effect of adoption of IFRS 1 (Note 3.1.1(d))	66	—
Balance at 1 January 2009 (restated)	41,440	15,151
At 1 January 2009 (restated)		
Cost	60,768	19,802
Accumulated amortisation	(19,328)	(4,651)
Net book amount	41,440	15,151
Year ended 31 December 2009 (restated)		
Opening net book amount	41,440	15,151
Acquisition of subsidiaries (Note 2 (d), 2(e))	83	—
Additions	8,591	1
Amortisation charge	(7,088)	(1,930)
Disposal	(371)	—
Closing net book amount	42,655	13,222
At 31 December 2009 (restated)		
Cost	69,071	19,803
Accumulated amortisation	(26,416)	(6,581)
Net book amount	42,655	13,222
Year ended 31 December 2010		
Opening net book amount	42,655	13,222
Additions	12,152	148
Amortisation charge	(12,228)	(1,968)
Closing net book amount	42,579	11,402
At 31 December 2010		
Cost	81,223	19,951
Accumulated amortisation	(38,644)	(8,549)
Net book amount	42,579	11,402

Intangible assets mainly represent computer software.

The amortisation charge was recorded in selling, general and administrative expenses for the years ended 31 December 2010 and 2009.

12 INVESTMENTS IN SUBSIDIARIES

	Company		
	31 December 2010 RMB'000	31 December 2009 RMB'000 (restated)	1 January 2009 RMB'000 (restated)
Investments, at cost:			
Shares listed in the PRC	**2,197,058**	2,197,058	2,197,058
Unlisted shares	**36,908,372**	28,499,260	20,273,579
	39,105,430	30,696,318	22,470,637
Market value of listed shares	**10,353,045**	9,203,926	3,198,502

Particulars of principal subsidiaries as at 31 December 2010 are set out in Note 46(i).

13 INVESTMENTS IN ASSOCIATES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Beginning of the year	**2,029,934**	1,301,783	**1,446,110**	1,217,259
Additions	**2,020,376**	513,384	**2,018,776**	228,851
Change from an investment in associate to available-for-sale financial asset	**(56,000)**	—	**—**	—
Acquisition of a subsidiary (Note 2(e))	**—**	198,195	**—**	—
Provision for investment in associates	**(617)**	—	**—**	—
Share of other comprehensive income	**(4,040)**			
Dividends	**(47,488)**	(2,919)	**—**	—
Share of profits	**52,712**	19,491	**—**	—
End of the year	**3,994,877**	2,029,934	**3,464,886**	1,446,110

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

	Group		
	31 December 2010	31 December 2009	1 January 2009
	RMB'000	RMB'000	RMB'000
		(restated)	(restated)
Total assets	**6,781,419**	5,408,761	3,271,726
Total liabilities	**(2,786,542)**	(3,378,827)	(1,969,943)
	3,994,877	2,029,934	1,301,783
Revenue	**1,087,824**	558,801	
Net profits	**52,712**	19,491	

Particulars of the Group's associates are set out in Note 46(iii).

14 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(restated)		(restated)
Beginning of the year (as previously reported)	**411,666**	596,109	**8,433**	8,416
Effect of adoption of IFRS 1 (Note3.3.1(d))	**—**	(1,352)	**—**	17
Beginning of the year (restated)	**411,666**	594,757	**8,433**	8,433
Additions	**25,000**	—	**—**	—
Change from a jointly controlled entity to a subsidiary (Note 2(b))	**—**	(244,941)	**—**	—
Share of other comprehensive income	**(1,721)**	(54)	**—**	—
Dividends	**(2,007)**	(9,252)	**—**	—
Share of (loss)/profits	**(6,422)**	71,156	**—**	—
End of the year	**426,516**	411,666	**8,433**	8,433

14 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (Continued)

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

	Group		
	31 December 2010 RMB'000	31 December 2009 RMB'000 (restated)	1 January 2009 RMB'000 (restated)
Current assets	**647,205**	584,793	835,990
Non-current assets	**918,631**	829,059	704,880
	1,565,836	1,413,852	1,540,870
Current liabilities	**(577,409)**	(516,720)	(623,494)
Non-current liabilities	**(561,911)**	(485,466)	(322,619)
	(1,139,320)	(1,002,186)	(946,113)
Net assets	**426,516**	411,666	594,757
Revenue	**2,583,237**	1,826,435	
Expenses	**(2,589,659)**	(1,755,279)	
Net (loss)/profit	**(6,422)**	71,156	

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 2010 are set out in Note 46(ii).

15 FINANCIAL INSTRUMENTS

(a) Financial instruments by category

	Group		
	Loans and receivables	**Available-for-sale**	**Total**
	RMB'000	RMB'000	RMB'000
31 December 2010			
Assets as per balance sheet			
Available-for-sale financial assets	—	1,220,765	1,220,765
Trade and other receivables excluding pre-payments	8,312,567	—	8,312,567
Long-term receivables	684,894	—	684,894
Restricted bank deposits and term deposits	7,118,342	—	7,118,342
Cash and cash equivalents	22,922,396	—	22,922,396
Total	39,038,199	1,220,765	40,258,964

	Other financial liabilities at amortised cost
	RMB'000
31 December 2010	
Liabilities as per balance sheet	
Borrowings	12,138,101
Trade and other payables	13,689,326
Total	25,827,427

15 FINANCIAL INSTRUMENTS (Continued)

(a) Financial instruments by category (Continued)

	Company
	Loans and receivables
	RMB'000
31 December 2010	
Assets as per balance sheet	
Trade and other receivables excluding pre-payments	8,659,928
Cash and cash equivalents	18,922,529
Total	27,582,457

	Other financial liabilities at amortised cost
	RMB'000
31 December 2010	
Liabilities as per balance sheet	
Borrowings	4,106,000
Trade and other payables excluding statutory liabilities	12,939,828
Total	17,045,828

15 FINANCIAL INSTRUMENTS (Continued)

(a) Financial instruments by category (Continued)

	Group		
	Loans and receivables	**Available-for-sale**	**Total**
	RMB'000	RMB'000	RMB'000
31 December 2009			
Assets as per balance sheet			
Available-for-sale financial assets	—	936,787	936,787
Trade and other receivables excluding pre-payments	6,047,571	—	6,047,571
Long term receivables	626,894	—	626,894
Restricted bank deposits and term deposits	24,657,582	—	24,657,582
Cash and cash equivalents	12,628,413	—	12,628,413
Total	43,960,460	936,787	44,897,247

	Other financial liabilities at amortised cost
	RMB'000
31 December 2009	
Liabilities as per balance sheet	
Borrowings	12,276,339
Trade and other payables excluding statutory liabilities	13,764,328
Total	26,040,667

15 FINANCIAL INSTRUMENTS (Continued)

(a) Financial instruments by category (Continued)

	Company Loans and receivables RMB'000
31 December 2009	
Assets as per balance sheet	
Available-for-sale financial assets	—
Trade and other receivables excluding pre-payments	7,748,898
Long term receivables	—
Restricted bank deposits and term deposits	—
Cash and cash equivalents	6,699,541
Total	14,448,439

	Other financial liabilities at amortised cost RMB'000
31 December 2009	
Liabilities as per balance sheet	
Borrowings	4,361,000
Trade and other payables excluding statutory liabilities	15,624,174
Total	19,985,174

15 FINANCIAL INSTRUMENTS (Continued)

(b) Credit quality of loans and receivables

	Group	
	2010	2009
	RMB'000	RMB'000
Trade receivables		
Counterparties without external credit rating		
Group 1	**295,131**	349
Group 2	**2,273,140**	1,202,394
Group 3	**7,530**	—
Total unimpaired trade receivables	**2,575,801**	1,202,743
Other receivables		
Counterparties without external credit rating		
Group 1	**89,788**	780,625
Group 2	**1,398,386**	299,465
Total unimpaired other receivables	**1,488,174**	1,080,090
Loans to related parties		
Group 2	**524,894**	626,894
	524,894	626,894

- Group 1 – new customers/related parties (less than 6 months).
- Group 2 – existing customers/related parties (more than 6 months) with no defaults in the past.
- Group 3 – existing customers/related parties (more than 6 months) with some defaults in the past. All defaults were fully recovered.

None of the financial assets that are fully performing has been renegotiated in the last year. None of the loans to related parties is past due and not impaired.

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Beginning of the year	**936,787**	558,268	**545,000**	170,062
Acquisition of a subsidiary (Note 2(e))	**—**	500	**—**	—
Additions	**276,996**	380,468	**275,000**	380,000
Change from an investment in associate to available-for-sale financial asset	**56,000**	—	**—**	—
Provision for impairment	**—**	(1,636)	**—**	—
Disposals	**(37,660)**	(14,342)	**(35,000)**	(3,062)
Transfer to a subsidiary	**—**	—	**—**	(2,000)
(Decrease)/increase in fair value (charged)/credited to equity	**(11,358)**	13,529	**—**	—
End of the year	**1,220,765**	936,787	**785,000**	545,000

Available-for-sale financial assets include the following:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Listed securities, at fair value – equity securities – listed in the PRC	**16,083**	27,441	**—**	—
Unlisted securities, at cost	**1,204,682**	909,346	**785,000**	545,000
	1,220,765	936,787	**785,000**	545,000

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

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 RMB15,118,000 in 2010 (2009: RMB636,000).

Available-for-sale financial assets are denominated in RMB.

17 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% per annum with maturities from 3 years to 11 years. The loans are neither past due nor impaired as at 31 December 2010 and 2009. Such loan balances and the related interest income and expenses have been eliminated in the consolidated balance sheet and income statement.

18 LONG-TERM RECEIVABLES

Long-term receivables of the Group mainly include entrusted loans of RMB524,894,000 (2009: RMB626,894,000) to a jointly controlled entity via Bank of Communications and RMB160,000,000 (2009: Nil) to a third party via Shanghai Pudong Development Bank to fund their construction projects.

These amounts are secured by certain property, plant and equipment of the jointly controlled entity with a carrying value of RMB526,659,000 as at 31 December 2010 (2009: RMB639,297,000). These amounts bear interest rates ranging from 7.47% to 8.18% per annum during the year and are repayable in 1 to 2 years.

The receivables are neither past due nor impaired as at 31 December 2010 and 2009.

19 INVENTORIES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Coal	**1,348,515**	756,832	**392,355**	196,812
Coke	**92,050**	217,502	**—**	—
Machinery for sale	**1,804,850**	1,506,021	**—**	—
Auxiliary materials, spare parts and tools	**2,969,659**	2,497,972	**—**	—
	6,215,074	4,978,327	**392,355**	196,812

The provisions for impairment of inventories of the Group amounted to RMB6,606,341 as at 31 December 2010 (2009: RMB11,723,000).

20 TRADE AND NOTES RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables, net (note (a))	**4,574,155**	3,254,693	**1,409,051**	770,105
Notes receivables (note (b))	**2,431,434**	1,708,844	**278,669**	136,774
	7,005,589	4,963,537	**1,687,720**	906,879

20 TRADE AND NOTES RECEIVABLES (Continued)

notes:

(a) Trade receivables are analysed as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables				
– Subsidiaries	**—**	—	**183,450**	96,804
– Fellow subsidiaries	**187,127**	175,823	**—**	—
– Associates	**42,837**	20,145	**31,062**	11,112
– Other related parties	**30,199**	—	**—**	—
– Other state-owned enterprises	**2,909,223**	2,351,283	**996,284**	539,706
– Third parties	**1,404,769**	707,442	**198,255**	122,483
Trade receivables, net	**4,574,155**	3,254,693	**1,409,051**	770,105

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 6 months	**3,646,348**	2,755,968	**1,407,746**	714,433
6 months – 1 year	**603,957**	290,107	**1,305**	7,828
1 – 2 years	**334,310**	213,102	**—**	47,844
2 – 3 years	**70,174**	57,117	**—**	—
Over 3 years	**222,617**	238,032	**—**	—
Trade receivables, gross	**4,877,406**	3,554,326	**1,409,051**	770,105
Less: Impairment of receivables	**(303,251)**	(299,633)	**—**	—
Trade receivables, net	**4,574,155**	3,254,693	**1,409,051**	770,105

20 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	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
At the beginning of the year	**299,633**	233,302	**—**	14,777
Provision for impairment of receivables	**39,431**	37,391	**—**	—
Reversal of provision for impairment of receivables	**(11,286)**	(8,834)	**—**	—
Receivables written off during the year as uncollectable	**(15,557)**	(2,149)	**—**	—
Acquisition of certain subsidiaries and disposal of a subsidiary	**(8,970)**	39,923	**—**	—
Transfer to a subsidiary	**—**	—	**—**	(14,777)
At the end of the year	**303,251**	299,633	**—**	—

Trade receivables are with credit terms of six months. 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.

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 principally bank accepted bills of exchange with maturity of less than one year.

20 TRADE AND NOTES RECEIVABLES (Continued)

notes: (Continued)

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**6,662,749**	4,712,781	**1,687,720**	906,879
USD	**342,840**	250,756	**—**	—
	7,005,589	4,963,537	**1,687,720**	906,879

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

21 PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advances to suppliers (note (a))	**2,115,323**	1,524,529	**235,375**	171,717
Interest receivable (note (b))	**46,596**	343,715	**448,043**	647,108
Dividends receivable	**32,904**	21,817	**5,838,351**	5,012,212
Amounts due from related parties, gross (note (c))	**459,334**	338,678	**670,207**	1,160,462
Deposit for future investment (note (g))	**360,000**	360,000	**—**	—
Prepayment for investments	**1,393,474**	376,959	**—**	—
Prepayment for mining rights	**340,520**	340,520	**—**	—
Amounts due from third parties, gross	**1,073,995**	682,409	**62,775**	52,247
	5,822,146	3,988,627	**7,254,751**	7,043,746
Less: Impairment of other receivables (note (d))	**(383,577)**	(343,400)	**(47,168)**	(30,010)
Prepayments and other receivables, net (note (e))	**5,438,569**	3,645,227	**7,207,583**	7,013,736

21 PREPAYMENTS AND OTHER RECEIVABLES (Continued)

notes:

(a) Advances to suppliers are analysed as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advances to suppliers				
– Subsidiaries	**—**	—	**122,656**	75,000
– Fellow subsidiaries	**140,751**	46,531	**—**	—
– Associates	**1,498**	1,498	**—**	—
– Other related parties	**9,731**	9,735	**—**	—
– Other state-owned enterprises	**691,330**	713,355	**12,674**	78,896
– Third parties	**1,272,013**	753,410	**100,045**	17,821
	2,115,323	1,524,529	**235,375**	171,717

(b) The amount as at 31 December 2010 represents interest receivable from several term deposits with interest rate range from 1.90% to 2.50% per annum.

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts due from related parties, gross				
– Subsidiaries	**—**	—	**621,707**	1,104,117
– Fellow subsidiaries	**70,080**	53,485	**163**	74
– Jointly controlled entities	**12,713**	12,713	**—**	—
– Associates	**24,435**	42,138	**222**	210
– Other related parties	**5**	—	**—**	—
– Other state-owned enterprises	**352,101**	230,342	**48,115**	56,061
	459,334	338,678	**670,207**	1,160,462

Amounts due from related parties are unsecured, interest free and are repayable on demand.

21 PREPAYMENTS AND OTHER RECEIVABLES (Continued)

notes: (Continued)

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
At the beginning of the year	**343,400**	373,739	**30,010**	43,561
Provision for impairment of receivables	**53,730**	13,732	**17,158**	—
Reversal of provision for impairment of receivables	**(10,674)**	(18,251)	**—**	—
Receivables written off during the year as uncollectible	**(2,759)**	(20,314)	**—**	—
Acquisition of certain subsidiaries and disposal of a subsidiary	**(120)**	(5,506)	**—**	—
Transfer to a subsidiary	**—**	—	**—**	(13,551)
At the end of the year	**383,577**	343,400	**47,168**	30,010

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

(f) There are no collaterals for other receivables.

(g) The amount as at 31 December 2010 represents deposit paid to the government for guaranteeing potential investment, which will be repaid if the investment is achieved.

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

Group

	Derivative financial instruments	Other financial assets at fair value through profit and loss (note (a))	Total
	RMB'000	RMB'000	RMB'000
Year ended 31 December 2009			
Opening balance	—	300,000	300,000
Decrease in fair value through profit or loss	(10,427)	—	(10,427)
Disposal	10,427	(300,000)	(289,573)
Closing balance	—	—	—
Year ended 31 December 2010			
Opening balance	—	—	—
Increase in fair value through profit or loss	5,542	—	5,542
Disposal	(5,542)	—	(5,542)
Closing balance	—	—	—

22 DERIVATIVE FINANCIAL INSTRUMENTS AND OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Company

	Derivative financial instruments	Other financial assets at fair value through profit and loss (note (a))	Total
	RMB'000	RMB'000	RMB'000
Year ended 31 December 2009			
Opening balance	—	300,000	300,000
Disposal	—	(300,000)	(300,000)
Closing balance	—	—	—
Year ended 31 December 2010			
Opening balance	—	—	—
Disposal	—	—	—
Closing balance	—	—	—

notes:

(a) Other financial assets at fair value through profit and loss mainly represent the Company's investment in listed securities in the PRC. In May 2007, the Company subscribed for 40 million shares, as a strategic investor, of China COSCO Holdings Company Limited ("COSCO") prior to COSCO's A share public offering, at the cost of RMB8.48 per share and the total cost of approximately RMB339,200,000. According to the subscription agreement, there is a lock-up period starting from COSCO listing date on Shanghai Stock Exchange for the Company to sell those shares. The Company designated the investment as financial assets at fair value through profit or loss at the date of the transaction, and the change in the fair value of the shares is recorded in the income statement. In February 2009, the Company disposed of all of these shares. Net proceeds from this disposal amounted to RMB465,367,000, resulting a profit of RMB165,367,000 (after tax: RMB124,025,000) against the fair value at 31 December 2008.

23 CASH AND BANK DEPOSITS

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Restricted bank deposits (note (a))	**2,494,816**	1,844,098	**—**	—
Term deposits with initial terms of over three months	**4,623,526**	22,813,484	**3,784,620**	22,600,000
Cash and cash equivalents				
– Cash on hand	**1,054**	1,857	**18**	3
– Deposits with banks and other financial institutions	**22,921,342**	12,626,556	**18,922,511**	6,699,538
	30,040,738	37,285,995	**22,707,149**	29,299,541

notes:

(a) Restricted bank deposits mainly include the deposits set aside for the transformation fund and the environmental restoration fund as required by related regulation (Note 25(d)) and deposits pledged for issuance of notes payable.

(b) For the year ended 31 December 2010, the weighted average effective interest rates on deposits ranged from 0.36% to 2.5% per annum (2009: 0.36% to 3.87%).

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**29,487,358**	36,993,499	**22,705,960**	29,299,541
USD	**533,126**	260,705	**1,189**	—
JPY	**1,831**	3,705	**—**	—
Other currencies	**18,423**	28,086	**—**	—
	30,040,738	37,285,995	**22,707,149**	29,299,541

Cash and cash equivalents are principally 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 approximates their fair value.

24 SHARE CAPITAL

	2010 and 2009	
	Number of shares	**Nominal Value**
	(thousands)	RMB'000
Registered, issued and fully paid:		
Domestic shares of RMB1.00 each		
– held by China Coal Group	7,481,644	7,481,644
– held by other A share shareholders	1,670,356	1,670,356
H shares of RMB1.00 each		
– held by a wholly owned subsidiary of China Coal Group	120,000	120,000
– held by other H share shareholders	3,986,663	3,986,663
	13,258,663	13,258,663

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 held by a wholly owned subsidiary of China Coal Group	H shares held by other H share shareholders	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2009	7,634,177	1,517,823	—	4,106,663	13,258,663
Share transaction (note (b))	(152,533)	152,533	120,000	(120,000)	—
As at 31 December 2009 and 31 December 2010	7,481,644	1,670,356	120,000	3,986,663	13,258,663

notes:

(a) The Domestic shares (A shares) rank pari passu, in all material respects, with the H shares. Nonetheless, the transfer of Domestic shares is subject to certain restrictions imposed by the PRC law from time to time. The China Coal Group has promised a lock-up period of 36 months for transfer of approximately 7,626,667,000 A shares, commencing on the date on which the A shares were listed on the Shanghai stock Exchange.

(b) As at 31 December 2009, China Coal Hong Kong Limited, a wholly owned subsidiary of China Coal Group, held approximately 120,000,000 H Shares of the Company, representing 0.91% of the Company's total share capital.

In 2009, as prescribed by PRC government, China Coal Group transferred 152,533,340 A shares, which represents 10% of A shares issued on 1 February 2008 through initial public offering on Shanghai Stock Exchange, to the National Council for Social Security Fund.

25 RESERVES

Group

	Capital reserve RMB'000	Statutory reserve funds RMB'000	Future development fund RMB'000	Safety fund RMB'000	Transformation and environmental restoration fund RMB'000	Translation reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2009 (as previously reported)	30,520,372	722,010	78,402	1,396,981	1,282,193	(24,762)	2,569,336	8,774,008	45,318,540
Effect of adoption of IFRS 1 (Note 3.1.1(d))	–	–	–	–	–	–	4,873,284	(102,248)	4,771,036
Balance at 1 January 2009 (restated)	30,520,372	722,010	78,402	1,396,981	1,282,193	(24,762)	7,442,620	8,671,760	50,089,576
Balance at 1 January 2009 (restated)	30,520,372	722,010	78,402	1,396,981	1,282,193	(24,762)	7,442,620	8,671,760	50,089,576
Profit for the year	–	–	–	–	–	–	–	7,409,336	7,409,336
Disposal of available-for-sale financial assets, net of deferred tax	–	–	–	–	–	–	(5,219)	–	(5,219)
Fair value change in available-for-sale financial assets, net of deferred tax	–	–	–	–	–	–	10,147	–	10,147
Cumulative translation adjustment	–	–	–	–	–	(129)	–	–	(129)
Appropriations	–	546,337	46,181	135,338	166,377	–	–	(894,233)	–
Purchase of equity from non-controlling shareholders	–	–	–	–	–	–	(69,090)	–	(69,090)
Dividends (Note 38)	–	–	–	–	–	–	–	(2,043,559)	(2,043,559)
Common control business combination	–	–	–	–	–	–	(58,183)	–	(58,183)
Others	–	–	–	–	–	–	3,850	–	3,850
Balance at 31 December 2009 (restated)	30,520,372	1,268,347	124,583	1,532,319	1,448,570	(24,891)	7,324,125	13,143,304	55,336,729
Profit for the year	–	–	–	–	–	–	–	7,466,357	7,466,357
Fair value change in available-for-sale financial assets, net of tax	–	–	–	–	–	–	(8,518)	–	(8,518)
Share of other comprehensive income of associate	–	–	–	–	–	–	(4,040)	–	(4,040)
Cumulative translation adjustment	–	–	–	–	–	(3,816)	–	–	(3,816)
Appropriations	–	585,010	(2,788)	(159,340)	215,486	–	–	(638,368)	–
Purchase of equity from non-controlling shareholders	–	–	–	–	–	–	(50,123)	–	(50,123)
Contributions	53,440	–	–	–	–	–	–	–	53,440
Dividends (Note 38)	–	–	–	–	–	–	–	(1,986,651)	(1,986,651)
Others	–	–	–	–	–	–	(1,056)	(12,414)	(13,470)
Balance at 31 December 2010	30,573,812	1,853,357	121,795	1,372,979	1,664,056	(28,707)	7,260,388	17,972,228	60,789,908

25 RESERVES (Continued)

Company

	Capital reserve RMB'000	Statutory reserves funds RMB'000	Other reserve RMB'000	Retained Earnings RMB'000	Total RMB'000
Balance at 1 January 2009	45,884,236	722,010	533,853	3,648,542	50,788,641
Effect of adoption of IFRS 1 (Note 3.1.1(d))	(7,290,636)	—	(527,481)	(196,363)	(8,014,480)
Balance at 1 January 2009 (restated)	38,593,600	722,010	6,372	3,452,179	42,774,161
Balance at 1 January 2009 (restated)	38,593,600	722,010	6,372	3,452,179	42,774,161
Profit for the year	—	—	—	5,476,222	5,476,222
Disposal of available-for-sale financial assets, net of deferred tax	—	—	(2,244)	—	(2,244)
Appropriations	—	546,337	—	(546,337)	—
Dividends (Note 38)	—	—	—	(2,043,559)	(2,043,559)
Balance at 31 December 2009 (restated)	38,593,600	1,268,347	4,128	6,338,505	46,204,580
Profit for the year	—	—	—	5,862,246	5,862,246
Appropriations	—	585,010	—	(585,010)	—
Contributions	53,440	—	—	—	53,440
Dividends (Note 38)	—	—	—	(1,986,651)	(1,986,651)
Balance at 31 December 2010	38,647,040	1,853,357	4,128	9,629,090	50,133,615

notes:

(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 capitalized 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 2010, the Company appropriated RMB585,010,000 (2009: RMB546,337,000) to the statutory surplus reserve fund, representing 10% of the Company's profit after tax for the year ended 31 December 2010, as determined in accordance with the PRC GAAP.

25 RESERVES (Continued)

Company (Continued)

notes: (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 RMB6 to RMB8 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 a 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 industry 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.

26 BORROWINGS AND BANKING FACILITIES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Long-term borrowings				
Bank loans and loans from other financial institutions				
– Secured (note (h))	**772,755**	823,255	**—**	—
– Unsecured	**10,953,150**	11,050,103	**4,106,000**	4,361,000
	11,725,905	11,873,358	**4,106,000**	4,361,000
Other unsecured loans from				
– Non-controlling shareholders of certain subsidiaries (note (c))	**16,000**	16,000	**—**	—
	11,741,905	11,889,358	**4,106,000**	4,361,000
Less: Amount due within one year under current liabilities	**(1,025,989)**	(602,658)	**(80,000)**	(61,000)
	10,715,916	11,286,700	**4,026,000**	4,300,000
Short-term borrowings				
Bank loans and loans from other financial institutions				
– Unsecured	**395,596**	386,381	**—**	—
Other unsecured loans from				
– Non-controlling shareholders of certain subsidiaries	**600**	600	**—**	—
	396,196	386,981	**—**	—

26 BORROWINGS AND BANKING FACILITIES (Continued)

notes:

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Wholly repayable within five years				
– Bank loans and loans from other financial institutions	**3,972,728**	3,060,748	**—**	—
– Loans from non-controlling shareholders of certain subsidiaries	**16,000**	16,000	**—**	—
	3,988,728	3,076,748	**—**	—
Not wholly repayable within five years				
– Banks loans and loans from other financial institutions	**7,753,177**	8,812,610	**4,106,000**	4,361,000
	11,741,905	11,889,358	**4,106,000**	4,361,000

(b) At 31 December 2010, the Group's long-term borrowings were repayable as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Banks loans and loans from other financial institutions				
– Within one year	**1,025,989**	602,658	**80,000**	61,000
– In the second year	**1,940,356**	971,658	**80,000**	80,000
– In the third to fifth year	**2,906,950**	3,841,432	**840,000**	540,000
– After the fifth year	**5,852,610**	6,457,610	**3,106,000**	3,680,000
	11,725,905	11,873,358	**4,106,000**	4,361,000
Loans from non-controlling shareholders of certain subsidiaries				
– In the third to fifth year	**16,000**	16,000	**—**	—
	11,741,905	11,889,358	**4,106,000**	4,361,000

(c) Unsecured loans from non-controlling shareholders of certain subsidiaries are fully repayable within 3 to 5 years.

26 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	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
– Within one year	**8,769,977**	8,598,960	**4,106,000**	4,361,000
– In the second year	**—**	—	**—**	—
– In the third to fifth year	**2,260,828**	2,428,298	**—**	—
– After the fifth year	**711,100**	862,100	**—**	—
	11,741,905	11,889,358	**4,106,000**	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	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Borrowings	**10,715,916**	11,286,700	**10,607,004**	11,168,846	**4,026,000**	4,300,000	**4,026,000**	4,300,000

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 5.85% to 6.4% per annum as at 31 December 2010 (2009: 5.40% to 5.94%).

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	
	2010	2009	**2010**	2009
Banks loans and loans from other financial institutions				
– RMB loan	**4.50%-11.40%**	4.50%-12.21%	**5.35%-5.53%**	5.35%
– JPY loan	**2.28%**	2.28%	**—**	—
Loans from non-controlling shareholders of certain subsidiaries				
– RMB loan	**6.02%**	5.60%	**—**	—

26 BORROWINGS AND BANKING FACILITIES (Continued)

notes: (Continued)

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Long-term borrowings:				
RMB	**11,182,905**	10,480,716	**4,106,000**	4,361,000
JPY	**559,000**	1,408,642	**—**	—
	11,741,905	11,889,358	**4,106,000**	4,361,000
Short-term borrowings:				
RMB	**396,196**	386,981	**—**	—
	12,138,101	12,276,339	**4,106,000**	4,361,000

(h) The secured borrowings are as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Secured by:		
– Equity interest in a subsidiary/jointly controlled entity	**772,755**	823,255

All the borrowings of the Company are unsecured bank loans.

(i) As at 31 December 2010, the Group has the following undrawn borrowing facilities:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Floating rates				
– Expiring within one year	**24,153,330**	26,652,330	**24,153,330**	26,652,330
– Expiring over one year	**190,592,030**	840,000	**190,592,030**	—
	214,745,360	27,492,330	**214,745,360**	26,652,330

27 LONG-TERM PAYABLES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Payable for mining rights (note (a))	**—**	177,684	**—**	—
Others	**15,807**	14,618	**—**	—
	15,807	192,302	**—**	—

notes:

(a) The amount represents the long-term payable for new mining rights, it includes:

Antaibao mining right was 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. The Group has paid RMB100,000,000 by the end of 2010 (2009: RMB100,000,000). The current portion of the payables amounting to RMB490,601,000 as at 31 December 2010 (2009: RMB350,000,000) is recorded in accruals and other payables (Note 30).

Another mining right was purchased by Shanxi Shuozhou Wantongyuan Jingdong Coal Industry Company Limited ("Jingdong Coal"). According to the agreement with the PRC authority, the contract cost of the mining right is approximately RMB234.5 million, which is to be paid by instalment in 3 years, from 2009 to 2011, with no interest. The mining right was initially recognised by Jingdong Coal based on the discounted cash flow of future payments. The Group has paid RMB156,340,000 by the end of 2010 (2009: RMB156,340,000). The current portion of the payables amounting to RMB76,168,000 as at 31 December 2010 (2009: RMB39,085,000) is recorded in accruals and other payables (Note 30).

(b) The carrying amount of long-term payables approximates their fair value.

28 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group			Company		
	31 December 2010 RMB'000	31 December 2009 RMB'000 (restated)	1 January 2009 RMB'000 (restated)	**31 December 2010 RMB'000**	31 December 2009 RMB'000 (restated)	1 January 2009 RMB'000 (restated)
Deferred income tax assets:						
Deferred income tax assets to be recovered after more than 12 months	**120,433**	30,826	72,195	**4,289**	—	25,212
Deferred income tax assets to be recovered within 12 months	**60,304**	116,800	59,096	**770**	—	9,649
	180,737	147,626	131,291	**5,059**	—	34,861
Deferred income tax liabilities:						
Deferred income tax liabilities to be settled after more than 12 months	**(4,948,464)**	(4,207,907)	(1,870,319)	**—**	—	—
Deferred income tax liabilities to be settled within 12 months	**(142,805)**	(28,555)	(83,371)	**—**	—	—
	(5,091,269)	(4,236,462)	(1,953,690)	**—**	—	—
Deferred income tax (liabilities)/assets, net	**(4,910,532)**	(4,088,836)	(1,822,399)	**5,059**	—	34,861

28 DEFERRED INCOME TAX (Continued)

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(restated)		(restated)
Beginning of the year	**(4,088,836)**	(1,822,399)	**—**	34,861
(Charged)/credited to income statement (Note 37)	**46,052**	(412,517)	**5,059**	(9,800)
Acquisition of certain subsidiaries (Note 2(a),2(b), 2(c), 2(d), 2(e))	**(870,588)**	(1,849,969)	**—**	—
(Charged)/credited to equity due to fair value changes in available-for-sale financial assets	**2,840**	(3,382)	**—**	—
Disposal of a subsidiary (Note 2(g))	**—**	(2,309)	**—**	—
Credited to equity due to disposal of available-for-sale financial assets	**—**	1,740	**—**	—
Transfer to a subsidiary	**—**	—	**—**	(25,061)
End of the year	**(4,910,532)**	(4,088,836)	**5,059**	—

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 RMB292,015,000 (2009: RMB137,111,000), in respect of certain subsidiaries' accumulated tax losses of RMB1,168,060,000 (2009: RMB548,444,000) as at 31 December 2010, that can be carried forward against future taxable income and will expire between 2011 and 2015. The Group does not recognise 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.

28 DEFERRED INCOME TAX (Continued)

Tax losses that has not been recognised as deferred income tax assets will be expired in the following years:

	2010 RMB'000	2009 RMB'000
2010	—	15,707
2011	90,037	63,693
2012	114,794	114,794
2013	158,509	154,547
2014	207,286	199,703
2015	597,434	—
	1,168,060	548,444

28 DEFERRED INCOME TAX (Continued)

The movement in deferred tax assets and liabilities during the year, without taking into account the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets:

	Group									
	Fair value adjustment	Trial production	Revaluation surplus	Tax losses	Pre-operating expenses	Provision for employee benefits	Impair-ment of assets	Accrued expenses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009 (as previously reported)	9,800	47,584	1,443,407	51,898	4,102	47,196	92,395	18,515	128,952	1,843,849
Effect of adoption of IFRS 1 (Note 3.1.1(d))	—	—	(1,391,739)	—	—	—	—	—	—	(1,391,739)
At 1 January 2009 (restated)	9,800	47,584	51,668	51,898	4,102	47,196	92,395	18,515	128,952	452,110
At 1 January 2009 (restated)	9,800	47,584	51,668	51,898	4,102	47,196	92,395	18,515	128,952	452,110
Credited/(charged) to income statement	(9,227)	968	(3,744)	(24,203)	(2,903)	18,326	(34,600)	(909)	87,318	31,026
Acquisition of subsidiaries (Note 2(b), 2(e))	—	—	—	—	—	—	3,422	—	948	4,370
Disposal of a subsidiary (Note 2(g))	—	—	—	—	—	(1,686)	(623)	—	—	(2,309)
At 31 December 2009 (restated)	573	48,552	47,924	27,695	1,199	63,836	60,594	17,606	217,218	485,197
Credited/(charged) to income statement	(573)	4,793	(4,175)	(18,726)	(1,199)	(3,143)	12,502	(4,385)	62,381	47,475
At 31 December 2010	—	53,345	43,749	8,969	—	60,693	73,096	13,221	279,599	532,672

28 DEFERRED INCOME TAX (Continued)

Deferred tax liabilities:

	Group						
	Accelerated tax depreciation	**Mining funds (note (a))**	**Revaluation surplus**	**Fair value adjustments**	**Deferred stripping costs**	**Others**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009 (as previously reported)	(94,304)	(928,093)	(814,586)	(4,320)	(84,783)	(5,707)	(1,931,793)
Effect of adoption of IFRS 1 (Note 3.1.1(d))	—	—	(342,716)	—	—	—	(342,716)
At 1 January 2009 (restated)	(94,304)	(928,093)	(1,157,302)	(4,320)	(84,783)	(5,707)	(2,274,509)
At 1 January 2009 (restated)	(94,304)	(928,093)	(1,157,302)	(4,320)	(84,783)	(5,707)	(2,274,509)
(Charged)/credited to income statement	(19,453)	(286,525)	27,804	—	(170,833)	5,464	(443,543)
Acquisition of certain subsidiaries (Note 2(b), 2(c), 2(d), 2(e))	—	—	(1,854,339)	—	—	—	(1,854,339)
Charged to equity due to fair value change in available-for-sale financial assets	—	—	—	(3,382)	—	—	(3,382)
Credited to equity due to disposal of available-for-sale financial assets	—	—	—	1,740	—	—	1,740
At 31 December 2009 (restated)	(113,757)	(1,214,618)	(2,983,837)	(5,962)	(255,616)	(243)	(4,574,033)
(Charged)/credited to income statement	10,480	(198,409)	23,704	—	162,763	39	(1,423)
Acquisition of a subsidiary (Note 2(a))	—	—	(870,588)	—	—	—	(870,588)
Charged to equity due to fair value change in available-for-sale financial assets	—	—	—	2,840	—	—	2,840
At 31 December 2010	(103,277)	(1,413,027)	(3,830,721)	(3,122)	(92,853)	(204)	(5,443,204)

28 DEFERRED INCOME TAX (Continued)

Deferred tax assets:

	Company					
	Fair value adjustments	Trial production	Impairment of asset	Provision for Revaluation surplus	employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009 (as previously reported)	9,800	6,061	794	436,560	3,518	456,733
Effect of adoption of IFRS 1 (Note 3.1.1(d))	—	—	—	(421,872)	—	(421,872)
At 1 January 2009 (restated)	9,800	6,061	794	14,688	3,518	34,861
At 1 January 2009 (restated)	9,800	6,061	794	14,688	3,518	34,861
Credit/(charged) to income statement	(9,800)	—	—	—	—	(9,800)
Transfer to a subsidiary	—	(6,061)	(794)	(14,688)	(3,518)	(25,061)
At 31 December 2009 (restated)	—	—	—	—	—	—
Charged to income statement	—	—	4,289	—	770	5,059
At 31 December 2010	—	—	4,289	—	770	5,059

28 DEFERRED INCOME TAX (Continued)

Deferred tax liabilities:

	Company
	Fair value adjustments
	RMB'000
At 1 January 2009	(748)
Credited to equity due to change in fair value of available-for-sale financial assets	748
At 31 December 2009	—
Credited to equity due to disposal of available-for-sale financial assets	—
At 31 December 2010	—

notes:

(a) Pursuant to certain regulations of the PRC government, the Group is required to set aside amounts for the future development funds (Note 25 (b)), safety fund (Note 25 (c)), coal mine industry transformation fund and environmental restoration fund (Note 25(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 is recorded for the temporary differences in respect of excess funds set aside for tax purposes.

29 TRADE AND NOTES PAYABLES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables (note (a))	**8,526,123**	6,341,696	**1,626,974**	1,139,576
Notes payable	**727,860**	459,752	**139,992**	—
	9,253,983	6,801,448	**1,766,966**	1,139,576

notes:

(a) Trade payables are analysed as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables				
– Subsidiaries	**—**	—	**1,237,417**	999,917
– Fellow subsidiaries	**1,221,174**	1,112,267	**—**	—
– Jointly controlled entities	**—**	—	**—**	—
– Associates	**8,760**	11,412	**—**	—
– Other related parties	**—**	1,588	**—**	—
– Other state-owned enterprises	**1,688,176**	1,032,196	**143,277**	135,606
– Third parties	**5,608,013**	4,184,233	**246,280**	4,053
	8,526,123	6,341,696	**1,626,974**	1,139,576

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Less than 1 year	**7,471,070**	5,580,010	**1,626,877**	1,139,508
1 – 2 years	**805,979**	526,226	**29**	—
2 – 3 years	**120,096**	106,727	**—**	—
Over 3 years	**128,978**	128,733	**68**	68
	8,526,123	6,341,696	**1,626,974**	1,139,576

29 TRADE AND NOTES PAYABLES (Continued)

notes: (Continued)

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**9,235,455**	6,732,476	**1,757,826**	1,082,048
USD	**18,528**	68,972	**9,140**	57,528
	9,253,983	6,801,448	**1,766,966**	1,139,576

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

30 ACCRUALS, ADVANCE AND OTHER PAYABLES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Customer deposits and receipts in advance (note (a))	**2,488,729**	2,241,013	**456,486**	381,881
Dividends payable	**25,732**	32,980	**96**	96
Payable for site restoration	**131,109**	142,620	**—**	—
Mineral resource compensation payable	**73,043**	122,614	**—**	—
Salaries and staff welfare payable	**585,545**	500,610	**6,052**	2,644
Interest payable	**116,964**	101,721	**—**	—
Payable for mining rights	**583,586**	389,085	**—**	—
Payable for acquisition of subsidiaries (Note 2(a))	**1,319,965**	1,015,110	**739,814**	1,015,110
Amounts due to related parties (note (b))	**644,885**	897,602	**10,378,668**	13,308,380
Amounts due to third parties	**1,027,558**	1,642,139	**48,232**	158,368
	6,997,116	7,085,494	**11,629,348**	14,866,479

30 ACCRUALS, ADVANCE AND OTHER PAYABLES (Continued)

notes:

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Customer deposits and receipts in advances				
– Subsidiaries	**—**	—	**1,925**	41,347
– Fellow subsidiaries	**134,042**	46,947	**—**	—
– Other related parties	**1,104**	360	**—**	—
– Other state-owned enterprises	**1,350,600**	849,746	**449,826**	190,701
– Others	**1,002,983**	1,343,960	**4,735**	149,833
	2,488,729	2,241,013	**456,486**	381,881

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

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts due to related parties, gross				
– Subsidiaries	**—**	—	**10,336,483**	13,290,782
– Parent Company	**4,128**	6,960	**1,041**	896
– Fellow subsidiaries	**75,934**	446,710	**484**	484
– Associate	**262**	—	**—**	—
– Jointly controlled entities	**2,339**	10,316	**—**	—
– Other related parties	**30,374**	4	**—**	—
– Other state-owned enterprises	**531,848**	433,612	**40,660**	16,218
	644,885	897,602	**10,378,668**	13,308,380

Amounts due to related parties are unsecured, interest free and payable on demand.

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

31 PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	Group	
	2010	2009
	RMB'000	RMB'000
Beginning of the year	**1,187,957**	1,086,715
Interest charge on unwinding of discounts on provision (Note 33)	**36,482**	33,110
Provision, net	**39,778**	91,381
Payments	**(375,899)**	(23,249)
End of the year	**888,318**	1,187,957
Less: current portion	**(66,169)**	(32,427)
	822,149	1,155,530

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 uncertainties 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 on 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.

32 EXPENSE BY NATURE

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

	2010 RMB'000	2009 RMB'000 (restated)
Depreciation (note (a))	**3,038,720**	2,231,520
Amortisation (note (b))	**486,145**	381,814
Cost of inventories sold	**31,189,858**	21,551,324
Transportation costs	**8,478,956**	6,905,137
Sales tax and surcharges	**1,174,810**	918,900
Auditors' remuneration	**12,800**	20,460
(Gain)/Loss on disposal of property, plant and equipment and intangible assets	**(13,518)**	2,231
Repairs and maintenance	**763,451**	601,029
Operating lease rentals	**146,061**	123,964
Provision for impairment of receivables	**71,201**	24,038
Provision for impairment of inventories	**4,094**	4,165
Provision for available-for-sale financial assets	**—**	3,272
Provision for impairment of associates	**617**	—
Provision for impairment of property, plant and equipment and intangible assets	**162,953**	—
Employee benefit expense (including directors' emoluments) (note (c), Note 35)	**4,947,622**	4,407,235
Mineral resource compensation fees (note (d))	**487,779**	407,094
Sustainable development charges (note (e))	**1,481,380**	1,153,207
Other expenses	**7,140,766**	5,356,967
Total cost of sales, selling, general and administrative expenses	**59,573,695**	44,092,357

32 EXPENSE BY NATURE (Continued)

notes:

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

	2010 RMB'000	2009 RMB'000 (restated)
Depreciation for the year (Note 7)	**3,120,756**	2,367,279
Less: Cost of inventories which remained unsold as at year end	**(79,766)**	(55,599)
Amount charged to income statement	**3,040,990**	2,311,680

Charged to:

	2010 RMB'000	2009 RMB'000 (restated)
Expenses		
– Cost of sales	**2,874,898**	2,013,842
– Selling, general and administrative expenses	**163,822**	217,678
Other gains, net	**2,270**	80,160
	3,040,990	2,311,680

(b) Amortisation charged to income statement is analysed as follows:

	2010 RMB'000	2009 RMB'000 (restated)
Land use rights (Note 9)	**63,163**	61,784
Mining rights (Note 10)	**410,754**	312,942
Intangible assets (Note 11)	**12,228**	7,088
	486,145	381,814

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

	2010 RMB'000	2009 RMB'000 (restated)
Charged to:		
Cost of sales	**3,767,958**	3,171,834
Selling, general and administrative expenses	**1,179,664**	1,235,401
	4,947,622	4,407,235

(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.

33 FINANCE INCOME AND COSTS

	2010 RMB'000	2009 RMB'000
Interest expense:		
– Bank borrowings	**670,756**	646,005
– Provisions: unwinding of discount	**64,315**	100,182
Other incidental borrowing costs and charges	**4,348**	4,221
Net foreign exchange loss/(gains) on financing activities	**127,044**	(67,215)
Finance costs	**866,463**	683,193
less: amounts capitalised on qualifying assets	**(273,398)**	(238,076)
Total finance costs	**593,065**	445,117
Finance income:		
– interest income on short-term bank deposits	**432,768**	846,277
– interest income on loans to related parties	**51,319**	51,319
Total finance income	**484,087**	897,596
Net finance costs/(income)	**108,978**	(452,479)

note:

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

	2010	2009
Capitalisation rate used to determine the amount of finance costs eligible for capitalisation	**4.04% – 6.20%**	4.50% – 7.83%

34 OTHER (LOSS)/INCOME

	2010 RMB'000	2009 RMB'000 (restated)
Dividend income	**15,119**	1,991
(Losses)/gains on disposal of investments	**(158,282)**	318,234
Government grants and subsidies	**83,725**	119,620
Gains/(losses) on futures	**5,542**	(10,427)
	(53,896)	429,418

35 EMPLOYEE BENEFIT EXPENSE

	2010 RMB'000	2009 RMB'000
Wages, salaries and allowances	**3,406,505**	2,778,908
Housing subsidies (note (a))	**280,621**	248,102
Contributions to pension plans (note (b))	**534,983**	448,012
Early retirement benefits (note (c))	**49,946**	134,147
Welfare and other expenses	**675,567**	798,066
	4,947,622	4,407,235

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 2010 and 2009. Early retirement benefits are recognised in the income statement in the year 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.

36 INCOME TAX EXPENSE

	2010 RMB'000	2009 RMB'000 (restated)
Current income tax		
– PRC enterprise income tax (note (a))	2,893,928	1,982,882
Deferred income tax (Note 28)	(46,052)	412,517
	2,847,876	2,395,399

notes:

(a) The provision for PRC enterprise income tax ("EIT") is calculated based on the statutory income tax rate of 25%. The applicable income tax rate in 2010 and 2009 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 22% 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 rates prevailing in the jurisdictions in which the Group operates as follows:

	2010 RMB'000	2009 RMB'000 (restated)
Profit before income tax	10,998,895	10,315,570
Tax calculated at applicable tax rates	2,749,724	2,578,893
Preferential tax rates on the income of certain subsidiaries	(102,312)	(144,169)
Income not subject to taxation	(32,297)	(22,361)
Expenses not deductible for taxation purposes	129,575	23,000
Utilisation of previously unrecognised tax losses	(3,628)	(1,312)
Tax losses for which no deferred income tax asset has been recognised	149,359	49,926
Additional expenses allowable for tax purposes	(42,545)	(88,578)
Income tax expense	2,847,876	2,395,399

36 INCOME TAX EXPENSE (Continued)

notes: (Continued)

(c) The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2010			2009		
	Before tax	**Tax (charge)/credit**	**After tax**	Before tax	Tax (charge)/credit	After tax
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Fair value gains:						
Available-for-sale financial assets	**(11,358)**	**2,840**	**(8,518)**	13,529	(3,382)	10,147
Disposal of available-for-sale financial assets	**—**	**—**	**—**	(6,959)	1,740	(5,219)
Currency translation differences	**(3,816)**	**—**	**(3,816)**	(129)	—	(129)
Other comprehensive income	**(15,174)**	**2,840**	**(12,334)**	6,441	(1,642)	4,799
Current tax		**—**			—	
Deferred tax		**2,840**			(1,642)	
		2,840			(1,642)	

The income tax charged directly to equity during the year is as follows:

	2010	2009
	RMB'000	RMB'000
Deferred tax:	**2,840**	(1,642)

37 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2010 **RMB'000**	2009 RMB'000 (restated)
Profit attributable to equity holders of the Company	**7,466,357**	7,409,336
Weighted average number of ordinary shares in issue (thousands)	**13,258,663**	13,258,663
Basic earnings per share (RMB per share)	**0.56**	0.56

As the Company had no dilutive instruments for the years ended 31 December 2010 and 2009, no diluted earnings per share is presented.

38 DIVIDENDS

	2010	2009
	RMB'000	RMB'000
Dividends recorded:		
– final dividends for 2009, paid (note (b))	**1,986,651**	—
– final dividends for 2008, paid (note (a))	**—**	2,043,559

	2010	2009
	RMB'000	RMB'000
Dividends proposed after the balance sheet date:		
– final dividend for 2009 (note (b))	**—**	1,986,651
– final dividend for 2010 (note (c))	**2,072,693**	—

notes:

(a) 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 RMB2,044 million (RMB0.1541 per share), based on total number of shares which are in issue as at 31 December 2008. Such dividend distribution was approved by the shareholders' meeting held on 26 June 2009 and has been fully paid to shareholders in July 2009.

(b) The Board of Directors, in a meeting held on 22 April 2010, proposed to distribute a final dividend for 2009 to equity holders of the Company of RMB1,987 million (RMB0.1498 Yuan per share), based on total number of shares which are in issue as at 31 December 2009. Such dividend distribution was approved by the shareholders' meeting held on 25 June 2010 and had been fully paid to shareholders in July 2010.

(c) The Board of Directors, in a meeting held on 22 March 2011, proposed to distribute a final dividend for 2010 to equity holders of the Company of RMB2,073 million (RMB0.1563 Yuan per share), based on total number of shares which are in issue as at 31 December 2010. Such dividend distribution is still subject to the approval of shareholders' meeting, and is not reflected in these financial statements.

39 EMOLUMENTS OF DIRECTORS AND SUPERVISORS

(a) The emoluments of directors and supervisors for the year ended 31 December 2010 is set out below:

	2010			2009		
Name	Salary, allowances and other benefits RMB'000	Contribution to pension scheme RMB'000	Total RMB'000	Salary, allowances and other benefits RMB'000	Contribution to pension scheme RMB'000	Total RMB'000
Chairman, executive director						
Mr. WANG An	—	—	—	—	—	—
Vice Chairman, non-executive director						
Mr. PENG Yi[1]	265	—	265	—	—	—
Executive director:						
Mr. YANG Lieke	1,102	28	1,130	508	26	534
Non-executive director						
Mr. LI Yanmeng[2]	300	—	300	—	—	—
	1,667	28	1,695	508	26	534
Independent non-executive directors						
Mr. ZHANG Ke	300	—	300	300	—	300
Mr. WU Rongkang	300	—	300	300	—	300
Mr. ZHANG Jiaren[3]	13	—	13	—	—	—
Mr. ZHAO Pei[3]	13	—	13	—	—	—
Mr. Ngai Wai Fung[3]	13	—	13	—	—	—
Mr. GAO Shangquan[4]	300	—	300	300	—	300
Mr. PENG Ru Chuan[4]	300	—	300	300	—	300
Mr. LI Yanmeng[2]	—	—	—	300	—	300
	1,239	—	1,239	1,500	—	1,500
Supervisors:						
Mr. WANG Xi[5]	—	—	—	—	—	—
Mr. ZHOU Litao	—	—	—	—	—	—
Mr. ZHANG Shaoping[5]	12	2	14	—	—	—
Mr. DU Ji'an[6]	—	—	—	—	—	—
Mr. CHEN Xiangshan[6]	419	28	447	366	26	392
	431	30	461	366	26	392
	3,337	58	3,395	2,374	52	2,426

39 EMOLUMENTS OF DIRECTORS AND SUPERVISORS (Continued)

(a) The emoluments of directors and supervisors for the year ended 31 December 2010 is set out below: (Continued)

1. Mr. PENG Yi was appointed as non-executive director on 23 December 2010. Mr. PENG Yi was the executive director, the executive vice president and the chief financial officer of the Company from August 2006 to October 2008. The amount represented the deferred cash payment for the emolument of his duties in the past.

2. Mr. Li Yanmeng resigned as independent non-executive director and was appointed as non-executive director on 23 December 2010.

3. Mr. ZHANG Jiaren, Mr. ZHAO Pei, and Mr. Ngai Wai Fung were appointed as independent non-executive directors on 23 December 2010.

4. Mr. GAO Shangquan and Mr. PENG Ru Chuan retired as independent non-executive directors of the Company due to the expiration of their terms of office on 23 December 2010.

5. Mr. WANG Xi and Mr. ZHANG Shaoping were appointed as supervisors on 23 December 2010.

6. Mr. DU Ji'an and CHEN Xiangshan retired as supervisors of the Company due to the expiration of their terms of office on 23 December 2010.

Mr. Wang An and Mr. Peng Yi, received emoluments from China Coal Group. 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.

Mr. YANG Lieke received emoluments from the Group, which amounting to RMB1,130,272 (equivalent to HK$1,325,163), for the year ended 31 December 2010, which included deferred cash payment for the emoluments of his duties in the past. The emoluments paid to each of the other directors did not exceed HK$1,000,000 (equivalent to RMB852,930).

39 EMOLUMENTS OF DIRECTORS AND SUPERVISORS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year are as follows:

	2010	2009
	RMB'000	RMB'000
Director	**1**	—
Non-director individuals	**4**	5
	5	5

Details of emoluments paid to the non-director individuals are as follows:

	2010	2009
	RMB'000	RMB'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**888**	1,250
Contributions to pension schemes	**113**	450
Discretionary bonuses	**2,806**	1,531
	3,807	3,231

During the year ended 31 December 2010, the emoluments paid to each of the highest paid non-director individuals are in the range of HK$1,000,000 (equivalent to RMB852,930) and HK$1,500,000 (equivalent to RMB1,279,395).

(c) During the year ended 31 December 2010, 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.

40 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

(a) Reconciliation of profit before income tax to net cash inflows generated from operations

	2010 RMB'000	2009 RMB'000 (restated)
Profit before income tax	**10,998,895**	10,315,570
Adjustments for:		
Property, plant and equipment ("PPE")		
– depreciation charge (Note 32)	**3,040,990**	2,311,680
– net (gains)/losses on disposals (Note 32)	**(13,518)**	2,231
Investment properties		
– depreciation charge (Note 8)	**1,245**	1,322
Land use rights, mining rights and intangible assets		
– amortisation charge (Note 32)	**486,145**	381,814
Provision for impairment of PPE (Note 32)	**162,681**	—
Provision for impairment of land use right	**272**	—
Provision for impairment of receivables (Note 32)	**71,201**	24,038
Provision for impairment of inventories (Note 32)	**4,094**	4,165
Provision for impairment of available-for-sale financial assets (Note 32)	**—**	3,272
Provision for impairment of investment in associates (Note 32)	**617**	—
Share of profits of associates and jointly controlled entities	**(46,290)**	(90,647)
Net foreign exchange transaction losses/(gains) (Note 33)	**127,044**	(67,215)
(Gains)/losses on futures (Note 34)	**(5,542)**	10,427
Losses/(Gains) on disposal of investments (Note 34)	**158,281**	(318,234)
Interest income (Note 33)	**(484,087)**	(897,596)
Interest expense (Note 33)	**461,673**	508,111
Dividend income (Note 34)	**(15,119)**	(1,991)
Losses of debt restructuring	**450**	—
Negative goodwill	**(277,819)**	—
Adjustment of stripping ratio	**568,574**	—
Changes in working capital:		
Inventories	**(1,254,221)**	(292,498)
Trade receivables	**(2,123,442)**	723,022
Prepayments and other receivables	**(554,840)**	(188,388)
Trade payables	**879,922**	(926,039)
Accruals, advance and other payables	**1,350,919**	1,200,451
Restricted bank deposits	**(650,718)**	302,495
(Decrease)/increase in provision for employee benefits	**(10,264)**	73,659
(Decrease)/increase in provision for close down, restoration, and environmental costs	**(253,623)**	68,132
Cash generated from operations	**12,623,520**	13,147,781

40 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS (Continued)

(b) Major non-cash transactions

During the year ended 31 December 2009, China Coal Pingshuo Coal Industry Company Limited, a subsidiary of the Company, invested in Shanxi Pingshuo Gangue-fired Power Generation Co., Ltd. (which is an associate of the Group) with land use right valued at RMB15,365,000.

41 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 RMB7,466,357, 000(2009: RMB7,409,336,000).

42 CONTINGENT LIABILITIES

(a) Bank and other guarantees

As at 31 December 2009 and 2010, the undiscounted amount of potential future payments under guarantees given to banks in respect of banking borrowings extended to the parties below were as follows:

	2010 **RMB'000**	2009 RMB'000
Associates	**550,000**	550,000

(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.

43 COMMITMENTS

(a) Capital commitments

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

	2010	2009
	RMB'000	RMB'000
Property, plant and equipment	**5,800,014**	3,036,720
Others	**242,864**	358,585
	6,042,878	3,395,305

(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:

	2010	2009
	RMB'000	RMB'000
Land and buildings:		
– Within 1 year	**82,467**	78,896
– From 1 year to 5 years	**113,998**	149,974
– Over 5 years	**142,659**	135,156
	339,124	364,026

	2010	2009
	RMB'000	RMB'000
Plant and machinery:		
– Within 1 year	**—**	6,000
– From 1 year to 5 years	**—**	14,400
– Over 5 years	**—**	36,000
	—	56,400

44 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisition of additional interest in a subsidiary

Prior to 30 September 2010, the Group has 51% equity interest in Shuozhou China Coal Pingshuo Energy Company Limited ("Shuozhong Energy"). On 30 September 2010, the Company acquired an additional 49% of the equity interest of Shuozhong Energy for a purchase consideration of RMB73,500,000. Thereafter, Shuozhong Energy became a 100% owned subsidiary of the Group. The carrying amount of the non-controlling interests in Shuozhong Energy on the date of acquisition was RMB23,377,000. The Group recognised a decrease in non-controlling interests of RMB23,377,000 and a decrease in equity attributable to owners of the parent of RMB50,123,000.

In 2009, the Company acquired additional equity interest of two subsidiaries for a purchase consideration of RMB169,569,000. The carrying amount of the non-controlling interests on the date of acquisition was RMB100,479,000. The Group recognised a decrease in non-controlling interests of RMB100,479,000 and a decrease in equity attributable to owners of the parent of RMB69,090,000.

The effect of changes in the ownership interest of Shuozhong Energy, Great, and Jiuxin on the equity attributable to owners of the Company during the year is summarised as follows:

	As at	
	31 December 2010 RMB'000	31 December 2009 RMB'000
Carrying amount of non-controlling interests acquired	**23,377**	100,479
Consideration paid to non-controlling interests	**(73,500)**	(169,569)
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	**(50,123)**	(69,090)

45 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", related parties include China Coal Group and its subsidiaries, other state-owned enterprises and their subsidiaries which the PRC government has control, joint control or significant influence over, and enterprises which the Company is able to control, joint control or significant influence over, key management personnel of the Company and China Coal Group and their close family members.

Related parties do not include public utilities (including electricity, telecommunication and postal service providers) and government department and agencies that do not control, jointly control or significant influence over the Company and with which transactions are conducted in the ordinary course of business at arm's length market prices.

The Group has extensive transactions with China Coal. For the purpose of disclosures of related party transactions, to the extent possible, the Group has procedures in place to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are related parties. 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 related parties 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.

Set out below is a summary of significant related party transactions and balances in the years ended 31 December 2010 and 2009.

45 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) Related party transactions

	2010 RMB'000	2009 RMB'000
Transactions with the Parent Company and fellow subsidiaries		
Coal export and Sales (i)		
Charges paid for agency services of coal export	**7,612**	5,777
Integrated Material and Services Mutual Provision (ii)		
Charges paid for production material and ancillary services	**1,654,666**	1,218,903
Charges paid for social and support services	**59,802**	52,974
Revenue received from supply of production material and ancillary services	**448,382**	119,148
Revenue received from provision of coal export-related services	**44,818**	29,440
Mine Construction and Design (iii)		
Charges paid for construction services	**2,442,095**	1,485,816
Revenue received from construction services	**—**	32,356
Property Leasing (iv)		
Rental charge paid	**67,858**	65,606
Land Use Right (v)		
Rental charge paid	**22,089**	22,089
Mine Design (vi)		
Charges paid for mine design services	**258,260**	—
Coal Supplies (vii)		
Charges paid for coal supplies	**278,305**	43,527

45 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) Related party transactions (Continued)

(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.

(vi) The Company and China Coal Group entered into a Mine Design and General Contracting Service Framework Agreement on 4 December 2009, under which China Coal Group and its subsidiaries and units shall provide coal mine design and general contracting services to the Company and its subsidiaries and units.

45 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) Related party transactions (Continued)

(vii) The Company and China Coal Group entered into a Coal Supplies Framework Agreement on 31 December 2008, under which China Coal Group will procure that all coal products produced from the retained mines be supplied exclusively to the Company, and has undertaken not to sell any such coal products to any third party.

	2010	2009
	RMB'000	RMB'000
Transactions with jointly controlled entities		
Sales and services provided:		
Agency income	**—**	—
Interest income	**23,094**	22,467
Sales of coal	**12,363**	11,775
Transactions with associates:		
Sales and services provided:		
Sales of machinery and equipment	**44,240**	34,217
Income from renting property, plant and equipment	**147,663**	103,128
Purchases of goods and services:		
Purchases of materials and spare parts	**23,064**	139,474
Transportation services (viii)	**397,525**	411,366

(viii) The Company entered into a railway leasing and management entrustment service framework agreement with Shuozhou Pingshuo Luda Railway Transportation Co., Limited ("Pingshuo Luda"; an associate) on 5 September 2006, under which Pingshuo Luda leases railway from the Company and also provides railway management entrustment services to the Company.

45 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) Related party transactions (Continued)

	2010 RMB'000	2009 RMB'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	**3,337**	2,374
– Other key management	**5,635**	2,513
Pension costs-defined contribution plans		
– Directors and supervisors	**58**	52
– Other key management	**194**	148
Transactions with other state-controlled entities in the PRC:		
Transactions with other state-owned enterprises		
Sales and services provided:		
Sales of coal	**38,006,380**	23,151,825
Sales of machinery and equipment	**4,375,448**	3,527,329
Sales of materials and spare parts	**89,754**	55,538
Sales of design services	**—**	424,961
Railway transportation services income	**62,764**	51,179
Income from construction and technical services	**—**	58,971
Public utilities and facilities income	**478,902**	299,834
Agency income	**34,189**	28,173
Interest income	**396,930**	645,143
Purchases of goods and services:		
Purchases of coal	**7,689,220**	2,365,596
Purchases of machinery and equipment	**691,953**	743,330
Purchases of labour services	**21,951**	539
Purchases of materials and spare parts	**3,185,138**	3,698,095
Construction and technical services	**356,452**	323,135
Ancillary and social services	**669,974**	260,868
Transportation services	**6,896,390**	5,369,391
Interest expense	**519,255**	520,155

45 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) Related party transactions (Continued)

Apart from transactions with China Coal Group, fellow subsidiaries, associates and jointly controlled entities, the Group has transactions with other state-controlled entities include but not limited to the following:

- Lease of assets,
- Retirement benefit plans.

These transactions are conducted in accordance with the contracts of the Group's business at market prices.

(b) Related party balances

Other than those disclosed elsewhere in the consolidated financial statements, the outstanding balances with related parties as at 31 December 2010 and 2009 are as follows:

Balances with state-owned enterprises:

	2010	2009
	RMB'000	RMB'000
Deposits placed with banks and non-bank financial institutions	**21,550,229**	29,345,491
Loans from banks and non-bank financial institutions	**10,495,152**	10,069,081
Interest receivable	**—**	276,140
Interest payable	**116,559**	99,846

Details of deposits placed with, and loans from banks and non-bank financial institutions are disclosed in Notes 23 and 26.

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.

46 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

As at 31 December 2010, 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 2010 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 and Coke Holdings Limited (中煤焦化控股有限責任公司)	Beijing, the PRC 15 August 2003	RMB928,813,800	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	RMB30,000,000	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
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

46 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 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%	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
Lianyungang China Coal Huanneng Coal Processing Company Limited (連云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 (中煤連云港進出口有限公司)	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 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)	Qinhuangdao, the PRC 17 May 1999	RMB15,000,000	100%	100%	Sale of coal and related products	Limited liability company

46 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	100%	100%	Coal gangue power generation	Limited liability company
China Coal and Coke Longquan Limited (汾陽市中煤龍泉焦化有限責任公司)	Fenyang, the PRC 29 September 2003	RMB50,000,000	-	100%	Manufacture, processing 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
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	RMB2,309,770,900	100%	100%	Design, manufacture and sale of machinery and equipment for coal industry	Limited liability company

46 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(i) Principal subsidiaries (Continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
China Coal Handan 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	RMB142,718,000	–	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	RMB10,000,000	–	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	RMB427,285,937	-	100%	Manufacture of mining machinery and equipment	Limited liability company
China Coal Zhangjiakou Coal Mining Machinery Company Limited (中煤張家口煤礦機械有限責任公司)	Zhangjiakou, the PRC 16 May 2000	RMB764,401,000	–	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	RMB10,000,000	–	100%	Import and export services	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	RMB10,109,000	–	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% ((note (a))	Manufacture of aluminium products	Sino-foreign joint venture

46 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 Shanxi Yulin Energy Chemical Company Limited (中煤陝西榆林能源化工有限公司)	Yulin, the PRC 21 April 2010	RMB500,000,000	100%	100%	Manufacture and processing of coal	Limited liability company
China Coal International Technical Consulting Company Limited (中國煤炭工業國際技術諮詢有限責任公司)	Beijing, the PRC 18 Mar 1988	RMB21,198,000	—	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% (note (b))	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	100%	100%	Manufacture and processing of coal	Limited liability company
Shaanxi 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
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

46 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 Complete Equipment Company Limited (中煤設備成套有限公司)	Beijing, the PRC 8 December 1993	RMB8,008,000	–	81.56%	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	RMB1,485,956,260	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% (note (b))	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
Lingshi Coal Chemical Company Limited (靈石中煤化工有限責任公司)	Jinzhou, the PRC 21 August 2007	RMB200,000,000	–	100%	Manufacture of chemical 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% (note (b))	Manufacture of mining machinery and equipment	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% (note (b))	Manufacture of mining machinery and equipment	Limited liability company

46 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(i) Principal subsidiaries (Continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Shanxi China Coal 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%	Coal Mining	Limited liability company
China Coal Jizhou Yinhai Coal Chemical Engineering Company Limited (中煤冀州银海煤化工有限責任公司)	Jizhou, the PRC 28 September 2008	RMB595,791,000	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	RMB210,000,000	–	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	RMB11,565,436,800	100%	100%	Coal mining, manufacture and processing of coal and other related services	Limited liability company
Xuzhou Sifang Aluminium Group Company Limited (徐州四方鋁業有限責任公司)	Xuzhou, the PRC 9 February 2002	RMB40,650,000	–	62.43%	Manufacture and processing of aluminium related products	Limited liability company
Ordos Yihua Mining Resources Company Limited (鄂爾多斯市伊化礦業資源有限責任公司)	Ordos, the PRC 16 January 2007	RMB1,013,000,000	51%	51%	Coal mining and manufacture and sale of chemical products	Limited liability company
Inner Mongolia Mengda New Energy Chemical Base Development Company Limited (內蒙古蒙大新能源化工基地開發有限公司)	Ordos, the PRC 9 November 2005	RMB1,231,000,000	65%	65%	Methanol production	Limited liability company

46 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
Wushenqi Mengda Mining Company Limited (烏審旗蒙大礦業有限責任公司)	Ordos, the PRC 27 April 2007	RMB854,000,000	51%	51%	Coal mining and manufacture and sale of chemical products	Limited liability company
Guangzhou China Coal South China Trading Company Limited (廣州中煤華南銷售有限公司)	Guangzhou, the PRC 11 November 2009	RMB10,000,000	100%	100%	Import and export coal products	Limited liability company
China Coal Xinjiang Coal Electricity Company Limited (中煤能源新疆煤電化有限公司)	Xinjiang, the PRC 9 April 2009	RMB800,000,000	60%	60%	Coal Chemical Engineering	Limited liability company
China Coal Yili Coal Electricity Company Limited (中煤能源伊犁煤電化有限公司)	Xinjiang, the PRC 22 July 2009	RMB100,000,000	100%	100%	Coal Chemical Engineering	Limited liability company
China Coal Hami Coal Industry Company Limited (中煤能源哈密煤業有限公司)	Xinjiang, the PRC 13 July 2009	RMB100,000,000	100%	100%	Coal Mining	Limited liability company
Shanxi Shuozhou Wantongyuan Jingdong Coal Industry Company Limited (山西朔州万通源井東煤業有限公司)	Shuozhou, the PRC 16 March 1998	RMB10,000,000	–	100%	Coal Mining	Limited liability company
Wushenqi Mengda Water Services Company Limited (烏審旗蒙大水務有限責任公司)	Wushenqi, the PRC 29 December 2005	RMB5,000,000	–	65%	Water Supply	Limited liability company

46 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 Energy Xinjiang Hongxin Coal Industry Company Limited (中煤能源新疆鴻新煤業有限公司)	Hutubi, the PRC 26 October 2009	RMB500,000,000	–	49.94% (note (c))	Coal Chemical Engineering	Limited liability company
Huajin Coal Seam Gas Development Company Limited (華晉煤層氣綜合利用有限責任公司)	Taiyuan, the PRC 21 February 2008	RMB50,000,000	–	50% (note (b))	Coal seam gas exploration and utilization	Limited liability company
Shuozhou Pingshuo Building Engineering Quality Inspection Company Limited (朔州市平朔建設工程質量檢測有限責任公司)	Shuozhou, the PRC 26 June 2009	RMB1,200,000	–	100%	Quality inspection for building engineering test blocks and construction materials	Limited liability company
Shanxi Xiaohuigou Coal Industry Company Limited (山西中煤平朔小回溝煤業有限公司)	Qingxu, the PRC 7 March 2003	RMB500,000,000	–	55%	Mining investment and management	Limited liability company

notes:

(a) The Group has 62.43% in 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 its Board of Directors and its strategic, operating, investing and financing activities are controlled by the Group.

(b) As the Group can control the strategic, operating, investing and financing activities of these entities, they are considered as the subsidiaries of the Group.

(c) The Group has 62.43% in Shanghai Datun which owns 80% interests in China Coal Energy Xinjiang Hongxin Coal Industry Company Limited ("Hongxin Coal"). Hongxin Coal is considered as the Group's subsidiary because the Group has majority voting rights on its 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.

46 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(ii) Principal jointly controlled entities

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Datong Zhongxin Energy Company Limited (大同中新能源有限公司)	Datong, the PRC 27 August 2001	RMB161,000,000	5%	42% (note (a))	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% (note (a))	Manufacture and sale of coal and other related products	Limited liability company
China Coal Kechuang Energy Saving Technology Company Limited (中煤科創節能技術有限公司)	Ordos, the PRC 22 December 2010	RMB50,000,000	–	50%	Coal power management and consulting	Limited liability company

note:

(a) As neither the venturers of these entities are in position to control the activities of these entities unilaterally, and the strategic financial and operating decisions relating to them require the unanimous consent of the venturers, they are accounted for as jointly controlled entities of the Group.

46 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(iii) Principal associates

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Tianjin Tanjin Energy Technology Company Limited (天津市炭金能源技術有限公司)	Tianjin, the RPC 28 August 2001	RMB2,000,000	–	40%	Coal processing 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	RMB7,250,000	–	25.86%	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 31 July 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	RMB900,000,000	40%	40%	Manufacture and sale of coke, coal and other related products	Limited liability company
Shanxi Yanchang China Coal Yulin Energy Chemical Company Limited (陝西延長中煤榆林能源化工有限公司)	Yulin, the PRC 21 May 2008	RMB7,000,000,000	30%	30%	Coal and chemical	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

46 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(iii) Principal associates (Continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Shanxi Pingshuo Gangue-fired Power Generation Co., Ltd. (山西平朔煤矸石發電有限責任公司)	Shanxi, the PRC 10 December 2002	RMB129,250,000	—	33%	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%	Railway transportation	Limited liability company
Guotou China Coal 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	—	40%	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 China Coal 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	RMB900,000,000	27%	27%	Import and export of coal and related products	Limited liability company
Zhongtian Synergetic Energy Company Limited (中天合創能源有限責任公司)	Erdos, the PRC 24 October 2007	RMB3,678,400,000	38.75%	38.75%	Coal chemical engineering	Limited liability company

46 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
Neimenggu Tianlong Mining Machinery Maintenance Company Limited (內蒙古天隆煤機維修有限責任公司)	Ordos, the PRC 17 July 2008	RMB100,000,000	–	20%	Mechanical equipment maintenance	Limited liability company
Neimenggu Boyuan Joint Chemical Limited Company (內蒙古博源聯合化工有限公司)	Ordos, the PRC 12 July 2004	RMB650,000,000	–	20%	Manufacture and sale of methanol related products	Sino-foreign joint venture
Neimenggu Sulige Natural Gas Chemical Limited Company (內蒙古蘇里格天然氣化工有限公司)	Ordos, the PRC 9 June 2009	RMB300,000,000	–	20%	Manufacture and sale of methanol related products	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.

47 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.

Financial Summary for Recent Five Years

The following financial summary is extracted from the Company's Annual Reports in 2010 and prior years

UNIT: RMB'000

	2006 Annual Report	2007 Annual Report	2008 Annual Report	2009 Annual Report	**2010 Annual Report**
Revenue and Profit					
Revenue	30,226,505	36,428,184	50,992,807	53,187,027	**70,302,637**
Profit before income tax	4,724,766	8,355,384	10,511,824	10,315,570	**10,998,895**
Income tax	(1,340,918)	(1,949,153)	(2,491,651)	(2,395,399)	**(2,847,876)**
Profit for the year	3,383,848	6,406,231	8,020,173	7,920,171	**8,151,019**
Attributable to:					
Equity holders of the Company	3,172,109	6,019,805	7,140,836	7,409,336	**7,466,357**
Non-controlling interests	211,739	386,426	879,337	510,835	**684,662**
Dividends	1,236,079	1,048,959	825,484	2,043,559	**1,986,651**
Earnings per share attributable to the equity holders of the Company (RMB/share)	0.39	0.51	0.54	0.56	**0.56**
Assets and Liabilities					
Non-current assets	19,680,051	29,561,019	37,132,046	60,226,564	**74,236,219**
Current assets	25,433,686	23,238,388	51,052,121	50,873,086	**48,699,970**
Current liabilities	13,103,446	10,635,003	12,744,105	15,519,185	**19,390,780**
Net current assets/ (liabilities)	12,330,240	12,603,385	38,308,016	35,353,901	**29,309,190**
Total assets less current liabilities	32,010,291	42,164,404	75,440,062	95,580,465	**103,545,409**
Non-current liabilities	9,372,538	11,878,434	12,669,773	17,384,763	**17,206,859**
Net assets	22,637,753	30,285,970	62,770,289	78,195,702	**86,338,550**
Equity attributable to the equity holders of the Company	21,573,388	27,331,595	58,541,594	68,595,392	**74,048,571**
Non-controlling interests	1,064,365	2,954,375	4,228,695	9,600,310	**12,289,979**

Company Profile

Statutory Chinese Name of the Company	中國中煤能源股份有限公司
Abbreviated Statutory Chinese Name of the Company	中煤能源股份
Statutory English Name of the Company	China Coal Energy Company Limited
Abbreviated Statutory English Name of the Company	China Coal Energy
Legal Representative of the Company	Wang An

Information about Secretary to the Board of the Company

Name of Secretary to the Board	Zhou Dongzhou
Contact Address of Secretary to the Board	Secretariat of the Board of Directors, China Coal Energy Company Limited, No. 1 Huangsidajie, Chaoyang District, Beijing, PRC
Contact Telephone Number of Secretary to the Board	(8610)-82236028
Fax Number of Secretary to the Board	(8610)-82256479
E-mail Address of Secretary to the Board	IRD@chinacoal.com

Information about the Company

Registered Address and Office Address of the Company	No. 1 Huangsidajie, Chaoyang District, Beijing, PRC
Postal Code	100120
Internet Website	http://www.chinacoalenergy.com
E-mail Address	IRD@chinacoal.com
Newspapers designated for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times
Internet Website designated by CSRC for publication of annual reports	http://www.sse.com.cn
Internet Website designated by the Stock Exchange of Hong Kong Limited for publication of annual reports	http://www.hkex.com.hk
Location for inspection of annual reports of the Company	Secretariat of the Board of Directors, China Coal Energy Company Limited, No. 1 Huangsidajie, Chaoyang District, Beijing, PRC

Brief information about shares of the Company				
Type of shares	Stock Exchange for listing of shares	Short name of Stock	Stock code	Short name of stock before change
A Shares	Shanghai Stock Exchange	中煤能源	601898	
H Shares	The Stock Exchange of Hong Kong Limited	China Coal Energy	01898	

Authorised Representatives of the Company	Yang Lieke, Zhou Dongzhou
Company Secretary	Zhou Dongzhou

Other relevant information	
Date of first registration of the Company	22 August 2006
Location of first registration of the Company	No. 1 Huangsidajie, Chaoyang District, Beijing, PRC
Date of change in registration of the Company	28 June 2010
Location of change in registration of the Company	No change
Registration Number of Corporate Business License	100000000040475
Tax Registration Number	Jing Shui Zheng Zi No. 110105710934289
Organisation Code	71093428-9

Accountancy firms retained by the Company	
Domestic accountancy firm retained by the Company	PricewaterhouseCoopers Zhong Tian CPAs Limited Company
Office address of the domestic accountancy firm retained by the Company	11/F, PricewaterhouseCoopers Center, 202 Hu Bin Road, Shanghai, PRC
International accountancy firm retained by the Company	PricewaterhouseCoopers
Office address of the international accountancy firm retained by the Company	22/F, Prince's Building, Central, Hong Kong

Legal Advisors retained by the Company	
Legal advisor on domestic law retained by the Company	Beijing Jiayuan Law Firm
Contact address	F407 Ocean Plaza, 158 Fuxingmennei Avenue, Xicheng District, Beijing, PRC
Legal advisor on Hong Kong law retained by the Company	Freshfields Bruckhaus Deringer
Contact address	11/F, Two Exchange Square, Central, Hong Kong

Share Registrars for domestic and overseas listed shares	
A Share Registrar	China Securities Depository and Clearing Corporation Limited Shanghai Branch
Contact Address	36/F, China Insurance Building, 166 Lujiazui East Avenue, Pudong New District, Shanghai, PRC
H Share Registrar	Computershare Hong Kong Investors Services Limited
Contact Address	Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Definitions

In this annual report, unless the context otherwise requires, the following expressions have the following meanings:

The Group/The Company/ Company/China Coal Energy	China Coal Energy Company Limited, unless otherwise indicated, also includes all of its subsidiaries
Board of the Company/Board	the board of directors of China Coal Energy Company Limited
Directors	the directors of the Company, including all the executive directors, non-executive directors and independent non-executive directors
China Coal Group	China National Coal Group Corporation, the controlling shareholder of the Company
Shanghai Company	Shanghai Datun Energy Resources Company Limited, a subsidiary of the Company
Pingshuo Mining Area	the coal mining area in Shanxi Province, mainly comprising the Antaibao Open Pit Mine and Underground Mine, the Anjialing Open Pit Mine and Underground Mine, and the Jingdong Mine
Datun Mining Area	the coal mining area in Jiangsu Province operated by Shanghai Company, comprising the Yaoqiao, Kongzhuang, Xuzhuang and Longdong mines
Liliu Mining Area	the coal mining area in Shanxi Province operated by Huajin Coking Coal Company Limited, comprising the Shaqu Underground Mine
Dongpo Coal Mine	a coal mine in Shanxi Province operated by Shanxi China Coal Dongpo Industry Company Limited
Nanliang Coal Mine	a coal mine in Shaanxi Province operated by Shaanxi Nanliang Coal Company Limited

China Coal Equipment Company	China National Coal Mining Equipment Company Limited, a wholly-owned subsidiary of the Company
Pingshuo Coal Industry Company	China Coal Pingshuo Coal Industry Company Limited
Huajin Company	Huajin Coking Coal Company Limited
CCIE Company	China Coal Import and Export Company
China Coal Jinhaiyang Company	China Coal Group Shanxi Jinhaiyang Energy Co., Limited
Taiyuan Coal Gastification Group	Taiyuan Coal Gastification (Group) Co., Limited
China Coal Longhua Company	China Coal Longhua Group Co., Limited
Zhongtian Synergetic Company	Zhongtian Synergetic Energy Company Limited
Ministry of Finance	the Ministry of Finance of the People's Republic of China
SAIC	the State Administration for Industry and Commerce of the People's Republic of China
SASAC	the State-owned Assets Supervision and Administration Commission of the State Council
CSRC	China Securities Regulatory Commission
HKSE	the Stock Exchange of Hong Kong Limited
SSE	the Shanghai Stock Exchange
Articles of Association	the articles of association passed at the inaugural meeting of the Company on 18 August 2006 and approved by the relevant state authorities, as amended and supplemented from time to time

A Share(s)	the ordinary share(s) issued to domestic investors in China with approval from CSRC, which are listed on the SSE and traded in RMB
H Share(s)	the overseas listed foreign share(s) of RMB1.00 each in the share capital of the Company, which are listed on the HKSE for subscription in Hong Kong dollars
PricewaterhouseCoopers	PricewaterhouseCoopers Zhong Tian CPAs Limited Company
Mengda Mining Company	Wushenqi Mengda Mining Company Limited
Xiaohuigou Coal	Shanxi Xiaohuigou Coal Industry Company Limited
Xi'an Design Company	China Coal Xi'an Design Engineering Company Limited
Share(s)	the ordinary shares of the Company, including A Share(s) and H Share(s)
Shareholder(s)	the shareholder(s) of the Company, including holder(s) of A Share(s) and H Share(s)
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
SSE Listing Rules	the Listing Rules of the SSE
Yuan	RMB yuan

中煤

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

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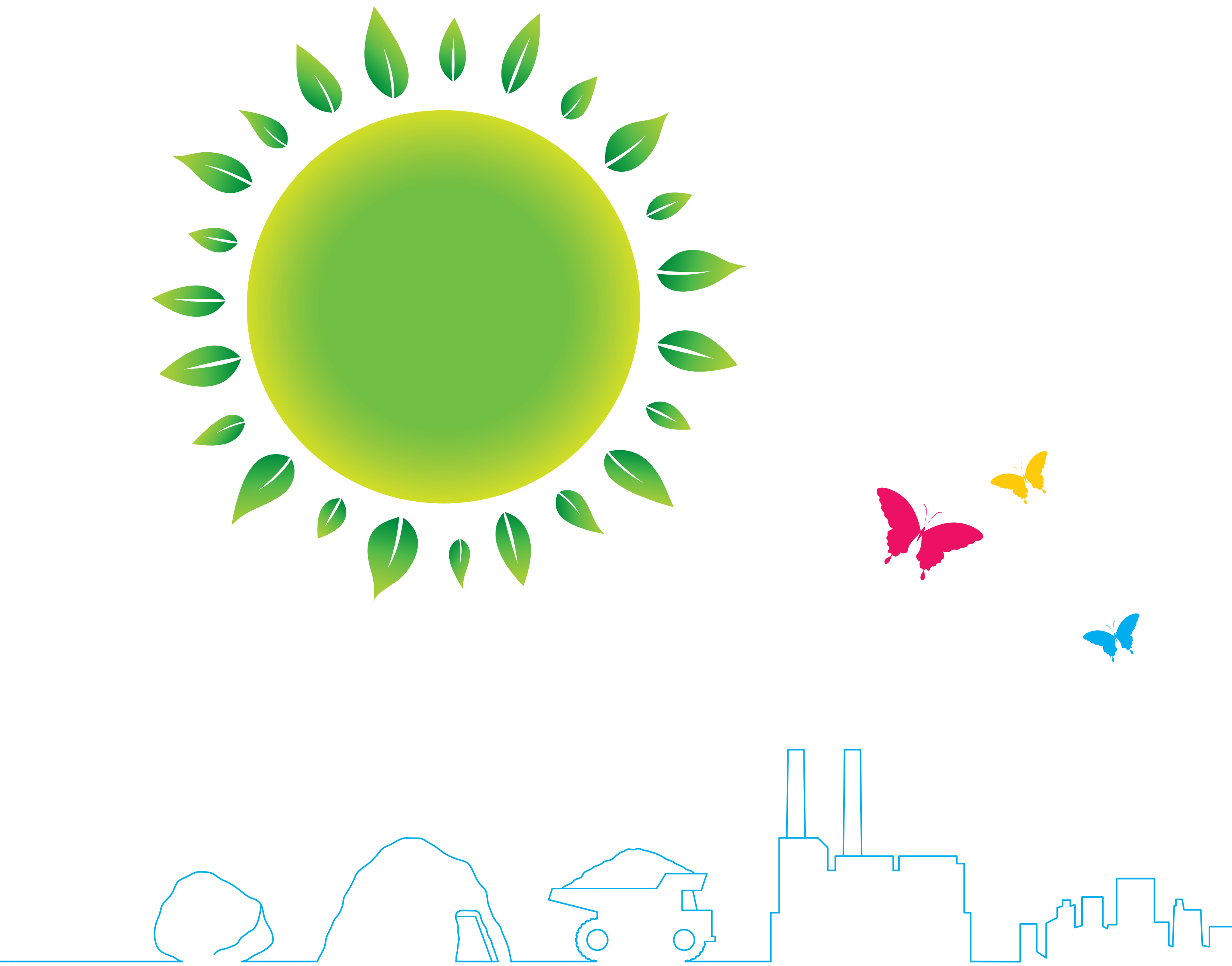
Post Code : 100120
Tel : (010) 82236028
Fax : (010) 82256484

中国中煤能源股份有限公司
2010年社会责任报告

CHINA COAL ENERGY
CSR Report
2010



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

Description for Preparation

Summary of the report

This report is the second CSR report published by China Coal Energy Company Limited. It reviews the opportunities and challenges the Company faced during the year 2010 and discloses the Company's philosophy, practices and results in performing its economic, environmental and social responsibilities.

Base of preparation

This report was prepared in accordance with the requirements set out in "Notice on Strengthening Listed Companies' Undertaking of Social Responsibilities" and "Guidelines on Environmental Information Disclosure by Companies Listed on the Shanghai Stock Exchange" issued by Shanghai Stock Exchange, and "Guideline on Fulfilling Social Responsibility by Central Enterprises" issued by the State-owned Assets Supervision and Administration Commission of the State Council, and with reference to the "Guidelines on Preparation of Corporate Social Responsibility Report for Corporations in China " issued by Centre of Corporate Social Responsibility of the Chinese Academy of Social Sciences and the "Sustainable Development Reporting Guidelines" (2006 version) of Global Reporting Initiative (GRI).

Range of period

The year 2010 in this report refers to the period from 1 January 2010 to 31 December 2010. Certain representations and data may date back to previous years when appropriate.

Period of publication

This report is a yearly report, which is published every year together with the Annual Report.

Scope of reporting

This report covers China Coal Energy Company Limited and its subsidiaries in respect of five major areas, namely economy, safety, innovation, environment and society.

Source of information

The financial data in the report were extracted from the audited Annual Report of China Coal Energy Company Limited (in accordance with the relevant accounting principles applicable to PRC companies), whilst other data came from internal data of the Company and other relevant statistics.

Description of references

For your easy reference, China Coal Energy Company Limited is also referred as "China Coal Energy", "China Coal Energy Company", "The Company" and "We" in this report.

Inspection of the report

This report is prepared in Chinese. The electronic version of this report may be downloaded at the website of China Coal Energy Company Limited, www.chinacoalenergy.com

Contents

Chairman's Statement

Chairman Wang An

In 2010, both domestic and international economic situations were complicated and volatile. Resources and environmental pressures imposed on the energy industry increased and the price of coal market fluctuated at a high level as well. China Coal Energy was proactive in responding to the market changes by upholding its strategic principles, focusing on economic efficiency, structural adjustment and the construction of five major bases to enhance the interconnection between production and sales stage, accelerate project construction, improve corporate governance and strengthen its risk management and control. As a result, major operation indicators reached historical high levels. The Company strived to create value for its shareholders, customers, staff and the public, duly made its meaningful contribution to the national economic growth and properly fulfilled its social responsibilities.

With integrity in operations and assurance on supply, the production and sales of coal realised substantial growth. Our annual coal production amounted to 123 million tons, representing an increase of 21.6% over 2009 as we overcame the challenges from complex geological conditions of coal mines and limited coal transportation capacity of railways, and we also made efforts in coordinating external relations and managing our production efficiently. Pingshuo Company recorded an annual raw coal production of 104 million tons, making it the state's first mining area with a production capacity of 100 million tons adopting the open-pit and underground mining method. The Company adhered to the customer-oriented and market-directed operation philosophy and strengthened its sales and logistics networks, optimised the product mix and market composition, improved the quality of services, provided its customers with high-quality clean energy, and made contributions to stable coal supply during the World Expo and Asian Games periods.

Long vision and speeding up of adjustment led to substantial improvement in sustainable development capability. We considered resource acquisition as the lifeline of the Company and sincerely initiated cooperation. We put the greatest efforts to accelerate the preparation work of our projects and our resources reserves are increasing. To grasp each and every business opportunity, the Company actively participated in local coal mines integration in Shanxi province and, through our subsidiaries, integrated 18 local coal mines and retained 9 mines after the integration. Moreover, the Company standardised the construction process of the mines, accelerated technological advancement, which in turn significantly enhanced the technological level of coal mines, capability of safe production and resource recovery rate. We were dedicated to the acceleration of the construction of new bases. Substantial progresses were made in the construction of Pinshuo Recycling Economic Area, Ordos Energy Chemical Base and Xinjiang Coal Electricity Chemistry Base. The Company's structure was basically optimised with sound improvement in coal recycling economy, clean and efficient utilisation of coal and creation of product value.

Our emphasis on safe development further ensured our capability of safe production. Learning from the Wangjialing mine accident, we strengthened our safety control system, actively identified and rectified potential problems, improved geological re-exploration and gob area exploration, and enhanced the basic work for safe production to increase our capability to provide a safe work environment. We were dedicated to the promotion of "environment, quality and responsibility" and implemented an accountability system for the person in charge. In doing so, we formulated the standards for "safe mines" so as to increase the reliability of safe coal production. We built safe and efficient mines in accordance with safety standards and maintained our production safety at the industry's highest level with the fatality rate of raw coal production per million tons at 0.041.

With the work on energy saving, emission reduction and environmental protection, new effect was seen in the environmental protection of mining areas. The Company applied advanced technologies where appropriate in order to save energy and control pollution through emission reduction. The Company over-achieved the energy saving and emission reduction targets set in the "Eleventh Five-Year Plan", by which its integrated energy consumption for raw coal production, utilisation of mine water and coal gangue achieved the industry's best performance. In addition, the Company increased its coal processing capability to 102.45 million tons through clean utilisation of coal and increased coal washing rate. Improvement in the coal mining process and reduction of waste of resources resulted in 80.7% of the recovery rate for underground mines and 95.6% of the resource recovery rate for open pit mines, both achieving global advanced levels. More investment was made to repair the subsidence mining areas and rejuvenate the dumping ground at open pit mines. Meanwhile, the Company also developed other related businesses including ecological farming and industrial tourism in order to promote harmony in mining areas.

Being people-oriented for mutual benefits and making new contributions to the local economies and society. The Company is dedicated to establishing harmonious relationship with its employees and realised mutual growth for the Company and its staff through sharing its results with all staff members. It enhanced labour protection of its employees and increased allowance for tough jobs in order to protect the employees' interests. The Company adhered to the cooperation strategy for the mutual benefits for both the local community and the Company. The accumulated investment in the five major bases in Shanxi, Inner Mongolia-Shaanxi, Jiangsu, Heilongjiang and Xinjiang for 2010 amounted to RMB19.223 billion, which boosted local economic growth and social development. In addition, we actively participated in charity causes and donated RMB16.51 million for charity in 2010. We also took care of the poor and needy in the impoverished areas by hiring local people in the areas where our projects were carried out. We made our long-term contributions to society by creating job opportunities and social values for the areas where we operated.

If it were not for our staff's hard work and their commitment to pursuing excellence, the close co-operation and co-ordination with our business partners from various industries, and the strong support from the relevant state committees and governments from various levels, China Coal Energy would not possibly have achieved such encouraging results. We truly believe that, in continuing the pursuit for a harmonious society, a corporation shall pursue profit in a rational manner, promote harmonious development, take up corporate social responsibilities and create and share values together with the stakeholders.

For 2011 and the years ahead, the PRC is still in an important period of strategic development filled with opportunities. The national economy continues with its fast but stable pace of growth, driving the increase in energy demand and bringing growth opportunities to energy corporations. In view of the industry's development trend and given the constraint of resources available, the PRC's coal-based energy structure will not undergo a fundamental change in the short term. Total consumption will keep up with its fast growth. In the long term, coal chemicals will necessarily replace a certain proportion of petroleum chemicals. Moreover, the ever-surging international oil price highlights the cost advantage of coal chemicals. These favourable conditions provide the Company with good opportunities for the construction of new bases and development in new industries.

Meanwhile, we are aware that the PRC's mode of economic growth will change for the period of the "Twelfth Five-year Plan" with an emphasis on resource saving and environmental protection in the course of coal production. Under the expectation that the government will strive for inflation control, there will be limited room for increase of contracted coal prices, and accelerated increase of coal production cost will impose pressure on the profit of coal companies. Coal production capacities have been planned to substantially increase in all coal production provinces. As a result, over-production of coal will emerge gradually. Through putting our vision of scientific development into practices, insisting on energy and resources conservation, environmental protection and sustainable growth, the Company is prepared to grasp each and every business opportunity and wisely respond to the challenges. We strive to extend our contributions to the growth of PRC's economy, local prosperity, shareholders' investment returns, customers' business development and the well-being of our staff.

China Coal Energy publishes CSR reports on a regular basis to disclose the Company's philosophy, practices and results in performing its economic, environmental and social responsibilities, the purpose of which is to enhance communications with stakeholders and gain their attention and support, so as to create favourable internal and external environments for the Company's sustainable growth. With the support from various parties in society, we believe that China Coal Energy will contribute to society with more outstanding results to realise our mission of "energy for prosperous life".

Wang An
Chairman

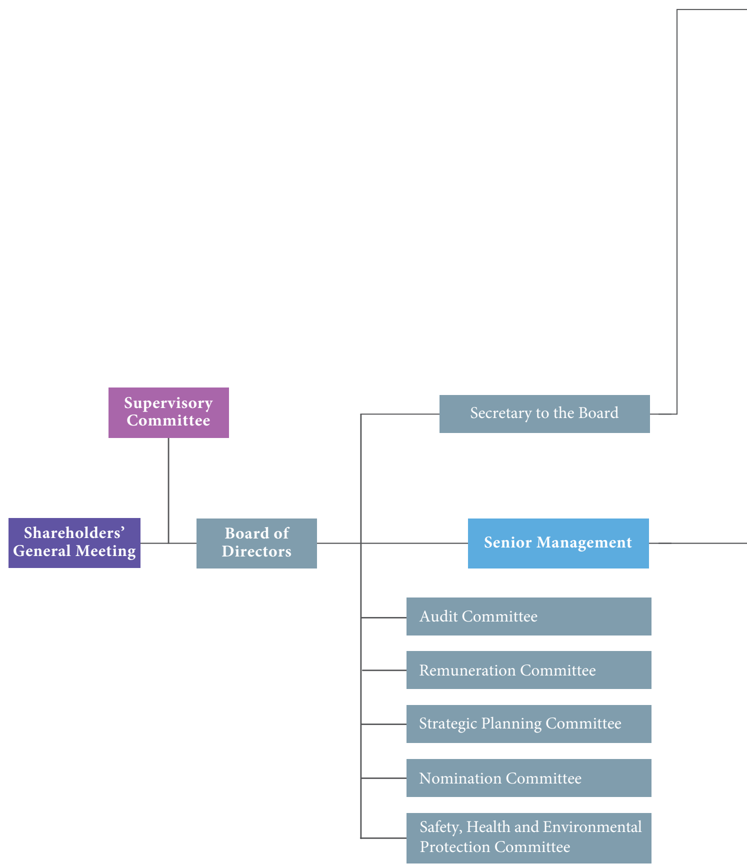
Beijing, the PRC
22 March 2011

About the Company

China Coal Energy Company Limited was solely established as a joint stock company by China National Coal Group Corporation on 22 August 2006. The shares of the Company have been successfully listed in Hong Kong since December 2006, while its A shares were issued in February 2008. The headquarter of the Company is located in Beijing, the PRC.

The Company is a large energy company with four core businesses including coal production and trading, coal chemical, power generation and manufacturing of coal mining equipment. With sufficient coal resources, the Company has been ranked the 5th and the 2nd among all listed coal companies in terms of coal reserves in the world and in the PRC, respectively. In 2010, the volume of coal production of the Company was 122.53 million tons, and the Company was the 2nd largest coal company in the PRC and the largest manufacturer of mining machinery in the PRC. It is equipped with "three machines and one support", i.e. the shearer, the armoured face conveyor, the road header and the hydraulic roof support. The Company has capability in the research and development and manufacturing of a comprehensive range of mining and drilling equipment.

The Company has strong resource advantages, a complete business structure, advanced skills in mining and processing of coal, a strong sales and customer service network, an experienced management team and a reputable brand name.



Company Organisation Chart of China Coal Energy Company Limited

The Strategies of the Company

Map of the Five Major Bases of China Coal Energy

Heilongjiang Base

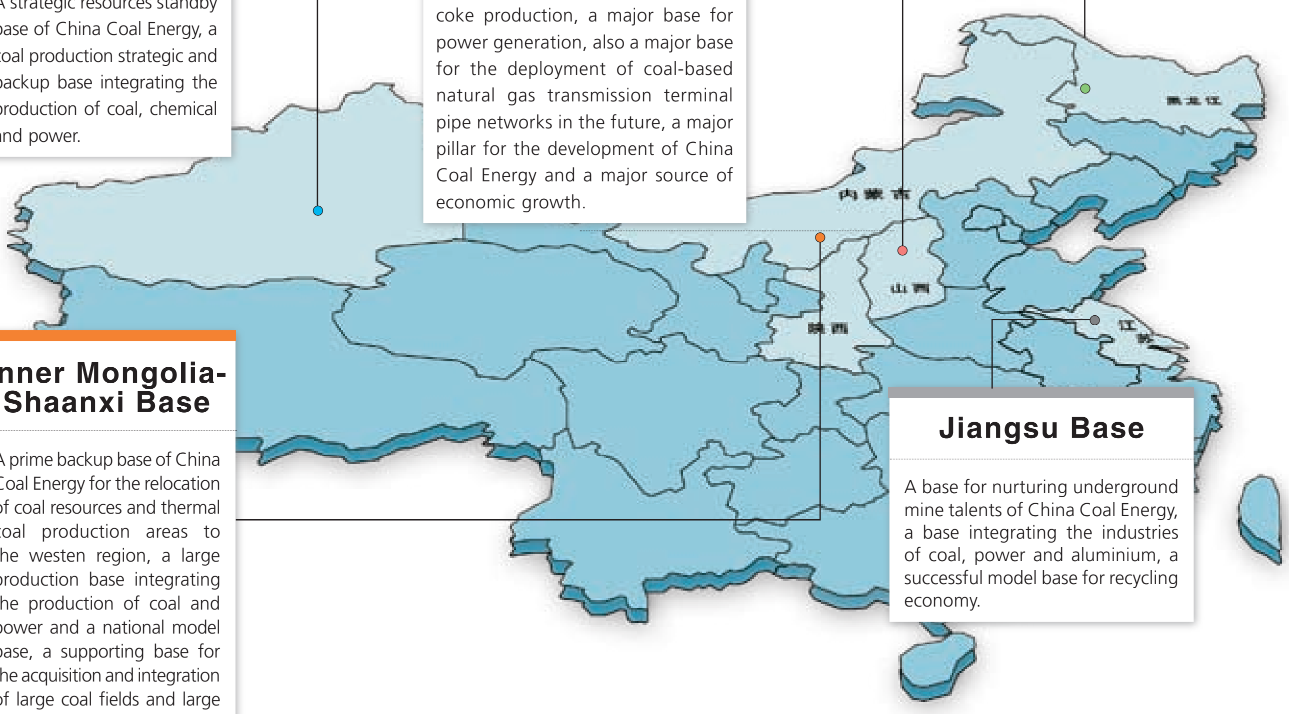
A production base integrating the production of coal and chemical of China Coal Energy, a base for the research and development of coal chemical gas production technology and training coal chemical professionals.

Shanxi Base

A major coal production base of China Coal Energy, a major base for coke production, a major base for power generation, also a major base for the deployment of coal-based natural gas transmission terminal pipe networks in the future, a major pillar for the development of China Coal Energy and a major source of economic growth.

Xinjiang Base

A strategic resources standby base of China Coal Energy, a coal production strategic and backup base integrating the production of coal, chemical and power.



Inner Mongolia-Shaanxi Base

A prime backup base of China Coal Energy for the relocation of coal resources and thermal coal production areas to the westen region, a large production base integrating the production of coal and power and a national model base, a supporting base for the acquisition and integration of large coal fields and large mining areas in the region.

Jiangsu Base

A base for nurturing underground mine talents of China Coal Energy, a base integrating the industries of coal, power and aluminium, a successful model base for recycling economy.

During the period of the "Twelfth Five-Year Plan", China Coal Energy will uphold its market-oriented and client-focused operation philosophy, while actively promoting the expansion of production scale, the modernisation of technology and equipment, the development of its professional team and the application of information technology in management. The Company has established stringent working standards with high starting point, high target, high quality, high efficiency and high benefits. With the development of the core coal industry as our top priority, the Company will expand the coal chemical and power generation-related businesses, and at the same time optimise the coal mining equipment business. The Company will speed up the construction of the five coal production and transformation bases in Shanxi, Inner Mongolia-Shaanxi, Jiangsu, Heilongjiang and Xinjiang, forming a geographic layout comprising five coal production and transformation bases with four pillar industries of coal, coal chemical, power generation and coal mining equipment. The Company will focus on the development of Pingshuo Recycling Economic Exemplary Zone, the 100 million-ton ultra-large coal base in Inner Mongolia-Shaanxi, the core coal industry, coal chemical and power generation-related businesses, while also emphasising on economies of scale, intensive management and modernisation. The Company will strive for substantial growth in the production of major products, asset size, turnover and profit, with an aim to doubling the total amounts of economic volumes by the end of the "Twelfth Five-year Plan" period.

The guidelines for the development of the Company for the period of the "Twelfth Five-Year Plan" are as follows: The Company shall establish itself as a world-class energy company with international competitive edges by adhering to the principle of scientific development and the guidance of the "Twelfth Five-Year Plan", focusing on "four directions" and "five high standards" for expansion, upholding the model of development based on economies of scale, intensive management, modernisation and recycling economy, making significant efforts in the implementation of four major strategies, i.e. transformation and upgrades, technological innovation, strengthening the enterprise with talents and safe development and complying with the principles of top importance of efficiency, high competence and effectiveness, being self-centred and combination of internal and external factors.

The objectives of the "Twelfth Five-Year Plan" are as follows: Our target by the end of the "Twelfth Five-Year Plan" is to achieve over 200 million tons in raw coal production to form an industrial layout with four pillar industries of coal, coal chemical, power generation and coal mining equipment, and a geographic layout of five major bases of Shanxi, Inner Mongolia-Shaanxi, Jiangsu, Xinjiang and Heilongjiang. Technological innovation capability will be notably enhanced and the ratio of technology-related investment will increase to 2.5%. The foundation for safe production will be more stable and the fatality rate of raw coal production per million tons will be decreased to less than 0.01. For energy saving and emission reduction, the Company's integrated energy consumption per RMB10,000 production output will decrease by 13.4% compared with that at the end of the "Eleventh Five Year Plan". The income of employees will grow at a reasonably rapid pace, and they will benefit from a continuous improvement on living standard and an increased level of well-being.

During the period of the "Twelfth Five-Year Plan", the Company will make significant efforts in the implementation of " four major strategies":

The strategy of transformation and upgrades. The development of mining areas from having Pingshuo as the most important mining area into having Pingshuo and Inner Mongolia-Shaanxi to complement with each other and the construction of five major bases will enhance the overall competitive edges of the Company. The major drivers for further growth will be changed from the input of factors of production, expansion of production capacity, increase in price and high energy consumption to technological advancement, management innovation and the improvement of staff quality. For industrial upgrading, we focus on "four directions" and "five high standards" for the transformation of the traditional industry and moving to the high-end of the industry chain. The industry chain will be extended and developed to cover such relative industries as coal chemical, power generation and construction materials. For management upgrading, the extensive operation will be changed to refined management, and the traditional management model will become an intensive and information technology-based management model.

The strategy of technological innovation. The Company adheres to the advanced technological innovation strategy with the major model of integrated innovation and continues to solve technological challenges to support the development of the industry, which makes us the bellwether of the technological innovation in the industry. The Company strives to make ground breaking developments in technology and produce high-end products and build up well-known brands to position itself in a strategic position for sustainable growth, and aims at winning 1 to 2 national awards and 5 to 8 industrial awards for technological improvement in every 2 years. The Company has built a tier-platform for research and development by putting more efforts on the research and development of technologies, increasing technological investment and recruiting talents for research and development.

The strategy of strengthening the enterprise with talents. Sticking to its strategic direction, the Company has set up a distinctive, new and dynamic mechanism for training, selecting, assessing and motivating talents, creating an encouraging work environment for them to pursue their career. The Company established four outstanding teams of operators, management staff, technical staff and skilled workers are responsible by coordinating and planning and improving the system. The Company focuses on both training and recruitment and is dedicated to recruit talents with different kinds of skills from the job market.

The strategy of safe development. The Company adheres to the target of "zero fatality rate" and innovated the advanced concept of production safety, creating the culture of safe development. Moreover, in order to evolve the Company into a company with safe work environment, the Company increases its investments in safety, integrates advanced technology and equipments and raises the standards of the project construction. A production safety system is also set up through the reinforcement of basic safety management, implementation of the accountability of production safety, modification of the safety and quality standards and creation of a new safety monitoring mechanism. Sticking to its people -oriented principle, the Company will improve the quality of the staff and the work environment to realise a long-term environment for production safety with good interaction between software and hardware.

The mission of the Company:

Energy for prosperous life

As a state-owned key enterprise, the Company's mission is to contribute to the economic growth and provide quality energy and create a prosperous life.

The core concept:

Credibility and integrity, efficiency, people-oriented and harmony

Credibility and Integrity

The Company treats the market, our partners and a wide range of users honestly, and operates in compliance with the laws. Our quality products and services and our integrity to people and for work build up an honest and credible image and brand for the Company.

Efficiency

In addition to enhance the economic results, the Company also maintains and increases the value of its assets, accumulates and creates wealth for the country, the society, the company itself, and its staff. The outstanding performance of its staff has brought remarkable achievement to the Company.

People

With our philosophy of "safety comes first" and our people-oriented concept, the safety and the health of our workers are our top priority. We respect hard work, knowledge, talents and creativity, and create a desired environment for the training and all round growth of the staff. Sustainable growth can be realised with the efforts of the staff.

Harmony

Harmony is the main theme of current development of the society. The Company adheres to the guidance for development, i.e. development with safety, environment protection and all-around harmony, with emphasis on the harmonious relationship of the development and production of the mining areas and its surrounding areas, and the Company and the markets as well as in the Company to create the material, political and spiritual civilisation, making contributions to the harmonious development and all-around growth of the nature and the society.

The Spirit of the Company:

Patriotism, dedication, practicality and contribution

Patriotism

The interest of the nation is given the top priority and we are dedicated to making contributions to the overall economic growth by maintaining the energy safety, focusing on serving and being loyal to our country.

Dedication

Our mission is to establish an energy enterprise with international competitive edges. We would work harder for the development of the Company with our strengths such as willingness for improvement, creativity and aggressiveness, dedication, responsibility, accountability and diligence.

Practicality

With our good tradition of realism and practicality, the Company will take into account the actual circumstances and closely track the development of the society. In the process of our development, we respect science and comply with universal laws while adhering to innovation, practicality, effectiveness, pragmatism and integrity. Moreover, we also act responsibly, efficiently, decently, dedicatedly and practicably.

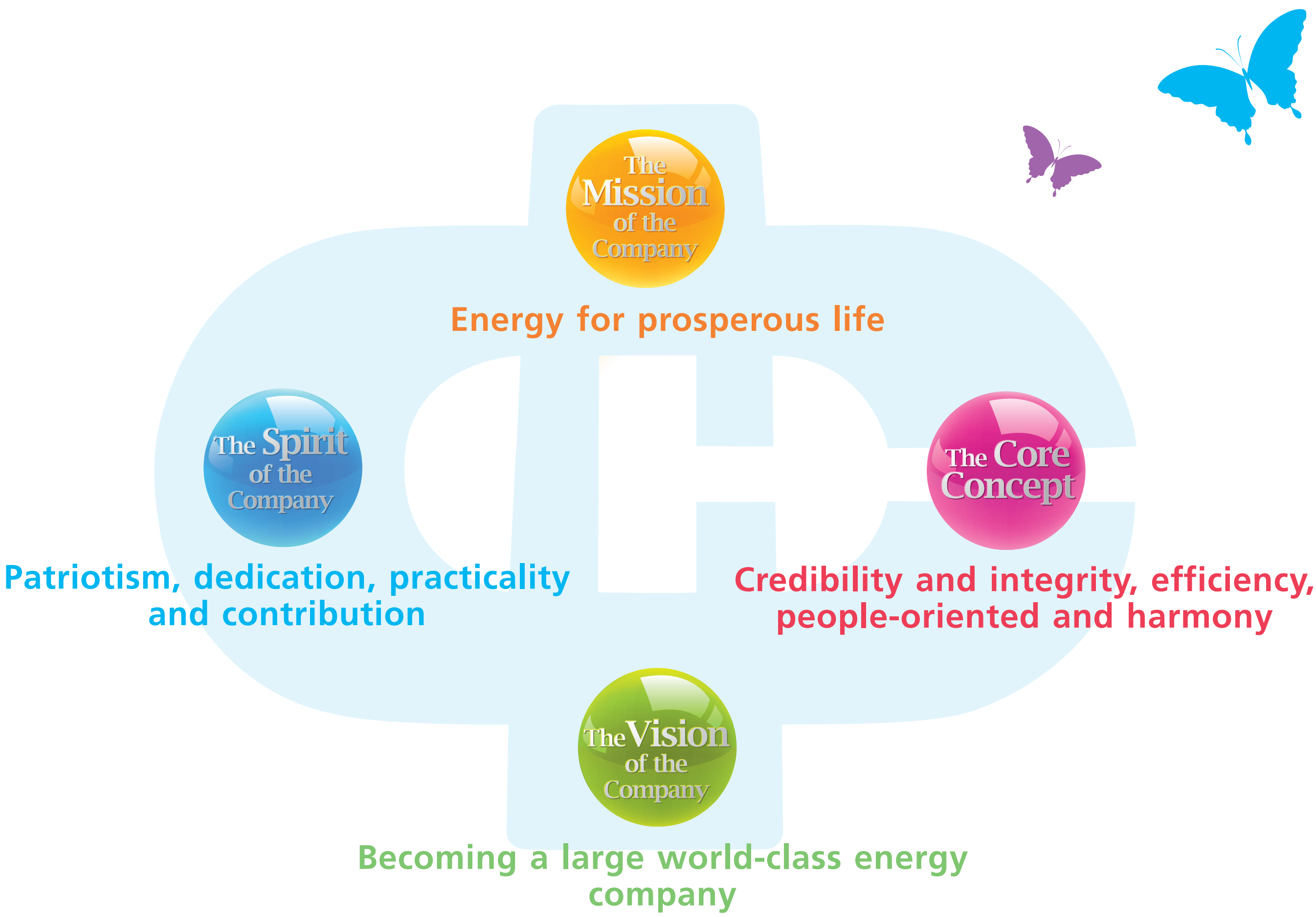
Contribution

Collective interest is given a higher priority than individual interest. We are dedicated to growth, giving out warmness like coal to make contributions to the society and the human kind. We work hard and are willing to sacrifice our own interests for, and reflect our personal values in, the development of the Company.

The vision of the Company:

Becoming a large world-class energy company

We aim to become one of the advanced energy companies in the world in terms of the scale of operation, innovation capability, reputation, corporate culture and energy saving and environment protection, etc.



Corporate Governance

Standardised Operation

2010 was the fifth year that China Coal Energy was listed and also the last year of the period of 'Eleventh Five-Year Plan'. During these five years, China Coal Energy gradually established a comprehensive corporate governance structure of legal person in accordance with laws and regulations such as the Company Law, the Securities Law, and the overseas and domestic listing rules, and the provisions of the Articles of Association. A mechanism for decision-making and management was established with a clear allocation and division of powers and functions among General Meeting of the Shareholders, the Board, the Supervisory Committee and the corporate management, by which they discharged their respective duties, maintained effective check and balance, made scientific decisions and coordinated the operation, significantly enhancing the corporate governance of the Company. The Board of the Company currently comprises nine directors, including two Executive Directors, two Non-executive Directors and five Independent Non-executive Directors. Five sub-committees, namely the Audit Committee, the Remuneration Committee, the Strategic Planning Committee, Nomination Committee, and the Safety, Health and Environmental Protection Committee, were set up under the Board, assisting the Board in decision-making and monitoring such areas as auditing, employee's remuneration, strategic planning, remuneration and safe production respectively. All the directors were appointed as committee members in various specific committees; and other than the Strategic Planning Committee, the other four specific committees were chaired by Independent Directors. The majority of the committee members of the Audit Committee, the Remuneration Committee and the Nomination Committee are Independent Directors while the Audit Committee comprises at least one independent director who is a professional accountant.

The extraordinary general meeting of China Coal Energy

To ensure scientific decision-making of and standardised operation in the General Meeting of the Shareholders, the Board, the Supervisory Committee and the corporate management, the Company formulated important rules and regulations such as "Rules of Procedure for Shareholders' General Meeting", "Rules of Procedure for Board's Meeting", "Rules of Procedure for Supervisory Committee's General Meeting", "Rules of Procedure for Corporate Management's General Meeting", "Work Manual of the sub-committees under the Board", "Work System of Independent Directors" respectively in accordance with relevant laws and regulations and the provisions of the Articles of Association, clearly determining the duties and powers, work procedures and operational rules of the General Meeting of the Shareholders, the Board, the Supervisory Committee and the specific committees under the Board. The Company also established various internal control systems in order to strengthen the internal control, including but not limited to "Financial Management Measures", Accounting Measures, "Financial Budget Management Measures", "Capital Management Measures", "External Guarantee Management System, Internal Control and Auditing System", "Management System of Information Disclosure", "Management System of Investor Relations", "Management Measures on Connected Transactions", "Provisional Management Measures for the Remuneration of the Company's Senior Management", "Management Measures on the Shares (and Its Changes Thereof) of the Company Held by Its Directors, Supervisors, Senior Management And Company Insiders", "Internal Reporting System of Material Information", "Investment Management Measures" and "Registration System for Company Insiders", which cover the whole production and operation process from investment decisions, business operation, financial management, management of safe production, management of human resources to legal risks, ensuring that each and every aspect of operations is in compliance with the standardised management control system.

Internal Control

The Company implemented comprehensive budget management, actively optimised resources allocation, boosted operating results and enhanced the risk resistance capability to achieve "three close integrations". The first one was the close integration of production operating plans and financial budgets under which production and marketing plans were scientifically formulated based on market demands. The second one was the close integration of planning for expenditures for non-current assets and financial budgets under which preliminary work and construction progress of projects were accelerated based on the development plans. The third one was the close integration of financial budget and risk control under which cost and expense control was fully reinforced, management of cash flow was strengthened and the quality of assets and capital structure were improved to maximise economic benefits.

On-site inspection of the specific governance of "secret vaults"

The Company implemented centralised capital management and purchases of materials. The annual internal allocation of capital exceeded RMB5 billion, reducing RMB270 million of financial expenses; and the amount of centralised purchase contracts reached RMB6.68 billion, reducing 3.01% of the cost of purchase.

The Company continued to construct a comprehensive risk control system and facilitated the integration of risk control and workflow, which reinforced its risk resistance capability and control. It established an economic assessment centre for investment projects, which completed 20 investment project assessments and strengthened the prevention of investment risks.

The Company implemented efficiency monitoring and specific governance on "secret vaults" and strengthened auditing and supervision by auditing 72 projects with assets amounting to RMB22.395 billion and providing 319 audit opinions during the year.

Performance Evaluation

The Company improved the performance evaluation system for the performance of the head office's departments and the responsible officers of the subordinated enterprises. It also established an effective incentive and regulation scheme on the basis of the established evaluation system with reference to the principles of performance evaluation for the staff. i.e. standardised performance, comprehensive management, complete evaluation, and evidence-based award and punishment. The Company also made further amendments and issued "Measures for Performance Evaluation on Head Office's Departments of

China Coal Energy Company Limited" and "Measures for Annual Performance Evaluation on Operating Results Achieved by Responsible Officers of Subordinated Enterprises of China Coal Energy Company Limited". The Measures of Performance Evaluation on Head Office's Departments further specified the required targets, classified the weight of each evaluation item and introduced indexes for workload level. It implemented dynamic evaluation and introduced an interim evaluation with a focus on the purposes of evaluation, aiming to encourage the departments to enhance their work efficiency and adjust their work priorities.

Anti-Corruption

The Company highly valued the prevention and punishment of corruption, maintained its policy of identifying and rectifying the problems, promoted comprehensive governance, adopted both punishment and prevention measures and focused on prevention. The Company made a lot of efforts to eliminate and reduce corruption, strengthen education on honour work ethics and regulation of power and enhance the decision-making process and full implementation of the system. The Company seriously carried out the "Implementation Opinion Regarding Punishment and Prevention System of Corruption for the Five-Year Plan" and set up a system of anti-corruption and clean work ethics. Through the reinforcement of supervision on the head office's work performance, the specific governance of "secret vaults", specific inspection on vehicles, comprehensive clean record for the management, the Company continued to strengthen its daily monitoring, enhance corporate operation and management and regulate the power of the management.

Management of Investor Relations

China Coal Energy always highly values the management of investor relations, considering it as part of the Company's overall strategic management. On the basis of ensuring standardised and sufficient information disclosure, the Company has successfully enhanced the understanding and recognition of the Company by the capital market and built up a positive image of the Company in the capital market through comprehensive and transparent communication with investors and analysts in respect of the Company's strategic planning, corporate governance, operating results, financial conditions and prospects. The Company has been expanding its communication channels in order to satisfy the various needs of investors. The Company has built up an investor communication platform which includes results announcement meetings, non-deal road shows, Shareholders' general meetings, investors fora, small-scale face-to-face meetings, reverse road-shows, day-to-day visits and teleconferencing, and IR webpages in the Company website, through which the Company has sufficient all-round exchange and communication with domestic and overseas investors and maintains positive interaction closely with the capital market.

In 2010, the Company organised various kinds of meetings with a total number of 358 and met 1651 attendees totally, of which 2 were results announcement meetings, 6 were results briefing teleconferences and 67 were non-deal road show meetings, a total of 75 meetings with 418 attendees. It participated in 49 meetings of investment fora organised by 21 securities firms involving 607 attendees, organised 2 site visits at Shanxi and Shaanxi Mining Areas respectively for a total of 36 investors and held 234 investors' visit and teleconferences with 590 attendees. The Company presented our outstanding operating results and future development strategies to the shareholders and potential investors and effectively enhanced the capital market's understanding and recognition of the Company, unified the intrinsic value of the Company with its market value and built up a positive image of the Company in the capital market.

The Company obtained wide attention and recognition from the capital market for its longstanding and consistent efforts. In September 2010, China Coal Energy (HK. 01898) was officially included as a constituent stock in Hong Kong's Hang Seng Index and became a blue chip company in the Hong Kong market. The Company was awarded a number of domestic and international awards and prizes in 2010. China Coal Energy was ranked 357th with its total market capitalisation of US$22.057 billion by the 14th annual ranking of the FT Global 500 published by the Financial Times of the UK. In 2010, China Coal Energy was named in Platts Top 250 World Energy Enterprises for its first time and ranked the second in Global Coal and Consumable Fuels. Furthermore, China Coal Energy won the 12th (2009) "Top 100 Chinese Listed Companies Golden Bull Award" organised by China Securities Journal; the "Governance & Information Disclosure Award for Board Secretary" organised by Shanghai Securities News; the "Top 100 Most Valuable Listed Companies on Main Board of China 2009" and the "Top 100 Board Secretaries of Listed Companies on Main Board of China 2009" organised by Secutimes; and "The Fifth Session of Top 100 Investor Relations in China", "Social Responsibility Contribution Award" and "Best Executive of Top 10 Investor Relations in China" organised by China Listed Company Investor Relations Management Centre.

The investors reverse roadshow organised by China Coal Energy

Management of Social Responsibilities

In 2009, the Company formulated "Guidance Opinions on Corporate Social Responsibilities of China Coal Energy" which provided the targets, purposes and measures for the assumption of social responsibilities, and established a system for the management of the Company's social responsibilities.

General Requirements of Social Responsibilities: A company shall strive to become a role model which attaches high importance on lawful operation, integrity and trust-worthiness, energy saving, environment protection, people-oriented and building up a harmonious corporate and become a pillar of national economy and a model for other companies in the society by raising the awareness for social responsibilities, establishment of a comprehensive system and mechanism for the management of social responsibilities.

Basic Principles of Social Responsibilities: The Company shall consider assuming social responsibilities and promoting corporate reform at the same time and take social responsibility as a motivator to drive the sustainable growth of the Company and increase its comprehensive competitiveness, deepen the corporate reform, improve its deployment, change its mode of growth and realise better and faster development. The Company assumes social responsibilities based on its actual circumstances, prioritises its targets with progressive implementation in order to fully achieve the desired results. The Company endeavors to assume social responsibilities during the development of a harmonious enterprise, focusing on ensuring its safe production, protecting legal rights of its staff members and helping the staff members tackle their practical problems. The Company aims to foster a harmonious relationship with its staff members by the promotion of all-round development of its staff, and realisation of harmonious development among the Company, its staff and the society.

Units for the Management of Assumption of Social Responsibilities: China Coal Energy has set up a unit for the fulfillment of social responsibilities, namely the guidance team for Social Responsibility, with Wang An, the Chairman, being appointed as the team leader, Yang Lieke, the President, being appointed as deputy team leader and the responsible officers of each department as the members. The office of social responsibility work is established under the guidance team which is located at the Company's office and responsible for the specific work of social responsibilities. Respective guidance teams are also set up in each of the secondary enterprises.

Active Promotion of the Standard of ISO26000. Corporate social responsibilities are expanded by ISO26000 to cover the social responsibilities of various kind of organisations. This standard defines social responsibilities globally, clearly standardises the principle of social responsibilities, establishes a core target for the assumption of social responsibilities, outlines the goal of sustainable growth, and integrates social responsibilities into the organisational strategy and daily activity. The Company held meetings for social responsibility work, organised seminars on the standard of ISO26000, and carried out study and research on specific problems for its promotion and application. The Company aims to enhance its standard of corporate social responsibilities by grasping the latest international trend of the management on social responsibilities.

Management of Social Responsibilities

The main duties of the President's Office

- Implements the corporate social responsibility work of the Company
- Coordinates the participation of various departments and moves forward corporate social responsibility
- Preparation and publication of corporate social responsibility report
- Daily management of corporate social responsibility work
- Sets up communications and exchanges of the social responsibility work of the Company

The main duties of the Guidance Team

- Consistently implements the guidance opinions and working requirements of the superior departments and the Company in relation to corporate social responsibility
- Conducts research on the implementation of the guidance opinions and working requirements of corporate social responsibility
- Puts forward the planning and guidance opinions of the social responsibility work of the Company

Core Indicators

Types of Targets	Targets		2010	2009	2008
Economic Performance	Revenue from operation (RMB100 million)	↑	**712.68**	537.30	514.65
	Total profit (RMB100 million)	↑	**102.22**	92.01	99.72
	Net profit attributable to equity holders of the listed company (RMB100 million)	↑	**69.09**	66.22	68.12
	Total assets (RMB100 million)	↑	**1208.15**	1096.81	946.79
	Basic earnings per share (RMB per share)	↑	**0.52**	0.50	0.52
	Raw coal production volume (10 thousand tons)	↑	**12253**	10080	9149
	Sales volume of commercial coal (10 thousand tons)	↑	**11727**	9725	8870
	Coke production volume (10 thousand tons)*	↓	**206**	214	215
	Coal mining equipment production value (RMB100 million)	↑	**71.65**	58.30	44.90
Safe Production	Investment on safe production (RMB100 million)	↑	22.80	11.30	8.50
	Fatality rate of raw coal production per million tons	↑	0.041	0.009	0.020
	Staff training for three positions (person times)	↓	10775	13554	8561
Technological Innovation	Investment on technological innovation (RMB100 million)	↑	15.20	12.5	11
	Patents (number)	↑	106	86	49
	Awards for advancement of technology above the industry standard (number)	↑	19	10	5
Environmental Protection	Investment on energy saving and emission reduction (RMB100 million)	↓	12.7	14.6	4.6
	Utilisation rate of mine water (%)	↑	78.7	76.3	65.8
	Integrated energy consumption per RMB10,000 production output (at comparable cost, tce per RMB10 thousand)	↓	0.329	0.494	0.524
	Utilisation rate of coal gangue (%)	↓	95.1	95.9	92.5
Social contribution	Social contribution per share (RMB per share)	↑	1.95	1.58	1.56
	Amount of donation (RMB10 thousand)	↑	1651	684	1293
	Number of employees (person)	↑	56013	55614	50805

* Coke production volume did not include the production volume of China Coal and Coke Xuyang Limited.

Stakeholders

The Government

Ways and channels for communication and participation

Regular work meetings, Report of information, Meetings for specific agenda, Policy proposals

Essential topics

Taxation, Employment, Contribution to social development

Feedbacks

Operation in compliance with laws, Tax payment in compliance with laws, Promotion of economic development

Investors

Ways and channels for communication and participation

Reports and notification, Regular visits, Road shows and reverse road shows

Essential topics

Business operations, Operational risks, Corporate governance, Long term capital appreciation

Feedbacks

Maintenance and appreciation of the values of the state-owned assets protection on investors' rights and interests, capital appreciation

Customers

Ways and channels for communication and participation

Service hotline, After sale service, Seminars, Regular Visit

Essential topics

Service quality, Business ethics, Operation performance

Feedbacks

Provision of quality products and services

Suppliers

Ways and channels for communication and participation

Disclosure of tendering procedures, Work meetings

Essential topics

Business ethics, Fair cooperation

Feedbacks

Fair procurement, Performance of contracts in compliance with laws, Formulation of "Management Measures for Materials Procurement", "Name Lists of Qualified Suppliers" and "Name Lists of Key Suppliers"

The community and the public

Ways and channels for communication and participation

Community activities, Environment protection

Essential topics

Charity donations, Voluntary services, Community development

Feedbacks

Disaster relief, Help for the poor and the needed, Environment Protection

Financial Institutions

Ways and channels for communication and participation

Meetings for specific agenda, Reports of information, Repayment of principal and interests in a timely manner

Essential topics

Business operations, Operational risks, Corporate governance, Credit facilities

Feedbacks

Repayment of principal and interests in a timely manner

Media

Ways and channels for communication and participation

Information disclosure

Essential topics

Publication of reports, Information disclosure, Multi-channel communication

Feedbacks

Regular disclosure of information on social responsibilities and material issues of public concerns

Employees

Ways and channels for communication and participation

Meetings with employees' representatives, Surveys on satisfaction, Seminars, Mails and visits, Online college

Essential topics

Basic rights, Occupational health, Remuneration and benefits, Work environment, Career development

Feedbacks

Staff training, Provision of good working conditions, Provision of good working environment, Provision of long term career development opportunities

Fellow mining companies

Ways and channels for communication and participation

Cooperation, Research and discussion on specific issues

Essential topics

Industry standard, Fair competition, Promotion of the general development of the industry

Feedbacks

Cooperation, experience sharing, promotion of the sustainable growth of the industry

Economic Responsibilities

Focus on economic efficiency, enhance existing production and marketing strategies to strive for projects' future progress.

- **Scientific organisation and improvement of co-ordination to maintain the rapid growth pace of the production volume of our core products.**
- **Active expansion and increase of the productivity to achieve record-breaking results in coal sales.**
- **Implementation of our plans and programmes and acceleration of the construction works to bring in positive changes for the overall deployment.**
- **Making investment as planned and enhancement of co-operation to continuously optimise the environment for growth of the Company.**
- **Illustrative Case: The successful completion of mining area with a production capacity of 100 million tons - Pingshuo Company**

The major products of the Company are coal and other related products. The Company considers the creation of value for investors as its primary mission and top priority. In 2010, China Coal Energy upheld its market-oriented and customer-centred operation philosophy and continued to enhance the stable supply of high-quality energy, through which the quality of its products and services were guaranteed. The Company also enhanced its core competitive edges and capability of risk resistance, resulting in a number of historical high records in the operation indicators, which laid a solid foundation for the Company to assume social responsibilities and meet various needs from the related stakeholders.

The production volume of Pingshuo Company achieved over 100 million tons

The open pit mines of Pingshuo Company further accomplished outstanding performance in production

Scientific organisation and improvement of co-ordination to maintain the rapid growth pace of the production volume of our core products.

The Company made great efforts to maintain external relations and set up scientific production schedules, and overcame the challenges of frequent shutdowns and complex geological conditions. Key operation indicators achieved their annual targets and recorded the best results since the incorporation of the Company. Pingshuo Company demonstrated full determination in achieving its target through increasing productivity, realising production capacity of over 100 million tons. Shanghai Energy optimised its production schedule and enhanced the standard of its equipment to fully realise its production potential. The production volume of self-produced raw coal exceeded 9 million tons for the first time, and the production volumes of coal, electricity and aluminium overachieved their annual targets as planned. China Coal Equipment Company expanded its market and manufactured mining machinery of RMB7.16 billion, representing a growth of 22.8% over last year, and became the only mining machinery company among China's top 100 machinery corporations.

The Company's sales volume hit record and exceeded 100 million tons

The Company stepped up the construction of Pingshuo East Open Pit Mine

Aggressive expansion and increase of the productivity to achieve record-breaking results in coal sales.

The Company adhered to the market-oriented and customer-focused concept and strengthened coal production, transportation and sales, connection between roads and ports, carefully organised the logistics of coal and made more efforts to expand the market, resulting in the highest annual coal sales volume in record and in turn strongly supported the construction of Pingshuo Mining Area with a production capacity of 100 million tons. Whilst improving the quality of coal produced by Pingshuo, the Company also increased the purchase of resources from external channel and achieved sale of 25 million tons of coal blending. Satisfactory results were recorded and the markets were identified by the Company to expand its future production capacity. In addition, the Company expanded the lump coal market and customer network, resulting in the sale of 2.35 million tons of lump coal. Not only the sale and value of the products were increased, the construction of the sale and logistics networks was also accelerated. Moreover, the Company actively responded to the trend of power enterprises to increase their annual self-supply rates of coal year by year through optimising market structure and extensively exploiting other markets with high degree of marketisation and strong adaptability to price changes, such as construction materials and metallurgy, which led to an increase of 4% in the sales of non-power coal over that of last year. To take advantage of the patterns of price fluctuation and achieve value maximisation, the Company reinforced its flexibility in sales and sold the same products at different prices. In addition, we centralised the sources of raw material, strengthened co-operation between railways to increase their transportation capacity, and actively utilised the increased railway capacity which amounted to 7.60 million tons for the year, representing 10.15% of newly increased transportation capacity of the Daqin Line in the year. We also worked on the integration of the Company's distribution markets in the five major regions, speeded up the construction of transfer bases and basically established a market network which focused on sales enterprises with regional companies covering the major consumption areas in the PRC.

Implementation of our plans and programmes and acceleration of the construction works to bring in positive changes for the overall deployment.

The Company adhered to its strategic planning and completed the formulation of its development plan in accordance with the "Twelfth Five-Year Plan" with clear development targets, paths and measures. We enhanced the connection among our plans and our key projects under the "Twelfth Five-Year Plan" were incorporated into the plans of the State and local governments, bringing favourable environment for the construction of our projects. We obtained resources through project implementation. Total volume of resources in mining areas amounted to 18.5 billion tons. The acquisition and re-organisation of the Xiaohuigou Coal Mine in Shanxi and the Hecaogou Coal Mine in Shaanxi brought about additional resources at the amount of 920 million tons. We accelerated the preparation work of our projects and the general plan for the Shuonan Mining Area has been approved. Approvals for the commencement of the preparation works for the Muduchaideng Coal Mines were obtained. In addition, we accelerated the progress of the projects under construction. 27 projects under construction including the Pingshuo East Open Pit Mine were in stable progress. 16 projects including Antaibao underground mine have been completed and commenced operation. The two main drivers for growth, Pingshuo and Ordos, have achieved impressive progress. On the basis of the construction of new bases and acquisition of new resources, the Company successfully made changes to the A Shares capital raising project. Pingshuo was no longer the single largest company and synergy effect among five major bases has basically achieved.

Making investment as planned and enhancement of co-operation to ever optimise the environment for growth of the Company.

The Company established comprehensive systems for the management of capital expenditure plans and monthly meetings for basic constructions, reinforced its dynamic management and enhanced the standard for planning management. It also enhanced the control over the progress, quality and investment of construction projects and ensured their smooth progress. The Company's capital expenditure plans for 2010 have been accomplished with the best results in record. The annual expenditure amounted to RMB19.808 billion, having accomplished 84.3% of the plans. With regard to our core business, the Company established strategic partnerships with enterprises such as China Datang Corporation, Rockcheck Group, Shanghai Electric Group and CNOOC and signed strategic cooperation agreements with the governments of the Inner Mongolia Autonomous Region, Shanxi Province, Shaanxi Province, Xinjiang Autonomous Region, Yan'an City, Yulin City and Hulunbeier City. These provided the Company with attractive development opportunities and markets. Emphasising on mutual economic growth of the Company and local communities, the Company gained the understanding and support from different levels of governments and leaders with its sincerity, determination in development and high efficiency. A good social image of the Company was built up gradually and favourable environment and foundation were created as well which facilitated the preparation work of our key projects.

Illustrative case

The successful completion of mining area with a production capacity of 100 million tons – Pingshuo Company

On 15 December 2010, China Coal Pingshuo Company developed the PRC's first single mining area within a province with a production capacity of 100 million tons.

In 1979, with the active involvement from the chief designer, our Xiaoping, and under the direct command of CPC Commission of the Ministry of Coal Industry, the PRC's first open pit mine – Antaibao Open Pit Mine, with a production capacity of 10 million tons jointly developed by the PRC and the United States, commenced construction. The above project kicked off the construction of the PRC's large-scale open pit mines. The successful completion of the Pingshuo Open Pit Mine played an important and leading role in encouraging the construction of the PRC's large-scale and modernised mines, promoting the mechanised and modernised production, and enhancing the management standard of coal mines.

The Pingshuo Company with the production capacity of 100 million tons is safe and secure in nature. In 2010, Pingshuo Company's fatality rate of raw coal production per million tons was 0.01, accumulating up to 0.035, which reached the international advanced safety level.

The Pingshuo Company with the production capacity of 100 million tons is highly productive and efficient. The raw coal production volume of the Pingshuo Mining Area surged to over 50 million tons in 2006 from 1.54 million tons in 1987.


The strip mining of Pingshuo open pit mine

It took two decades to make such achievement. However, it took only 4 years to increase the production by another 50 million tons. The annual average increase amounted to 10 million tons. For the year 2010, revenue, profit, total assets and raw coal work efficiency represented 2.54 times, 6.58 times, 2.18 times and 1.5 times for the initial period of "Eleventh Five-Year Plan" respectively.

The Pingshuo Company with the production capacity of 100 million tons is technologically innovative. It was the first mine in the PRC to adopt "open pit and underground joint mining" and successfully apply the technology of "top caving under the hard roof and hard coal conditions", resulting in a recovery rate of over 96% at open pit mines and over 85% at underground mines, with the highest consolidated recovery rate of resources in the PRC. The Company also succeeded in applying the production technology system for mines with a production capacity of 10 million tons and technology for rapid mine construction. During the period of the "Eleventh Fiver-Year Plan", 3 highly productive and efficient mines each with a production capacity of 10 million tons were built. Emphasising on clean production, all raw coal in mining areas is washed and coal is blended on the production line. The power plant for the large-volume subcritical (supercritical) circulating fluidised boiler has been built and operating steadily. The study on the integrated use of silicon and aluminium extracted from fly ash has become a technology with intellectual property right and a full set a large-scale capacity of industrialised reproduction.

The Pingshuo Company is people-oriented and has harmonious environment. By the end of 2010, staff members who signed contracts totaled 10,845. While production volume doubled, the number of workers only increased by 860 in 5 years. Staff members with university degrees or vocational college diplomas accounted for 51% of the total work force, while senior occupations or above accounted for 15%. The average salary of our staff members increased by RMB36,228 in 5 years, representing an annual growth of 16%. Since the establishment of the mining area, it has paid various taxes of RMB17.5 billion, representing an annual increase of 30% of tax paid. It was known as the largest taxpayer in Shuozhou City for many years. During the period under the "Eleventh Five-Year Plan", it donated a total of RMB935 million to local charity and helped the training and settlement of more than 2,500 peasants who lost their farmland.

Safety Responsibilities

Insist on promoting the concept of safe production and ensure production safety based on the standardisation of safety measures and accountability for safe production.

- **Implementation of safe production based on advanced concepts**
- **Establishment of standards for safety to strengthen safe production**
- **Enhancement of safety control through accountability for safe production**
- **Illustrative case: Model of safety and quality standardisation – Shanghai Energy**

In 2010, the Company implemented the Scientific Development Concept, adhered to the principles of people-oriented for safe development and aimed at the "zero fatality rate". The Company implemented the three projects of "safety and quality standardisation; removal, investigation and rectification of potential problems; supervision and monitoring of safety" with full scale. With the improvement on the three areas of "environment, quality and responsibilities", the conditions of production safety were stabilised and showed an improving trend. The fatality rate of coal production per million tons was 0.041, which continued to stay at the advanced level in the industry.

Implementation of safe production based on advanced concepts.

The advanced concepts of safety are the guidelines for promoting the sense and behaviour of safety of the staff. Insisting on the core principle of "safety and life is the most important", we vigorously promoted a number of advanced concepts of safety, including "implementing automation" and "good working environment plus regulated operation equals to safety".

Through the safety education and training, we reinforced the "three main procedures", job position standards and operation skills for the staff, and implemented the regular safety training of "three ones approaches", i.e. "one issue each day, one case

The meeting on standardisation of production safety convened by the China Coal Equipment

Chairman Wang An conducted the inspection of production safety

Detailed inspection on production compliance

each week and one examination each month". The three levels of staff members, i.e. key executives, management personnel of production safety and special-work staff must receive safety training. The training sessions were held for 10,775 participants in total during the year to ensure that all three levels of staff members were certified in safety. Through actively organising the safety education, the sense and skills of safety of the workers were notably enhanced, creating and promoting a safe production environment within the Company.

Establishment of standards for safety to strengthen safe production.

At the beginning of 2010, the Company held a site meeting on safety and quality standardisation to promote the safety and quality standardisation in full scale. Efforts were made on review of and assessment on the safety and quality standardisation of coal production and coal chemical companies. Pingshuo Company, Shanghai Energy and China Coal and Coke were recognised as companies with safety and quality standardisation while eight mines including Antaibao Open Pit Mine of Pingshuo Company were recognised as national coal mines with safety and quality standardisation. We have formulated the standards and details of safety and quality standardisation assessments for the companies engaging in coal washing and cleaning, power generation from the pit mouth and coal machinery equipments, and widely commenced the safety and quality standardisation for all businesses. Through enhancing incentive measures and increasing the proportion of standardised income by doubling the amounts of incentives for the companies with safety and quality standardisation and offering the incentives of RMB5.1 million to the companies and coal mines with safety and quality standardisation, the enthusiasm and initiatives of the staff for safety and quality standardisation were stimulated.


Standardised Tunnel

While improving the system, the Company continued to upgrade the hardware, adopted the technological advancement and management innovation in the industry and actively promoted the application of new technology, new techniques, new materials and new equipment. With advanced technology and the information technology, the four development directions, i.e. expansion of production scale, modernisation of technology and equipment, professional team development and information management methods, and the "five high standards", i.e. high starting point, high target, high quality, high efficiency and high benefits were followed. Production safety was greatly promoted by enhanced automation and information technology in mines. In 2010, an amount of RMB2.27 billion was invested in safety, effectively improving the working environment. As a result, 12 highly efficient safe mines of which 8 being super safe mines were established, and the hazard prevention and resistance capabilities of mines were enhanced. We accelerated the establishment of safety and risk avoidance system and the five major systems for monitoring and controlling, positioning of the staff, compressed air self-rescue, supply of water and communication for operating mines were completed timely. The testing of moveable mine refuge chamber was carried out in Pingshuo Company and Shanghai Energy.

Enhancement of safety control through accountability for safe production.

The Company has signed the responsibility letters of production safety with all subsidiaries, and strictly implemented one-vote veto system for safe production. A number of rules and regulations including supervision and management on production safety, removal, investigation and resolution of potential problems and entering the underground mines with the team leaders of the mines were formulated and daily, weekly and monthly meetings for safe production scheduling were held to regulate the management of safety. The safety supervision and inspection were enhanced. The Company conducted large-scale safety inspection activities during important periods such as Chinese New Year, the holding of the sessions of National People's Congress and National Committee of the Chinese People's Political Consultative Conference and the National Day, and organised "a safe quarter", "production safety month" and "100 days safety". We had learnt a lesson from Wangjialing mine accident. As a result, the safety supervision of our systems was

Waiting platform in the underground mine

enhanced by focusing on the safety monitoring, resolving the potential problems, optimising our techniques and upgrading the equipment. The Company attached more importance to the safety performance evaluation on the responsible officers of the companies and granted safety incentives of RMB1.695 million to them in 2010. The remuneration packages linked with safety were introduced, and the staff incomes were linked to the safety performance. The Company strictly implemented accountability system and seriously penalised those who should be responsible for the incidents according to the relevant regulations.

Shanghai Energy seminar on standardisation of coal mine safety and quality

Illustrative case:

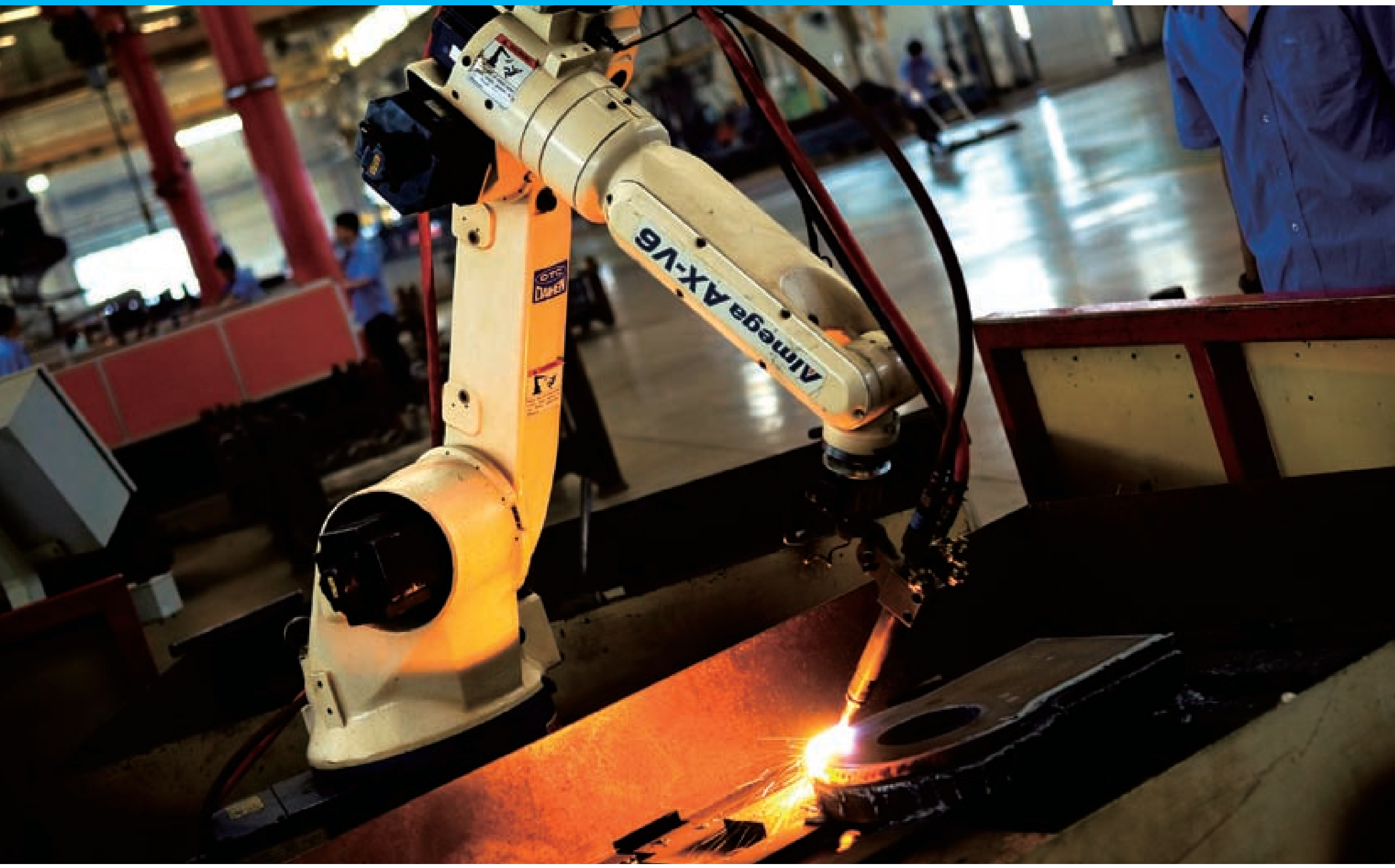
Model of safety and quality standardisation – Shanghai Energy

Shanghai Energy officially commenced the safety and quality standardisation in April 1988, which was one of the first state-owned mines that passed the national quality standardisation. With regard to safe production, Shanghai Energy refined their knowledge, improved their systems, expanded the scopes, raised the standard, innovated the measures and tightened the assessment over the years. During the process, the establishment of safety and quality standardisation changed from passive and static approach to active and dynamic approach for goal-achievement. The safety and quality standardisation was also extended to cover all production units rather than just focusing on the coal mines, which continuously enhanced the standardisation.

Shanghai Energy insisted on the establishment of safety and quality standardisation as the foundation of safe production, creating a desirable working environment for the staff.

Upholding the philosophy of "vigilant mind, regulated system, dynamic goal-achievement, strict evaluation, stable growth", the Company coordinated, planned, implemented and promoted the establishment of safety and quality standardisation, and strictly monitored the process and carried out on-the–spot intensive management. On-site meeting on safety and quality standardisation was held quarterly and amended and modified 35 evaluation approaches and 42 standards for implementation. Investment in safety continued to increase. More than RMB117.86 million were invested on the safety and quality standardisation up to now and more than 260 works for the safety and quality standardisation were completed, resulting in an effective improvement on the safety of the working environment. Shanghai Energy continuously upgraded the production techniques and the equipment. It also introduced the high-power comprehensive excavation machines and two-leg top caving roof support for raw coal production and rock drilling machines for road header system, optimising the production techniques. The coal mines of its subsidiaries were fully mechanised, mitigating the intensity of its labour requirement. We stringently supervised the purchase, management and use of the protective equipment for the staff and timely distributed such equipment to them.

It was recognised as an advanced company in terms of safe production and safety and quality standardisation in Jiangsu Province for five consecutive years, and Yaoqiao Mine, Xuzhuang Mine and Kongzhuang Mine were recognised as the national mines in term of safety and quality standardisation.



Innovation Responsibilities

Insist on innovation to drive the growth, improve technological innovation and carry out key technological development projects

- **Carrying out key technological development projects in key areas and obtaining significant results from the innovation**
- **Establishment of a world leading base and enhancement of all around capacity for innovation**
- **Building up our innovation capacity and establishment of an incentive system for innovation**
- **Illustrative case: The corporate representative of advanced technology – Zhangjiakou Mining Machinery**

In 2010, while focusing on supporting the construction of five major bases and promoting the growth of core businesses, China Coal Energy also fulfilled the responsibility as a state-owned company in the acceleration of the changes of economic development mode by reinforcing the technological innovation and focusing on developing the most advanced technology of the industry. A number of breakthroughs in key technology have been made, resulting in further enhancement in industry development.

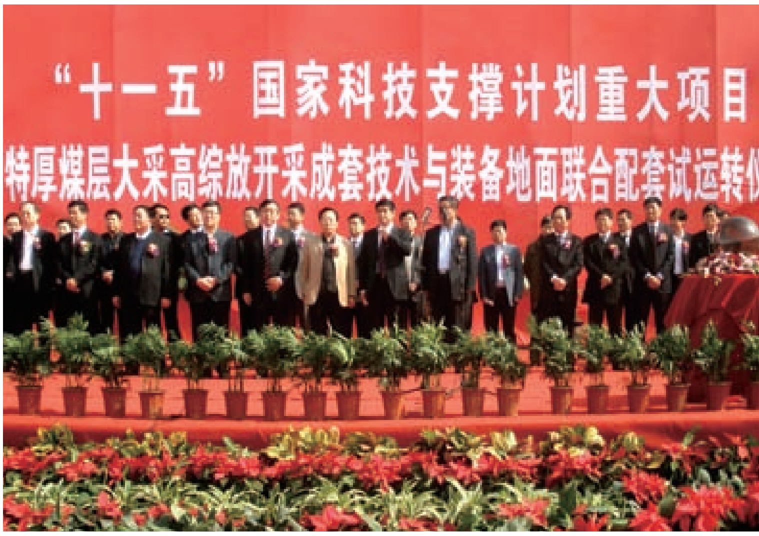
Carrying out key technological development projects in key areas and obtaining significant results from the innovation

Focusing on the coal production, coal mining equipment and coal chemical businesses, the drivers for the growth of the core business, the Company continued to increase its investment in technology by carrying out key technological projects. The Company undertook 8 national technological projects, 14 technological projects on coal industry, 30 projects on the amendment to the national and industrial standards; and implemented 5 major technological projects and 48 key technological programmes of China Coal Group.

Through the five key technologies of the fully mechanised top caving technology, the complete equipment for 10-million-ton annual output, strip mining in open-cut mines, key technology for combined mining of underground and open-pit mining and the ecological treatment and reclamation of the open-cut dumping ground, our standard of the technology is in line with the world's advanced standard, which helps break through the key technological bottleneck in Pingshuo, the production base with the production capacity of 100 million tons, and enhances the technology for safe and highly efficient coal mines in the PRC.

The research and development, manufacturing and application of the complete equipment for the comprehensive excavation in national underground mines with 10 million ton output have been completed and this technology has met the national advanced standard, upon which a number of high value added and advanced products were developed to meet the demand for heavy-duty, automotive and complete-set of major equipment for mining and lead the technological development of the industry.

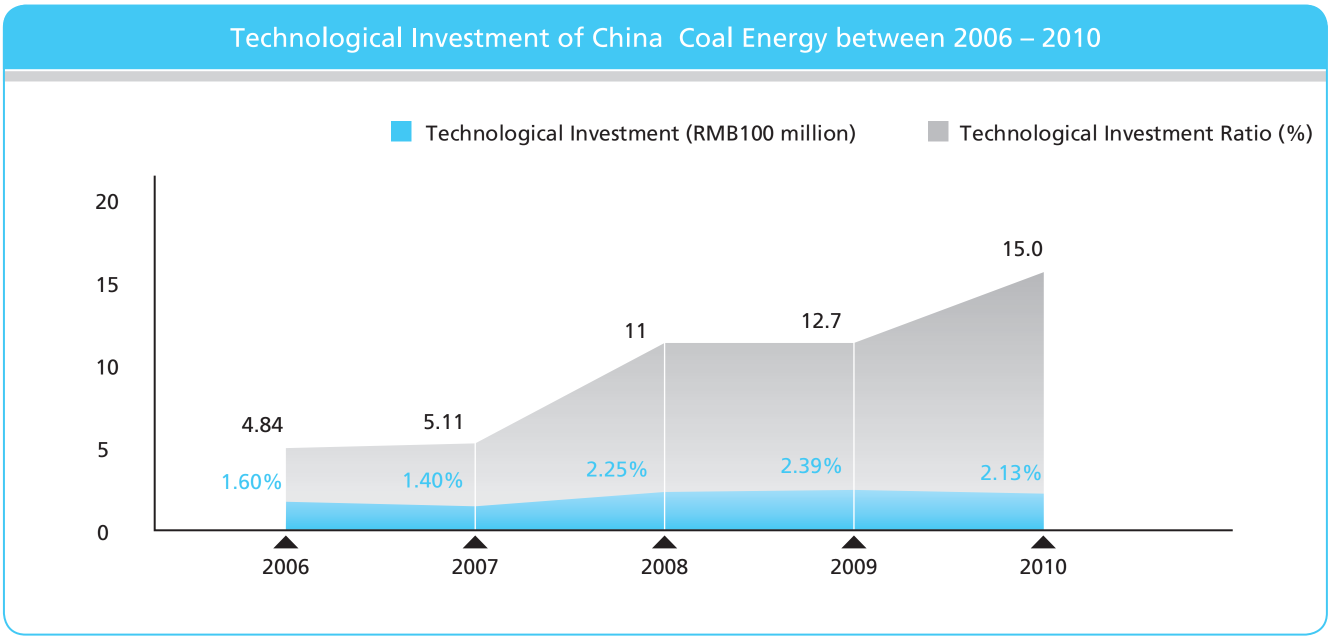
After the successful completion of the study on the key technology for manual distillation of coal-based natural gas from blow-out gas in methanol synthesis, several breakthroughs were made in technology transition. The Company has prepared and completed and officially implemented the first corporate standard on coal-based natural gas techniques in the PRC after filing with the relevant competent authorities in the PRC. It provided a supportive technology for the supply of gas in Harbin.



Trial operation of key projects under Technological Support Plan during the "Eleventh Five-Year Plan"

National technological projects undertaken by China Coal Energy in 2010

No.	Nature of project	Name of project	Progress
1	High-tech R&D Programme (863 Programme) of Ministry of Technology	Remote monitoring techniques and supervision system for mining machine	staged results
2	High-tech R&D Programme (863 Programme) of Ministry of Technology	Remote monitoring techniques and supervision system for road header	staged results
3	National Innovative Ability Development Programme of National Development and Reform Commission	The study on the enhancement of innovative ability conducted by Shanghai Technical Centre of Energy (上海能源技术中心)	completed and testing passed
4	National Innovative Ability Development Programme of National Development and Reform Commission	Improvement of innovative ability for Technology Centre of Zhangjiakou Coal Mining Machinery	main tasks completed
5	National Key Industrial Technology Development Programme	Coal mine gas comprehensive control and utilisation of key equipment – Underbalanced truck-mounted drilling machine for gas drainage on surface	industrial testing completed
6	National Centre for Research and Development (Laboratory) on Energy (国家能源研发(实验)中心)	The construction of Research and Development Centre of the State for Coal Mining Machines	being implemented
7	National Science and Technology Pillar Programme of Ministry of Technology	Complete equipment of 2 X 1000 fully-mechanised top caving working face AFC for high coal seam	staged results
8	National Science and Technology Pillar Programme of Ministry of Technology	ZF15000/28/52 LTCC hydraulic roof support for high coal seam	staged results



Establishment of a world leading base and enhancement of capacity for innovation

The Company strengthened its research and study effort and led the development of energy industry. In 2010, the Company focused its resources on developing a testing and research system for the mechanical equipment for coal mining with the strongest testing ability and the most advanced technology in the world. The Company fully accelerated the construction of the National Development and Research Centre of the Mechanical Equipment of Coal Mining of Energy. The Company also completed the establishment of a high tech enterprise at national level, 2 laboratories with national accreditation and a technology centre at provincial level. These initially formed an independent, open and integrated technological innovation system.

The Company strengthened the scientific and strategic management and control, and reinforced basic security ability. The Company finalised the technological and strategic planning for the "Twelfth Five-year Plan" and continued the preparation of technological development planning and intellectual rights planning in 2010. The Company improved the comprehensive mechanism for the stable increase of investment in technology,

A Brief Introduction of the Core Targets of Technological Innovation of China Coal Energy

Targets	2010	2009	2008	2007	2006
Investment in technology (RMB100 million)	**15.0**	12.7	11	5.1	4.84
Awards for advancement of technology above the industry standard (number)	**19**	10	9	9	12
Patents granted (number)	**106**	86	49	38	22

a control and monitoring mechanism for technological strategic planning, synergic mechanism for the breakthrough of key technology and an incentive and regulation mechanism for technological innovation, and established the system and working procedures for information system for technology which further enhanced the basic security ability.

The Company accelerated the development of intellectual rights and increased the application of advanced technologies. It also increased efforts on the development of patented technology and made application for 165 patents during the year, representing an increase of 38% over that of last year. It expanded the application of the following key demonstration techniques on the production and construction process, including the backfill techniques for coal mines, the technique for underground transmission with optical fiber, the non-destruction examination technique for TCK wire ropes, the underground emergency rescue chamber technique, the energy saving technique of Schneider, the technique of precise underground staff positioning and mobile communication.

Building up our innovation capacity and establishment of an incentive system for innovation

The company made substantial enhancement on independent innovation ability in 2010. It was awarded a national technological improvement award, 18 awards for improvements on coal industry technology, and was granted 106 patents, of which 9 patents were granted for invention and one patent was granted in the United States of America. The Company has more than 300 valid patents, making the total number of valid patents to 310, of which 17 were invention patents. "The Study on New Mining Techniques and its Application on Large Open Pit Mine" was granted the national technological improvement award and other 6 projects were awarded first-grade awards for improvements on coal industry technology, i.e. "The Study and Application of Key Technique for Combined Mining in Open Pit Mine", "The SGZl000(1250)/3×1000(855) Armoured Face Conveyor Complete Set Equipment for Highly Efficient Pits", "The Study and Application of Safely and Highly Efficient Mining Method for the Working Face of Fully Automatic Coal Ploughs for Thin Coal Seam", "The Theory for Thick Seam Mining and its Application", "The Study on the Technique for the Failure Mechanism and Control on the Stability of the Dumping Ground of Loess Site" and "The Study on and Commercialisation of high-end Mining Hydraulic Supporter and its Advanced Key Production Technology".

Illustrative case:

The corporate representative of advanced technology – Zhangjiakou Mining Machinery

China Coal Zhangjiakou Coal Mining Machinery Company Limited is the largest and strongest manufacturing enterprise for specialised coal mining equipment among high tech enterprises in the PRC.

The Company aims at serving the energy industry in the PRC by providing the coal industry with advanced technologies and highly reliable equipment, strengthening its innovation capability and developing high-end brand name products. Its core products continued to take the lead of the technological development of the Armoured Face Conveyors for mining in the PRC, making ongoing contribution to the transition and development of the coal industry and the PRC's equipment manufacturing industry.

In 2009, the company was recognised as a high tech enterprise at national level. It was further listed as one of the first "Key High Tech Enterprises in the National Torch Programme" in 2010, becoming a model enterprise for technological innovation and innovative pilot enterprise. The company was ranked in "Top 500 PRC's Engineering Enterprises" for 8 consecutive years (ranked the 235th in 2010), while its trademark was accredited as the "PRC's Famous Trademark".

For the recent three years, the Company's capability in carrying out study and research and product development was significantly enhanced through the implementation of the corporate technical centre's innovative ability establishment projects designated by the Government. The overall technology of the company's projects of "The Study on and Manufacturing of Complete Set Conveyor Equipment of Working Face for Top Caving Method with Annual Output of 10 Million Tons of Coal" and "SZZ1550/700 (525) bridge stage loader" achieved international advanced standards and were the only high productive and high efficient heavy machines for top coal caving face with annual output of 10 million tons of coal. This provided strong technological support and equipment assurance for the PRC's large mines with ultra high mining pressure and thick coal seams, ensuring full mechanisation and modernisation of safe and high production and high efficiency.

The tensile strength and the fatigue life of φ34~48mm high tensile steel compact chains developed by the Company exceeds the standard of DIN (≥70000 times). These high tensile steel compact chains substituted the imported products and were exported to the oversea markets. " The Study on the Extension of Useful Life of Linespan of Armoured Face Conveyors for Mining", "The Study on Design and Manufacturing of Automated Soldering of Linespan of Heavy Armoured Face Conveyors" and " The Study on the Localisation of 23MnNiMoCr54 Steel Chains and their Application" all achieved international advanced standards, and were breakthroughs in the PRC with significant social and economic benefits.

China's largest armored face conveyor developed by Zhangjiakou Mining Machinery

Environment Responsibilities

Uphold the concept of green and clean development, save energy and reduce emission to a greater extent to protect the environment.

- **Use of advanced technology to save energy and resources.**
- **Control of production process and realisation of low-carbon clean production.**
- **Development of recycling economy and increase of the comprehensive utilisation rate of resources.**
- **Creation of new management method and promotion of energy saving and environmental protection.**
- **Illustrative case: Adherence to green mining and environmental protection – Pingshuo Mining Area**

The Company adheres to a energy-saving, clean and sustainable growth mode, and places high importance on reasonable utilisation of resource and protection of ecology and environment. The Company regards high resource utilisation rate, low environmental pollution, and strong circular economy as the internal requirements for developing its core competitive edges. It actively and continuously promotes energy saving and environmental protection. While the Company continues to expand its scale of production and experiences a great leap-forward development, it is also able to effectively control its energy consumption and emission of main pollutants and fulfill its duty of environmental protection.

Compared with the end of the "Tenth Five-year Plan", the Company's integrated energy consumption per RMB10,000 production output decreased by 18.9% in 2010; the emission of sulphur dioxide was reduced by 25.9% over the corresponding period, emission of chemical oxides was reduced by 33.1%; the integrated energy consumption for raw coal production was 3.29 kgce/ton, the utilisation rate of mine water was 78.7% and the integrated utilisation rate of coal gangue was 95.1%, reaching the advanced level in the domestic industry.

Targets	Units	China Coal Energy	Coal Industry
Integrated energy consumption for raw coal production	kgtce/ton	3.29	11.67
Utilisation rate of mine water	%	78.7	61.7
Integrated utilisation rate of coal gangue	%	95.1	62.5

Note: The data of the coal industry was extracted from relevant information of the China Coal Processing and Utilisation Association.

Use of advanced technology to save energy and resources.

The Company possesses a number of international and domestic advanced key technologies, including safe and effective surface-and-tunnel extraction mining, fully mechanised top caving method for mining in shallowly-buried hard coal seam with hard top, lake mining for coals, and the study and manufacturing of important coal mining equipment. With these technologies, the Company is able to achieve the annual output of 10 million tons of coal per mine per year by increasing the productivity and reducing the unit consumption of the products, which meets the international advanced standard. The complete equipment for purification and utilisation of mine water jointly developed with a scientific research centre was widely used, which realises the recycling use of water resources. The new independently developed technologies for integrated utilisation of resources, such as "shale fluidised retorting" and the "method for extracting aluminium oxide and white carbon black from purified fly ash" have entered the stage of industrial application.

Coal washing and preparation realised the recycling utilisation of water resources

The pit mouth power plant of Shanghai Energy

The Company adopted international and domestic technologies for energy saving and emission reduction and carried out optimisation for a number of energy saving systems, including projects such as residual heat power generation, wastewater treatment, desulphurisation reform for boiler (coke oven) smoke, integrated utilisation of resource, conducted reactive power compensation for mines and coal reparation plants and improved the quality of electric network by increasing power factors. The technology of high pressure coal slurry recovery was adopted in the coal reparation plants to fully recover all coal slurry and to be loaded and transported out of the plants. This not only increases the recycling rate of coal resources, but also solves problems of environmental pollution caused by coal slurry. The Company utilises residual heat and residual pressure for the production, which save the energy and effectively reduce carbon emission. The Company also expands the classification of wastewater treatment in mine areas and cascade use to achieve closed-circuit circulation without discharge. The Company installed online monitoring system at key facilities for environmental protection and treatment of wastewater and wasted gas to essentially carry out online monitoring.

Control of production process and realisation of low-carbon clean production.

The Company values reasonable mining of coal resources, and adopts such advanced equipment and technologies as support for great mining height, full-seam mining technology, top coal caving mining, with 95.6% of resources recovery rate in open mines and 80.7% of recovery rate in mine area. The Company attaches high importance to the production of clean coal and constructs auxiliary modernised coal reparation plants in the meantime. The Company also adopts full heavy medium coal preparation technology in order to carry out closed-circuit circulation and automated production. Raw coal produced will be treated with coal processing to effectively reduce the amount of coal ash in the products, which reduces the use of railway capacity and increases the combustion efficiency. The by-products of coal processing, such as coal gangue and coal slurry, are used in power generation, attaining the integrated utilisation of coal resources. The Company strongly promotes the application of clean production technology, recycles wastewater, wasted gas and residues and residual heat. The Company actively uses various clean production technologies such as frequency control in power consumption, low gas power generation in mines, power generation with residual heat of coke oven, technology reformation of gas turbines and gas tanks, closed re-construction of coal storage yards so as to increase the utilisation rate of energy and achieve clean production.

Development of recycling economy and increase of the comprehensive utilisation of resources.

The Company constructed the new system of integrated utilisation of coal on the model of recycling economy to enhance its sustainable development capability. Currently, the Shanghai Datun Mining Area is engaged in coal mining and processing, gangue-fired power generation, construction materials and primary aluminium and started to form the closed cycle of "resources-products-wastes-renewable resources". Through the extension of the production chain of "making the best use of resources and turning wastes into raw materials", the Company realised cascade use of resources and efficiency enhancement to maximise resource efficiency and benefit the social environment the most. We have also been working on the establishment of the industrial chain of "coal-power-aluminium, coal-power-construction materials and the ecological chain of reclamation and reuse of land" in order to develop the internationally and domestically first-class coal recycling economic project. The integrated development mode of "coal-power-chemical" will be adopted primarily in Inner Mongolia-Shaanxi recycling economic base under construction. The Company is developing a large-scale mine with an output of more than 10 million tons in Inner Mongolia Ordos and Shaanxi Yulin, and carrying out the demonstration projects of world-class chemical Industry park with an output of 3 million tons of dimethyl ether and a large-scale pit mouth comprehensive utilisation power plants. Total investment will amount to over RMB100 billion. The project is the integrated coal mining and utilisation project with the largest scale of development, the greatest utilisation of deep processing of coal and the smallest environmental impact.

Creation of new management method and promotion of energy saving and environmental protection.

The Company is developing an assessment system for accountability on an on-going basis, under which energy conservation and emission reduction targets and key energy conservation and emission reduction projects are included in the corporate production and operation plans and the assessment of operating results for the responsible persons of an enterprises at the beginning of the year. Assessment was strictly carried out with reward and punishment. The Company has followed the strategic development direction of establishing an energy saving and environmental-friendly enterprise by vigorous implementation of ISO9001 and ISO14001 management system certification, energy efficiency benchmarking, clean production assessment, introduction of contracted energy management, study on a new system for quantified management of energy conservation and environmental protection and commercialisation, and the on-going modification and optimisation of the management methods. The Company strictly implemented the requirements of environmental impact assessment, the "three-simultaneous" principles, an assessment system for energy conservation and sources control, so as to ensure the effectiveness of energy conservation and environmental protection of our news projects.

Illustrative case

Adherence to green mining and environmental protection – Pingshuo Mining Area

The open pit mine in the Pingshuo Mining Area covers a large mining area with a mining depth of 150-200 metres. The relative height difference of dumping ground is 30-150 meters. Since the building of the mine in 1985, the Company has been actively working on land reclamation. As at the end of 2010, the accumulated investment in land reclamation amounted to over RMB800 million. Gross area of reclaimed land approximated 30,000 mu. The land reclamation rate in the mining area reached over 50%. The integrated planting of trees, plants and grass was carried out for ecological recovery. The vegetation coverage rate in dumping ground was over 90%. Satisfactory growth of crops was seen on the 7,000 mu of reclaimed farmland of the dumping ground, where the crop yield was 30 percentage points higher than the local crop yield in general. It has been proved by experts that land utilisation and land quality were substantially improved after reclamation. The vegetation was better than the original vegetation before mining with a larger coverage rate and more varieties of plants, significantly improved the ecological environment. The integrated method of "mining, transportation, emission and reclamation" has changed the geological features of the area by filling the gullies to form farmland favourable for the development of mechanisation of modern farming. The Company has also created a model for sustainable growth by non-environmental destroying coal mining, reforestation in the mines, formation of production chains and sharing of wealth with the peasants and recommended the model to other fellow operators in the industry. On 28 September 2010, during the period when the environmental protection department was holding an on-site meeting at Shanxi Taiyuan on the issue of ecological environment recovery for the PRC's mines, an on-site visit was organised for the attendees of the meeting to visit the Pingshuo Mining Area to observe and study environmental recovery.


Officials from Ministry of Environmental Protection visiting Pingshuo Mining Area


Green mining in Pingshuo mining area

Social Responsibilities

Implement the strategy of establishing a strong Company by supports of talents, promote win-win development of the enterprise and local community and establish a harmonious enterprise

- Standardising the management of employment contract to protect the legal rights of employees
- Optimising the social security system and safety protection mechanism
- Implementing the strategy of strengthening the Company by supports of talents for the mutual development of the Company and its employees
- Giving consideration to both remuneration and promotion and creation of career paths for the talents
- Committed to responsibility and ensure coal supply during critical periods
- Supporting local economy for win-win development of the Company and the local community
- Illustrative case: China Coal Energy actively participating in social charity

The Company adheres itself to the people -oriented principle and upholds the operating philosophy of "development by supports of employees and sharing the results of development with them". It actively protected the legal rights of the employees, promoted the mutual development of individual ability and the Company to grow with the Company's development, created career path for the employees and provided the talents for the Company through recruitment and training.

Standardising the management of employment contracts to protect the legal rights of employees

In 2010, after carefully organising the existing employment rules and regulations, the Company revised the "Management Method on Employment Contract of China Coal Energy Company Limited", relevant rules and regulations and employment contracts according to the spirits of Labor Law and Employment Contract Law, which was in line with the Company's actual circumstances. The revision further improved employment rules and regulations in areas such as standardised management of labours, contract management and attendance and leave system so as to perfect the Company's employment rules and regulations and make them more practicable. The employment contracts signing rate for 2010 was 100%.

Optimising the social security system and safety protection mechanism

All subsidiaries of the Company have participated in pension insurance and medical insurance schemes in compliance with the regulations of the regions where such enterprises are located, with 100% of insurance coverage rate. The insurance coverage for unemployment, work injury and maternity continued to expand. Except for the reason of local policies, all insurance coverage rates maintained at 100%. All social insurance charges were fully settled. In addition to participating in various basic insurance, the Company actively purchased accident and injury insurance and supplemental medical insurance for its staff. Some of the subsidiaries also purchased accident and supplemental injury insurance for those frontline underground mining workers and granted them allowance for difficult work, with the accumulated allowance in 2010 amounting to RMB285 million.

Outward bound training organised by the Company


The seminar jointly organised by China Coal Energy and GE on the practice of management

The Company highly valued the health and safety of employees. All of its subsidiaries established health and safety protection mechanisms for employees. In addition to regular medical checks for all employees, the Company also complied with Occupational Disease Prevention Law and other national laws and regulations and established a comprehensive occupational disease prevention system to improve the occupational disease prevention level. The Company arranged medication and rehabilitation for those frontline mining workers of our subsidiaries who were exposed to dust phthisis in accordance with the requirements of the coal industry association each year.

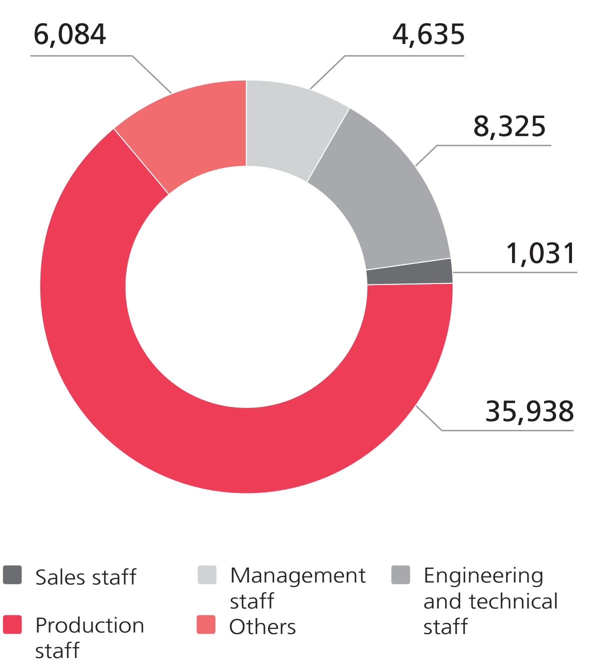
The Company formulated the management regulations for labour protection equipment purchase and distribution, and regularly distributed labour protection equipment and granted high temperature allowance to them. In addition, it strengthened the protection facilities in the working areas, improved working conditions and environment and strived to mitigate their work intensity.

The Company strictly implemented the paid annual leave system in the PRC. It protected employees' rights to rest and leave in order to enhance their work motivation.

Implementing the strategy of strengthening the Company by supports of talents for the mutual development of the Company and its employees

In 2010, we formulated a long and middle-term plan for human resources. A talent pool was created to secure the long-term supply of talent for the development of the Company. We recruited from the public talents in urgent need. The Company recruited a total of 305 management and technical staff members in 2010, which provided strong supports to the construction of key projects. The Company also recruited 1454 university and college graduates and 113 demobilised soldiers, which injected new energy for the corporate development and helped to solve the unemployment problem of the PRC.

Statistics for the Staff



In addition to recruiting talents from the society, we also reformulated the "three systems" plan of headquarters based on the principle of scientific deployment and implemented the system of positions competing system for a more optimised and reasonable organisation and personnel structure. Secondary enterprises also introduced positions competing system based on their actual circumstances. Through open recruitment and internal positions competing, the Company reinforced its human resources deployment and personnel structure on the basis of principle of "openness, fairness, competition and recruitment of the best people".

The growth of an enterprise relies on the skills and work ethics of its staff. Therefore, taking into account the actual development needs, the Company organised general training programs and key training programs for its staff by means of collective training, joint programmes with schools, online training and information exchange meetings with outside parties, resulting in "the optimization of the management system on Company training".

The Company continued to focus on the training of "three teams" in 2010 and held various business training. Firstly, the Company held more training for managers and department heads. Taking into accounts its actual circumstances, the Company held various training in order to build up a high-quality team of corporate leaders. A total of 225 department heads were selected to attend the training courses held by State-owned Assets Supervision and Administration Commission, National Accounting Institute and other tertiary institutions. Secondly, the Company strengthened the training effort for technical staff and held training courses for approximately 700 staff members in accounting and safety training and the officers of the Company and the Party in accordance with the respective position requirements. Thirdly, The Company actively provided training courses for outstanding division leaders and regional team leaders, with 167 division leaders receiving training. The total number of staff members receiving training for the year amounted to 145,000.

Giving consideration to both remuneration and promotion and creation of career paths for the talents

We adhered to the remuneration management concept of "remuneration determined by positions, performance and the promotion of mutual development of employees and the Company". We linked salary with performance and insisted on equal pay for equal work and continued to increase our staff's income. Our talent selection standard was "ethic and talent, with ethic as priority, strict selection standard". According to this standard, we adhered to the policy of "as young, talent, specialised as possible" to select and appoint officers.

We actively paved the career paths for the managers, technicians and skilled workers and established a comprehensive system for the staff's diversified career paths to realise mutual development of the Company and the employees. In 2010, the Company commenced assessment for senior, medium and junior staff members in respect of six areas including engineering, economics, accounting and political work. 330 members of the Company obtained certificates of senior levels. With the continuous implementation of professional skills assessment, a group of front-line staff members obtained the special qualification certificates for coal mining, among which there were 467 junior staff members, 803 medium staff members, 1470 senior staff members, 283 technicians and 65 senior technicians.

Comparison of staff's qualification for three years

Qualification Year	Post Graduate	Graduate	Associate degree	Below associate degree
2010	520	6239	8772	40482
2009	500	6141	8707	40266
2008	386	5700	7550	37169

Committed to responsibility and ensure coal supply during critical periods

In order to maintain stable supply of power and coal during the World Expo and Asian Games periods, the Company entered into guaranteed power and coal supply agreements with local governments and enterprises in Shanghai and Guangdong. Coupled with daily production scheduling and coordination among railways, ports and customers, the Company was able to ensure effective and smooth transportation of coal. The Company also strengthened quality control and improved resources structure so that the power and coal supply met environmental standards. As coal supply tightened in winter, the Company maintained steady supply of power and coal through monitoring the delivery mechanism, preventing the freezing of carriages, accelerating the efficiency of loading on carriages, adjusting the flow of resources, improving the efficiency of loading on carriers and strengthening the control of each sales process.

Supporting local economy for win-win development of the Company and the local community

As a large energy conglomerate, the Company operates in integrity and pays taxes in compliance with the laws. For the year 2010, taxes paid by the Company amounted to RMB9.563 billion.

The subsidiaries of China Coal Energy hold the belief of "win-win development" through strengthening cooperation between the Company and local community and promote the development of local economy and community. These subsidiaries speeded up the construction of key projects and provided more employment opportunities for the surplus labour force in villages and cities. The increased purchase of supplies at the locals not only supported the development of local transportation, port and service sectors, but also contributed to the local economic development and social stability. The taxes paid by Pingshuo Company, a subsidiary of the Company, amounted to RMB8.331 billion in total in 2010, representing an increase of 54% over 2009. The amount accounted for one third of Shuozhou government's tax. The company has been the single largest taxpayer in Shuozhou for a number of years, and has been repeatedly awarded "Company with Integrity", "Outstanding Company" and "Outstanding Award for the Contribution of Economic and Social Development" by the Shanxi Provincial Government and Shuozhou Government.

China Coal Energy adhered to providing staff voluntary services to the social community and the public as the key tasks for building a harmonious social community relationship and supported various subsidiaries to establish their voluntary service groups to encourage staff to provide voluntary services in the communities. Shanghai Datun has been actively providing social services for the local residents. They organised voluntary service teams, diversified the social services to cover law, medical care and maintenance works for the local community based on the expertise of its staff. Shanghai Datun currently has 21 volunteer groups and 4,521 volunteers. Over 3,610 residents received assistance from such service groups for the year 2010, and numerous practical problems of the residents were resolved.

The ceremony of signing the agreement on stable supply of coal during Guangzhou Asian Games


Pingshuo Company was awarded "Outstanding Company" by the Shanxi Provincial Government

Illustrative case:

China Coal Energy actively participating in social charity

While pursuing its own development, China Coal Energy has always been showing great concerns over the livelihood of people and the progress of the community as a whole. The Company makes contributions to the society through activities such as supporting the backward regions, helping the disadvantaged and providing aids to victims of disasters.

The Company donated a total of RMB16.51 million for charity purpose in 2010, including RMB1.17 million to the victims of earthquake in Yushu, Qinghai; RMB2 million as sponsorship to the Ordos International Nadam Fair; RMB1 million as sponsorship to the 7th Traditional Games of Ethnic Minorities in Xinjiang Autonomous Region; and RMB12.34 million to other social community undertakings.

In 2010, China Coal Energy continued to help the disadvantaged in the corresponding areas, including donating to local schools, maintenance of roads and supporting the poor at the locals. We joined hands with the local governments to build a harmonious society and share the achievement of the enterprises with the community.

The staff of Shanghai Datun participated in the charity donations


The staff of the head office of the Company made donations for quake-stricken areas

Outlook

The year of 2011 marks the beginning of the Company's implementation of "Twelfth Five-Year Plan". The activities of the Company in this year will be crucial to and meaningful for our development in the coming five years. Based on the current circumstances and tasks, we target the year 2011 as a "quality year" and intend to enhance the development quality and accelerate the transformation of the growth model, enhance the quality of the construction works to build classical and demonstrative projects, enhance the quality of the economic operation by strengthening risk awareness, improve the quality of work by doing the right things and doing them in a right way and improve the quality of living of the staff by sharing the Company's achievement with them.

Acceleration of the planning and structure adjustment to reinforce the sustainability. The Company will continue to increase resources acquisition efforts and implement the projects of five major bases of coal resources, accelerate the pace of preliminary work of projects, ensuring that all construction works of the bases are in smooth progress. We speed up the progress of the construction of key projects to complete projects such as East Open Pit Mine project and put them into operation. The Company will strengthen the management of the construction cost, reasonably determine and effectively control the construction investment to ensure a reasonable return of investment.

Reinforcement of the production to strive for an increase in output and efficiency. The Company will scientifically and highly efficiently arrange the production based on the principle of "stabilizing the existing producing mines, accelerating the commencement of operation of new mines and ensuring the release of additional production capability", to maintain and consolidate a mine in Pingshuo with an output of 100 million tons and Datun Mining Area with an output of 10 million tons. Significant efforts will be made on the promotion of the "three constructions" of safe and highly efficient mines, safety assured mines and the management on production technology and commencement of automatic mining in pilot mines and enhancement of the management of the information systems for coal production. Adhering to the market-oriented concept, the Company will produce fast selling products and strengthen the washing and processing of coal in order to ensure the quality of the products and maintain the positive image of the Company' brand. While striving for realisation of the sales target, we will fully implement the three important strategies covering marketing, logistic and customer services to enhance customer awareness, and customer protection ability and add value to the customers.

Implementation of accountability system for safe production to protect the lives, safety and health of the employees. While seriously implementing the concept of safe production of "comprehensive management with safety and protection as top priority", the Company views humanity and life as core values and cares for the employees. Employees' lives, and occupational safety and health are protected and any disrespect of lives is not allowed. Their basic rights are also protected. A three-year project for the establishment of a safety assured company was commenced with full scale. With safety and quality standardisation work as the main theme, gas control and flooding prevention as the key work, and the enhancement of executive ability as the critical factor, the Company will strengthen the quality management and reinforce the "three basic", i.e. basic level, basis, fundamental works, so as to comprehensively enhance the safety assurance capability of the Company. We will strictly implement the accountability system and strengthen and implement the safety responsibilities to enhance the executive ability. We strive to achieve the target of zero fatality rate to ensure safe production for the whole year.

Carrying out key technological development projects to actively lead the way to technological development of the industry. Aiming at leading the direction of and making contributions to the industry, the Company focuses on promoting the key technologies in the industry such as the standards of safety assured mines, complete technology and equipment for automatic mining in thin coal layer, complete fully-mechanised equipment for 10-million-ton output, which in turn provides technical support for sustainable and healthy growth of the coal industry in the PRC. Targeting at the provision of support to the development of five major bases and five major industries of the Company, we strive for placing ourselves at a dominant position for the competition in technology in the future. We will accelerate the establishment of our own and joint research and development centres such as "The research and development centre (laboratory) for drilling machine and equipment for national coal" and "The research centre for geological securing system for the coal mines of high output and high efficiency", strengthening our technological capability on research and development. Moreover, the Company promotes the energy saving and emission reduction with the support of technological innovation. The study on the progress diagram for the Company's development with low carbon intensity is conducted to commence the "Green China Coal" and various related activities are carried out to build up an image of green and low carbon development for the Company.

Acceleration of the recruitment and training of the talents to fully realise their potential. With the concept of "mutual development by controlling the total labour force, optimising the structure, increasing the reserve, developing in full scale and innovating new mechanism", the Company established a talent pool with expertise in decision-making and strategic planning, and management teams of subsidiaries and skilled workers to match the structure of human resources with the development of the Company. Employees can demonstrate their talents and strength in their positions and improve their job skills. Their initiative, enthusiasm and creativity can also be motivated to achieve the ultimate target of mutual development of the Company and the staff.

Creation of a harmonious external environment to achieve a win-win development between the Company and the local community. Focusing on the cooperation and coordination between the Company and the stakeholders, through the establishment and improvement on the management system for the Company's assumption of social responsibilities, we will more effectively assume our responsibilities for the implementation of the national macro-economic policies, maintenance of the energy safety of the PRC, promotion of local economic development, protection of the lives and safety of the staff, protection of the natural environment and provision of the social emergency aids, which ensure a harmonious external environment of the Company. Moreover, the Company will actively participate in charity activities, support the construction of the community and pursue social harmony. We will improve the communication channels with the stakeholders and are willing to be monitored.

During the period of "Twelfth Five-Year Plan", the Company will keep its responsibilities and missions firmly in mind, and carefully implement the scientific development. While speeding up the development of the Company, we shall share our achievement with our employees and make contribution to the society, realising a win-win development with the stakeholders and making contribution to the harmony and improvement of the society.

Indicator Indexes of Global Reporting Initiative (GRI)

1. Adequate disclosure 2. Partial disclosure 3. Not involved 4. Not applicable

	Particulars of Indicators of GRI	Section in the report (Contents of the Report)	Extent of disclosure
1. Strategies and Analysis	1.1 Statement from the highest decision-maker of the organisation (e.g. the President, Chairman or equivalent positions) in respect of the relationship between sustainable growth and the organisation and its strategies	P2-5, P8-10	Adequate disclosure
	1.2 Description of key effects, risks, and opportunities	P2-5	Adequate disclosure
2. Introduction of the Organisation	2.1 Name of the organisation	Cover	Adequate disclosure
	2.2 Major brands, products and (or) services	P6	Adequate disclosure
	2.3 Operating structure of the organisation, including major departments, operating companies, subsidiaries and associates	P7	Adequate disclosure
	2.4 Location of the head office of the organisation	P6	Adequate disclosure
	2.5 Number of countries in which the organisation operates, the countries in which the organisation conducts major business, the countries which have particular relationship with the matters of sustainable growth as mentioned in this report	P7	Adequate disclosure
	2.6 Nature and legal form of ownership	P6-7	Adequate disclosure
	2.7 Markets in which the organisation involves (including classification by location, industry involved, types of beneficiaries who are customers)	P8, P23-26	Adequate disclosure
	2.8 Scale of the reporting organisation	P6	Adequate disclosure
	2.9 Material changes in the scale, structure or ownerships of the organisation during the reporting period	P6	Adequate disclosure
	2.10 Awards obtained during the reporting period	P12-16, P35-37	Adequate disclosure

	Particulars of Indicators of GRI	Section in the report (Contents of the Report)	Extent of disclosure
3. Requirements of Reports	3.1 Reporting period (i.e. financial year/Gregorian calendar year) for information	Cover II	Adequate disclosure
	3.2 Previous reporting date (if any)	Cover II	Adequate disclosure
	3.3 Frequency of report (i.e. once a year or once every two years)	Cover II, back cover	Adequate disclosure
	3.4 Contact information for enquiry about the report or the contents of the report	Cover II	Adequate disclosure
	3.5 Process for the determination of the contents of the report	Cover II	Adequate disclosure
	3.6 The coverage of the report (i.e. countries, government authorities, subsidiaries, leased facilities, joint ventures and supplies)	Cover II	Adequate disclosure
	3.7 The limitations on the coverage and scopes of the report	Cover II	Adequate disclosure
	3.8 The basis for reporting on the joint ventures, subsidiaries, leased facilities, overseas procurement, and any other entities which may materially affect various reporting periods and (or) comparability among different organisations	Cover II	Adequate disclosure
	3.9 The measurement of data and basis of calculation, including assumptions and methods on which the estimates used for the preparation of indicators and other information are based	Cover II	Adequate disclosure
	3.10 Explanation on the results and reasons for the restatement of the information contained in previous reports (e.g. mergers and acquisitions, change of base year/number of years, nature of business and basis of calculation)		Not applicable
	3.11 The material differences between the report and previous reports in respect of their coverage, limitations and all bases of calculation	Cover II	Adequate disclosure
	3.12 A list to indicate where various standards are disclosed in the report	P55-64	Adequate disclosure
	3.13 A list on the policy and existing measures adopted by the Company for external verification of the report in the verification report attached to the sustainability report. If not, please provide explanations on the scopes and proofs of the external verification, and the relationship between the reporting organisation and the party who carries out the verification.		Not involved

	Particulars of Indicators of GRI	Section in the report (Contents of the Report)	Extent of disclosure
4. Governance, commitment and engagement	4.1 The management structure of the organisation	P12-13	Adequate disclosure
	4.2 Indication that if the head of the highest management also takes up any other executive post	P12-13	Adequate disclosure
	4.3 The number of independent and (or) non-executive members of the highest management in case of an organisation with unitary board system	P12-13	Adequate disclosure
	4.4 The channel for shareholders and employees to make suggestions or give opinion on the direction of operation to the highest management body	P12-13	Adequate disclosure
	4.5 Relationship between compensation (including arrangement for loss of office) for the members of highest management, senior managers and executive officers and the organisation's performance (including social and environmental performance)	P12-16	Adequate disclosure
	4.6 Procedures for prevention of conflicts of interest in the highest management	P12-16	Adequate disclosure
	4.7 Policy for determination of the required qualifications and experience of the members of the highest management to implement the strategies of the organisation's economic, environmental and social projects	P12-16	Adequate disclosure
	4.8 The internal missions or values, code of conduct, principles related to economic, environmental and social performance, and their implementation	P10-11	Adequate disclosure
	4.9 The supervision of the highest management over the determination and management of the reporting organisation regarding economic, environmental and social performance (including relevant risks and opportunities), and its compliance with internationally accepted standards, code of conduct and principles	P13-14	Adequate disclosure
	4.10 Assessment procedures on the performance of the highest management, in particular, economic, environmental and social performances	P13-14	Adequate disclosure
	4.11 Explanation on if and how the organisation acts based on prudence or in accordance with the principles		Not involved

	Particulars of Indicators of GRI	Section in the report (Contents of the Report)	Extent of disclosure
4. Governance, commitment and engagement	4.12 Economic, environmental and social charters or principles initiated by the organisation or its engagement or support to other initiatives	P20-21	Adequate disclosure
	4.13 The admittance to any associations (e.g. industry associations) and (or) national/international initiative organisations	P13-14	Adequate disclosure
	4.14 A list of stakeholders of the organisations	P20-21	Adequate disclosure
	4.15 The basis for identification and selection of stakeholders	P20-21	Adequate disclosure
	4.16 The policy for the introduction of stakeholders, including the frequency of introducing stakeholders by different forms and groups	P20-21	Adequate disclosure
	4.17 The major projects and concerns raised by stakeholders during their participation, and the feedback given by the organisation, including feedback in the form of reports	P20-21	Adequate disclosure
Economic	EC1 Direct economic value created and distributed, including profit, operating cost, employees' remuneration, donations and other investment on public community, retained benefits, and capital payable to the government and investors	P19	Adequate disclosure
	EC2 The financial impact and other risks and opportunities caused by or arising from the activities carried out by the organisation to cope with weather changes	P22-26	Adequate disclosure
	EC3 The coverage of the organisation's fixed benefit plan	P47-48	Adequate disclosure
	EC4 Important financial assistance received from the government		Not applicable
	EC5 The scope of change on the ratio of local minimum wage to standard starting wage in key operation regions		Not involved
	EC6 The operation policy and practices and the proportion of expenditure spent on local suppliers in key operation regions	P49-50	Adequate disclosure
	EC7 Procedures for employment of staff members and proportion of local management in key operation regions	P49-50	Partial disclosure
	EC8 The development and effects on the investment and services on basic facilities mainly for public interest through trade or provision of in-kind support or community activities	P49-50	Partial disclosure
	EC9 Understanding and description of important indirect economic effect, including the degree and scope of the effects	P49-50	Partial disclosure

	Particulars of Indicators of GRI	Section in the report (Contents of the Report)	Extent of disclosure
Environment	EN1 The materials classified by weight or volume	P44	Partial disclosure
	EN2 The percentage of recycling materials to the materials used	P19, P42	Partial disclosure
	EN3 The direct energy consumption for a single use of energy resources	P41	Partial disclosure
	EN4 The indirect energy consumption for a single use of energy resources	P41	Partial disclosure
	EN5 The energy saved by adopting energy saving measures and increasing efficiency of utilization	P41-46	Adequate disclosure
	EN6 The initiatives promoted for the utilization of the products and the services for energy saving or renewable energy, and the reduction of energy consumption from these activities	P41-46	Partial disclosure
	EN7 The initiatives promoted for the reduction of indirect energy consumption and the achievement of the reduction target	P41	Partial disclosure
	EN8 The total amount of water consumption classified by its sources		Not involved
	EN9 The water sources seriously affected by water consumption	P41-46	Partial disclosure
	EN10 The percentage and amount for recycling and reusable water	P19	Adequate disclosure
	EN11 The location and size of the area owned, leased and managed in conservation area or in an area adjacent to the conservation area and other area outside the conservation area with great biodiversity		Not involved
	EN12 Elaboration on the important effects on the conservation of biodiversity of the areas with great biodiversity inside and outside the conservation areas brought by the activities, products and services provided by the organisation		Not involved
	EN13 The conserved and restored habitats		Not involved
	EN14 The management of strategies, current actions and future plans which affect the biodiversity.		Not involved
	EN15 The quantity of living things which are listed in the Red List of Threatened Species of International Union for Conservation of Nature (IUCN Red List) and national conservation list for the areas affected by the business operation.		Not involved
	EN16 The calculation of the direct or indirect emission of greenhouse gas by weight	P3, P41	Partial disclosure
	EN17 The calculation of other relevant indirect emission of greenhouse gas by weight	P41	Partial disclosure

	Particulars of Indicators of GRI	Section in the report (Contents of the Report)	Extent of disclosure
Environment	EN18 The initiative for the reduction of greenhouse gas and the achievement of the reduction target	P41	Partial disclosure
	EN19 The calculation of the emission of ozone depleting substance by weight		Not involved
	EN20 The calculation of the emission of nitrides, sulfides and other important gas by type and weight	P41	Partial disclosure
	EN21 The calculation of total discharge of water by quantity and destinations		Not involved
	EN22 The amount of wastes by type and treatments	P41-43	Partial disclosure
	EN23 The total occurrence and volume of material leakages		Not involved
	EN24 The amount of hazardous wastes, as specified in Appendix I, II, III and VIII of the Basel Convention on the Control of Transboundary Movement of Hazardous Wastes and their Disposal, being transported, imported, exported or treated, and the percentage of transboundary transportation of the wastes		Not involved
	EN25 The characteristics, scale, conservation, biodiversity and the habitat of water body seriously affected by the sewage discharge and the runoff from the reporting organisation		Not involved
	EN26 The measures taken to alleviate the environmental impact caused by the products and the services and the degree of alleviation	P41-46	Adequate disclosure
	EN27 The products sold and their packing materials which are suitable for separated recycling		Not involved
	EN28 The amount of substantial monetary penalties and the number of non-economic sanctions imposed for the breaches against environmental laws and regulations		Not involved
	EN29 The substantial impact brought by the products and other goods and the transportation of raw materials and labor used in the operations of the organisation	P41-46	Partial disclosure
	EN30 The total expenditures and total investment on environmental protection by types	P41-48	Partial disclosure

	Particulars of Indicators of GRI	Section in the report (Contents of the Report)	Extent of disclosure
Social and labor policies and reasonable workload	LA1 The total number of employees classified by types of employment, employment contracts and locations	P47	Adequate disclosure
	LA2 The total number and percentage of employees' turnover classified by ages, sex and location	P47-50	Partial disclosure
	LA3 The benefits exclusively provided to full-time employees, excluding temporary or part-time employees, classified by principal businesses	P47-50	Adequate disclosure
	LA4 The percentage of employees under the protection of the collective negotiation agreement	P47-50	Adequate disclosure
	LA5 The shortest notice period for the change of all kinds of operation, including indication of whether the notice period is provided in the collective agreement	P47-50	Partial disclosure
	LA6 The percentage of employee representatives in the committee for health and safety of the employees formally established in order to provide assistance for the supervision on and consultation for the occupational health and safety plan	P47-50	Partial disclosure
	LA7 The percentage of work injury, occupational diseases, loss of working days (number of days of absence), absence (absenteeism) as classified by locations, and the fatality rate for job – related accidents	P47-50	Partial disclosure
	LA8 Education, training, consultation and counseling, prevention and risk control in respect of serious diseases provided to help the employees, their families or members of the community	P47-50	Partial disclosure
	LA9 The issues on health and safety set out in the formal agreement entered into with the labor union	P47-50	Partial disclosure
	LA10 The annual average hours of training received by each of the employees classified by job positions	P47-50	Partial disclosure
	LA11 Lifelong learning plans for the employment sustainability and the skill management for job transferal of the employees.	P47-48	Adequate disclosure
	LA12 The percentage of employees under regular performance appraisals and career development	P47-50	Adequate disclosure
	LA13 Details in respect of members of each of the management departments and details of each type of employees classified by sex, ages, minorities and other diversified indicators	P47-50	Partial disclosure
	LA14 The ratio of basic salary of male employees to that of female employees classified by job positions	P48-49	Adequate disclosure

	Particulars of Indicators of GRI	Section in the report (Contents of the Report)	Extent of disclosure
Human rights	HR1 The total number of and percentage for important investment agreements which contain clauses of human rights or passed the examination for human rights		Not involved
	HR2 The percentage of important suppliers and contractors, and the actions taken by the organisation which passed the examination for human rights		Not involved
	HR3 The total training hours received by the employees for relevant policies and processes for human rights related to their performance of job duties, including the percentage of employees who receive the training	P47-48	Partial disclosure
	HR4 The total number of cases of discrimination, and the actions taken by the organisation	P47-48	Adequate disclosure
	HR5 The work (operation) discovered to possibly be materially affecting the freedom of association and rights of collective negotiation, and the actions taken to protect such rights	P47-48	Adequate disclosure
	HR6 The work (operation) discovered to possibly be materially hazardous to child labors and the measures taken to abolish child labors	P47-48	Adequate disclosure
	HR7 The work (operation) discovered to possibly cause compulsory or forced labor and the measures taken to abolish such kinds of labor	P47-48	Adequate disclosure
	HR8 The percentage of security guards received trainings for relevant policies and processes of human rights related to their performance of duties		Not involved
	HR9 The total number of cases involving the violation of the rights of original inhabitants, including local staff, and the measures taken by the organisation		Not involved

	Particulars of Indicators of GRI	Section in the report (Contents of the Report)	Extent of disclosure
Society	SO1 Assessment of the nature, coverage, and effectiveness of any projects or actions which are operated by the management organisation and affect the community (including moving in or out from a community and operation)	P20-21	Adequate disclosure
	SO2 The total number and percentage of operating units to which risk analysis for corruption has been conducted		Not involved
	SO3 The percentage of employees who received training relating to the policy and processes for anti-corruption		Not involved
	SO4 The actions taken to tackle corruption		Not involved
	SO5 The stance toward public policies, and the participation in the formulation and lobbying of public policies	P20-21	Partial disclosure
	SO6 The amount of financial and in-kind donation made to political parties, politicians and relevant organisation, as classified by countries		Not applicable
	SO7 The litigations involving anti-competitive behaviours, and measures of anti-trust and anti-monopoly and their results		Not applicable
	SO8 The total amount of substantial penalties and the total number of sanctions without fines imposed as a result of the breaches of laws and regulations		Not involved
Product liability	PR1 Assessment on the effects of safety and health of the products and the services during different phases of their lifespan for improvement, and the percentage of important products and services required to be assessed	P20-21	Partial disclosure
	PR2 The total number of cases which breaches the regulations and voluntary codes for safety and health during the lifespan of the products and the services, as classified by the consequences	P20-21 P47-48	Partial disclosure
	PR3 The type of information on the products and the services as required in the procedures, and the percentage of important products and services under this information requirement		Not involved
	PR4 The total number of cases which breaches the regulations and voluntary codes for information on and the labels of the products and the services, as classified by consequences		Not involved
	PR5 The measures taken to satisfy customers' needs, including the results of the surveys on customers' satisfaction	P20-21	Partial disclosure

	Particulars of Indicators of GRI	Section in the report (Contents of the Report)	Extent of disclosure
Product liability	PR6 The measures taken to meet the requirement of relevant laws, standards, and voluntary codes in respect of marketing (including advertisements, promotion and sponsorship)		Not involved
	PR7 The number of cases which breaches relevant regulations and voluntary codes in respect of marketing (including advertisements, promotion and sponsorship), as classified by consequences		Not involved
	PR8 The total number of complaints confirmed to be related to the infringement of customers' rights of privacy and the loss of customers' information		Not involved
	PR9 The total payment of fines imposed as a result of the breaches against relevant laws and regulations in respect of the provision and use of the products and the services		Not involved

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中煤能源欢迎您对报告提出建议和意见

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China Coal Energy welcomes your suggestions and opinions on this report

Please contact us

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