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

中煤能源

年度報告

Annual Report 2012

Contents

Note: In this report, unless otherwise indicated, all financial indicators are presented in RMB.

Overview of Key Financial Data

Summary of consolidated balance sheet

Unit: RMB 100 million

Items	As at 31 December 2012	As at 31 December 2011 (Restated)	Percentage change %	Notes to financial statements
Assets	**1,856.87**	1,621.52	14.5	
Of which: Property, plant and equipment	**855.10**	608.23	40.6	Note 7
Mining and exploration rights	**324.79**	289.73	12.1	Note 9
Investment in associates	**84.84**	70.59	20.2	Note 11
Inventories	**66.97**	73.15	-8.4	Note 18
Trade and notes receivables	**113.94**	80.14	42.2	Note 19
Term deposits with initial terms of over 3 months	**94.71**	112.95	-16.1	Note 21
Cash and cash equivalents	**132.22**	209.07	-36.8	Note 21
Equity	**1,014.20**	968.74	4.7	
Of which: Equity attributable to the equity holders of the Company	**867.26**	825.25	5.1	
Non-controlling interests	**146.94**	143.49	2.4	
Liabilities	**842.67**	652.78	29.1	
Of which: Long-term borrowings	**201.71**	114.56	76.1	Note 24
Provision for close down, restoration and environmental costs	**11.74**	11.15	5.3	Note 29
Trade and notes payables	**161.02**	110.03	46.3	Note 27
Taxes payable	**21.85**	36.79	-40.6	

* During the reporting period, the Group acquired the entire equity interest in Sales and Transportation Company from China Coal Group and the 80% equity interest in Tang Shan Gou Company from Import and Export Company, a subsidiary of China Coal Group. Pursuant to the relevant requirements of the accounting standards, the relevant data for the comparative period have been restated (same as below).

Summary of consolidated income statement

Unit: RMB 100 million

Items	For the year ended 31 December 2012	For the year ended 31 December 2011 (Restated)	Percentage change %	Notes to financial statements
Revenue	**872.92**	908.65	-3.9	Note 6
Cost of sales	**699.89**	720.52	-2.9	
Gross profit	**173.03**	188.13	-8.0	
Profit from operations	**128.07**	142.19	-9.9	
Profit before income tax	**127.89**	143.15	-10.7	
Profit for the year	**95.75**	108.54	-11.8	
Profit attributable to the equity holders of the Company	**88.42**	99.55	-11.2	
Basic earnings per share attributable to equity holders of the Company (RMB/Share)	**0.67**	0.75	-10.7	Note 35

Summary of the operating results of the segments (for the year ended 31 December 2012 and as at 31 December 2012)

Unit: RMB 100 million

Items	Coal operations	Coking operations	Coal mining equipment operations	Other operations	Non-operating segments	Elimination	Total
Revenue	719.95	41.85	89.19	39.29	–	-17.36	872.92
Of which: Revenue from external sales	717.83	41.85	78.85	34.39	–	–	872.92
Profit from operations	127.97	-3.53	6.67	-0.17	-2.36	-0.51	128.07
Profit before income tax	126.49	-4.47	6.53	-0.66	0.51	-0.51	127.89
Assets	899.81	240.15	139.58	80.04	536.85	-39.56	1,856.87
Liabilities	299.63	73.58	54.40	47.51	399.59	-32.04	842.67

Summary of consolidated cash flow statement

Unit: RMB 100 million

Items	For the year ended 31 December 2012	For the year ended 31 December 2011 (Restated)
Net cash generated from operating activities	**108.87**	145.47
Net cash used in investing activities	**-318.89**	-352.83
Net cash generated from financing activities	**133.11**	185.93
Net decrease in cash and cash equivalents	**-76.91**	-21.43
Cash and cash equivalents at the beginning of the period	**209.07**	230.57
Net foreign exchange gains/(losses)	**0.06**	-0.07
Cash and cash equivalents at the end of the period	**132.22**	209.07

Reconciliation of profit before tax to net cash generated from operations

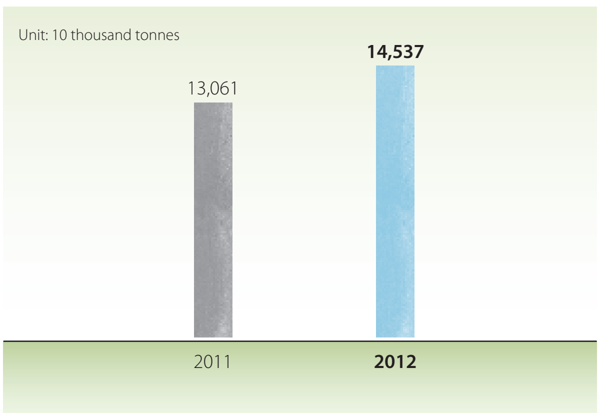
Unit: RMB 100 million

Items	For the year ended 31 December 2012	For the year ended 31 December 2011 (Restated)
Profit before tax	**127.89**	143.15
Adjustments for		
Depreciation and amortisation	**46.97**	47.39
Net losses/(gains) from disposal of non-current assets such as property, plant and equipment	**0.50**	-0.06
Provision for impairment of available-for-sale financial assets, receivables, inventories and property, plant and equipment	**2.34**	1.17
Share of profits of associates and jointly controlled entities	**-2.36**	-2.94
Net foreign exchange (gains)/losses	**-0.71**	0.46
Interest and dividend income	**-8.12**	-6.29
Interest expense	**11.19**	7.67
Changes in working capital	**-20.73**	-9.23
Decrease in provision for employee benefits	**-0.31**	-1.18
Increase in provision for close down, restoration and environmental costs	**0.22**	1.87
Net cash generated from operating activities	**156.88**	182.01

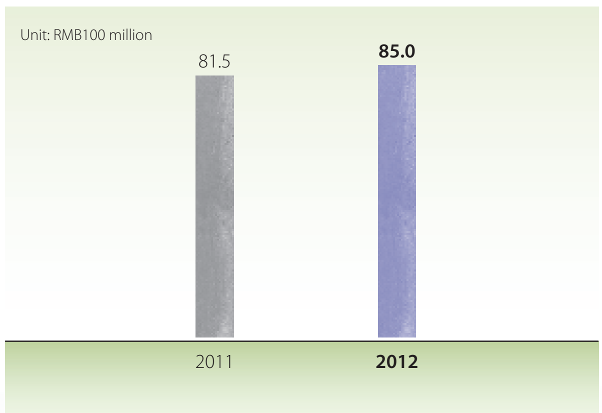
Overview of Business Data

Items	2012	2011 (restated)	Change (%)
(1) Coal operations (10 thousand tonnes)			
Production volume of raw coal	14,537	13,061	11.3
Production volume of commercial coal	11,440	10,424	9.7
Sales volume of commercial coal	14,954	13,857	7.9
Of which: Sales volume of self-produced commercial coal	11,112	10,172	9.2
(2) Coking operations (10 thousand tonnes)			
Production volume of coke	170	206	-17.5
Sales volume of coke	229	258	-11.2
(3) Coal mining equipment operations			
Production value of coal mining equipment (RMB 100 million)	85.0	81.5	4.3
Sales volume of coal mining equipment (10 thousand tonnes)	39.2	35.5	10.4

Raw coal production volume



Coal mining equipment production value



Sales volume of coke (10 thousand tonnes)	2012	2011	Change (%)
Self-produced	177	210	-15.7
Of which: Metallurgical coke	144	177	-18.6
Foundry coke	33	33	0.0
Proprietary and agency	52	48	8.3
Total	**229**	**258**	**-11.2**

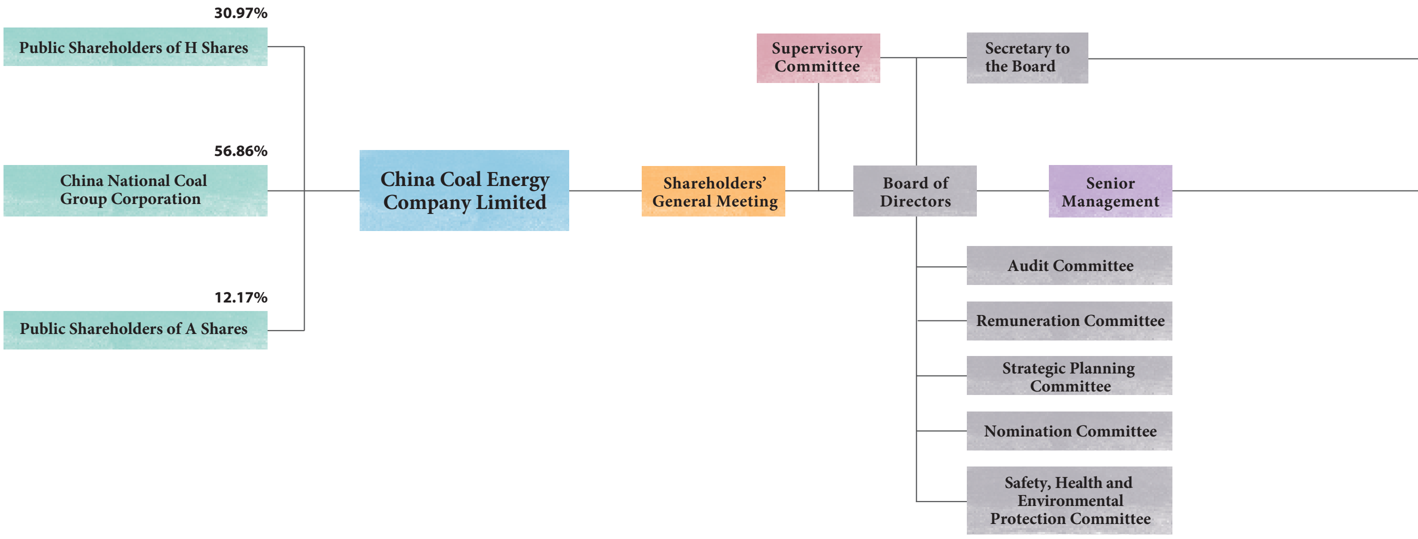
Production value of coal mining equipment (RMB100 million)	2012	2011	Change (%)
Conveyor equipment	33.3	31.7	5.0
Support equipment	27.1	25.7	5.4
Road header	7.5	7.9	-5.1
Shearer	7.6	7.2	5.6
Electric mining motor	9.5	9.0	5.6
Total	**85.0**	**81.5**	**4.3**

Sales volume of commercial coal (10 thousand tonnes)		2012	2011 (restated)	Change (%)
(1) Domestic sales of self-produced coal		11,048	10,098	9.4
By region:	North China	4,662	4,359	7.0
	East China	4,552	4,102	11.0
	South China	1,547	1,589	-2.6
	Others	287	48	497.9
By coal type:	Thermal coal	10,945	10,011	9.3
	Coking coal	103	87	18.4
By contract:	Long- term contract	5,211	5,178	0.6
	Spot trading	5,837	4,920	18.6
By transportation:	Seaborne	7,814	6,903	13.2
	Direct arrival	1,419	1,195	18.7
	Local sales	1,815	2,000	-9.3
(2) Self-produced coal export		64	74	-13.5
By region:	Taiwan, China	48	58	-17.2
	Korea	5	3	66.7
	Japan	11	13	-15.4
By coal type:	Thermal coal	64	74	-13.5
By contract:	Long-term contract	64	74	-13.5
(3) Proprietary trading		3,364	3,317	1.4
Of which:	Domestic resale	2,941	2,869	2.5
	Import trading	415	443	-6.3
	Transshipment trading	5	-	-
	Self-operated exports	3	5	-40.0
(4) Agency		478	368	29.9
Of which:	Import agency	133	84	58.3
	Export agency	225	284	-20.8
	Domestic agency	120	-	-
Total		**14,954**	**13,857**	**7.9**

Production volume of commercial coal (10 thousand tonnes)	2012	2011 (restated)	Change (%)
Pingshuo Company	8,967	8,023	11.8
Shanghai Energy Company	766	726	5.5
China Coal Huajin Company	192	-	-
Huajin Coking Coal Company	-	149	-
Dongpo Company	792	720	10.0
Nanliang Company	210	189	11.1
Tang Shan Gou Company	150	145	3.4
Shuozhong Company	617	608	1.5
Dazhong Company	370	340	8.8
Shaanxi Company	60	-	-
Total	**11,440**	**10,424**	**9.7**

Coal resource reserve (100 million tonnes)	As of the end of 2012	Percentage (%)
By base:		
Shanxi	79.2	40.6
Inner Mongolia-Shaanxi	96.4	49.4
Jiangsu	11.2	5.7
Xinjiang	6.2	3.2
Heilongjiang	2.1	1.1
By coal type:		
Thermal coal	166.4	85.3
Coking coal	28.7	14.7
Total	**195.1**	**100.0**

Organisation Chart
of the Company



Organisation Chart of the Company

- Secretariat of the Board
- President's Office
- Department of Strategy Planning
- Department of Human Resources
- Department of Operation Management
- Financial Department
- Department of Infrastructure Management
- Department of Production Technology Management
- Department of Science and Technology Development
- Department of Information Management
- Department of Safety and Health
- Chief Control Office
- International Collaboration & Development Department
- Department of Investor Relations
- Department of Legal Affairs
- Auditing Department
- Coal Chemical Industry Research Institute
- Coal Sales Centre
- Purchasing Centre

Branches

- China Coal Energy Company Limited, Xinjiang Branch
- China Coal Energy Company Limited, Ordos Branch

Subsidiaries

China Coal Pingshuo Group Co., Ltd.	100%
Shanghai Datun Energy Resources Company Limited	62.43%
China National Coal Mining Equipment Company Limited	100%
China Coal and Coke Holdings Limited	100%
Shanxi China Coal Huajin Energy Company Limited	51%
Shanxi China Coal Dongpo Coal Industry Company Limited	100%
Shaanxi Nanliang Coal Company Limited	55%
Ordos Yihua Mining Resources Company Limited	51%
Wushenqi Mengda Mining Company Limited	66%
China Coal Hami Coal Industry Company Limited	100%
Shanxi Puxian China Coal Jinchang Mining Company Limited	51%
China Coal Xinjiang Coal Electricity Company Limited	60%
China Coal Yili Coal Electricity Company Limited	100%
China Coal Heilongjiang Coal Chemical Company Limited	100%
Inner Mongolia China Coal Mengda New Energy Chemical Company Limited	75%
China National Coal Industry Qinhuangdao Import and Export Company Limited	100%
China National Coal Imp. and Exp. Group (Tianjin) Company Limited	100%
China Coal Ordos Energy and Chemical Company Limited	100%
China Coal Shandong Company Limited	100%
Shanghai China Coal East China Company Limited	100%
Guangzhou China Coal South China Trading Company Limited	100%
China Coal Xing'an Energy Chemical Engineering Company Limited	100%
China National Coal Development Company Limited	100%
China Coal Tendering Company Limited	100%
Sunfield Resources Pty. Limited	100%
Ordos Yinhe Hongtai Coal Electricity Company Limited	78.84%
Shuozhou Great Company Limited	100%
Shanxi Zhongxin Tangshangou Coal Mine Company Limited	80%
China Coal Sales and Transportation Company Limited	100%
Shuozhou China Coal Pingshuo Energy Company Limited	100%
Datong China Coal Export Base Development Company Limited	60%
Qinghuangdao China Coal Warehousing and Transportation Company Limited	100%
China Coal Shaanxi Yulin Energy Chemical Company Limited	100%

Equity Investment Companies

Zhongtian Synergetic Energy Company Limited	38.75%
Taiyuan Coal Gasification Longquan Energy Development Company Limited	40%
Shaanxi Yanchang China Coal Yulin Energy Chemical Company Limited	30%
Datong Zhongxin Energy Company Limited	42%
Zhejiang Zheneng China Coal Zhoushan Coal & Electricity Company Limited	27%
Tianjin Port China Coal Huaneng Coal Terminal Company Limited	24.5%
Huajin Coking Coal Company Limited	49%
Guotou China Coal Tongmei Jingtang Port Company Limited	21%
Mengji Railway Company Limited	5%
Ordos Southern Railway Company Limited	10%
Tangshan Caofeidian Coal Port Office Company Limited	5%
Gansu China Coal Tianda Energy Company Limited	50%
China Power Shentou Power Generation Company Limited	20%
Hohhot-Junggar-Ordos Railway Company Limited	10%
Ordos Nalin River Coal Mine Development Company Limited	5%
Mengxi-Huazhong Railway Co., Ltd.	10%

Chairman's Statement

Dedication, integrity, innovation, forerunner

Dear Shareholders,

The global economy in 2012 remained in the doldrums, witnessing sluggish recoveries of the developed economies and a pervasive slowdown in emerging markets coupled with noticeably declined international trade growths and volatilities in international financial markets. Addressing the increasingly challenging international economic environment, the Chinese government adhered to the keynote of "Seeking Progress in Stability" to expedite the economic restructuring and stabilising national economy with steady economic and social progresses. The balance between domestic coal supply and demand was changed due to a range of factors such as the drop in international coal prices and a slower growth in coal demand together with the slowing domestic economic momentum, resulting in the plummeting spot coal prices and relatively great challenges to coal enterprises. Proactively responding to the market impacts, China Coal Energy strived to expand its production and sales while stepping up the restructuring with a focus on lowering the cost and increasing the efficiency, and achieved desirable business results.

During the reporting period, the coal subsidiaries under the Company tapped on the strengths in the economies of scale and integrated production, which has overcome the difficulties in complex geological conditions of coal mining areas, demanding coordination between mining exploration and mining stripping operations and the increasing challenge in the sales market. Efforts were made in optimising the mining scheme, strengthening production management for higher unit output and unit roadheading level, refining coal washing process and product mix and enhancing coal quality management. As a result, 145.37 million tonnes of raw coal and 114.4 million tonnes of commercial coal were produced in the 2012, representing a year-on-year growth of 11.3% and 9.7% respectively. To carry forward its "environment, quality and responsibility" endeavours, the Company commenced in detail the three-year programme of "implementing the accountability system for the responsible unit to create a safety-assured enterprise", focusing on fundamental security and strengthening on-site management to push ahead with safety activities. The Company's major coal mines in operation reached the safety and quality standards, more than 60% of which were named the "National Safety and Quality Standardised Coal Mines", demonstrating the stability of production safety of the Company.

Capitalising on its strengths in integrated sales and collaboration, the Company took initiatives to build up the integrated marketing network and improved the coal sales management system constantly for centralising the business, standardising the management and high efficiency in operation. Flexible marketing strategies were adopted on the market-oriented and customer-centred basis, while the coordination between production and sales was improved to strive to increase the railway transportation capability and improve the customer services, leading to another record high of coal sales. Coal sales volume for the year reached 149.54 million tonnes, representing a year-on-year increase of 7.9%. The Company achieved coal transportation of 92.70 million tonnes through railways, further improving the product profitability. Responding actively to market changes, the Company secured long-term major customers while increasing the spot coal sales timely. Spot sales of the self-produced coal accounted for 52.5%, representing an increase of 4.1 percentage points year-on-year.

Leveraging on comprehensive budget management, the Company detailed out the cost responsibilities of objectives and strengthened the refined management, forging ahead the cost-efficiency campaign for continuous management improvements. By improving production process, optimising system design and lifting equipment capacity, the Company strived to increase production efficiency and reduce production costs. Stringent controls were exercised on non-productive expenses with strict assessment. The unit cost of sales of self-produced commercial coal for 2012 was RMB332.82 per tonne, representing a year-on-year decrease of 2.9%. The revenue amounted to RMB87.292 billion, representing a year-on-year decrease of 3.9%. Due to the plummeting spot coal prices, profit before tax amounted to RMB12.789 billion, representing a year-on-year decrease of 10.7%. Profit attributable to equity holders of the Company was RMB8.842 billion, representing a year-on-year decrease of 11.2%. Basic earnings per share was RMB0.67, representing a year-on-year decrease of RMB0.08.

The Company pushed forth preliminary preparation of projects to speed up the construction of major projects. The new bases were in rapid progress of construction and the newly completed coal mines commenced production consecutively. Pingshuo East Open Pit Mine which produced 7.63 million tonnes of raw coal in 2012, will be expected to produce 12 million tonnes of raw coal in 2013. Wangjialing Coal Mine will be completed and commence operation in 2013, increasing coal production capacity by 6 million tonnes per year. Xiaohuigou Coal Mine which has been granted the mining permit, shall be expected to commence construction in 2013. The coal mine projects in Inner Mongolia-Shaanxi were proceeding smoothly. The preliminary preparations for projects were well implemented. Shalajida Coal Mine in Ordos, Yilan Coal Mine No. 3 in Heilongjiang and the 2x350MW power plant of Shanghai Energy Company obtained governmental approvals on preliminary preparations. The coal conversion projects were in rapid progress. The coke oven gas produced fertiliser project in Lingshi of Shanxi successfully completed the commissioning test run at the end of 2012. The Phase 1 of Ordos Tuke Fertiliser Project completed the installation of major equipment, and will be undergoing commissioning test run by the end of 2013. The Pingshuo Inferior Coal Comprehensive Utilisation Project commenced construction. Through the successful acquisition of Yuquan Coal Mine in Yangquan, Shanxi province, the Company acquired 43 million tonnes of coal resources. As at the end of 2012, the Company had coal resources reserve of 19.51 billion tonnes in accordance with the mining standards of the PRC.

To actively forge a financial platform for its industrial development, the Company speeded up the establishment of the Finance Company. The relevant application materials have been submitted to China Banking Regulatory Committee for approval, and the Finance Company shall be expected to be established in 2013. The Company completed the quota registration for the second tranche of RMB15 billion medium-term notes and the issuance of the first installment of medium-term notes of RMB5 billion, leveraging on long-term financing at low costs to ensure the funding needs for development. Investment projects were streamlined according to market changes in a well-paced manner, thus reducing investment risks with less investment costs. Under a retrenchment strategy for coking projects, accumulated backward coking capacity of 1,300,000 tonnes was eliminated, which effectively reduced the loss from coking business. The equity acquisitions of Tang Shan Gou Company and Sales and Transportation Company were completed, introducing new growth drivers to the Company.

The Company pressed forward its innovation-driven endeavours and heightened the supporting and guiding role of technologies. Implementing its integrated and leading technological innovation strategy, the Company undertook 17 projects and tasks of the national important science and technology programmes and carried out 43 corporate major technological projects. Through the co-establishment of a state-level collaborative innovation centre with China University of Mining and Technology, the cooperation with production and academic and research institutions was further improved in terms of extent and quality. The Company obtained 1 national technological improvement award, 14 provincial or ministry-level technological improvement awards and 186 patents, demonstrating a further improvement in its technological innovation capability. To advance the construction of a "Green China Coal" under a well-established framework, the Company formulated the green standards and appraisal systems for its coal and coal mining equipment businesses. The subsidiaries were honoured with a number of awards including "China Baosteel Environmental Friendly Prize", "National Pioneering Group of Energy Saving" and "National Outstanding Unit of Recycling Economy".

Looking into 2013, amidst the mixed and volatile global economic situation, the slow-growth pattern will continue as the world economy has steered into an in-depth correction cycle from the pre-crisis fast growth. China is at an important strategic phase for advancing its industrialisation, informatisation, urbanisation and agricultural modernisation, and shall be expected to maintain a sound economic momentum to fuel the growing coal demand. However, due to the impact from the severe and complicated situation domestically and internationally, the instabilities and uncertainties in the economic operation will exert a notable influence on the coal industry. The Company envisages that the domestic coal supply and demand in China will maintain a slow growth in 2013 with a relatively less tight supply and demand. Chinese government will continue to strengthen energy security by encouraging the construction of large-scale coal bases and conglomerates, which are favourable for coal industrial upgrading and faster development of large-scale coal enterprises.

In 2013, China Coal Energy will follow its development strategy to speed up the industrial layout and restructuring. The Company will leverage on its resource concentration pattern so as to create new edge by formulating scientific landscape, leverage on its pattern of in industrial agglomeration so as to create new edge from economies of scale, leverage on its pattern of industrial cycle so as to create new edge from transformation and upgrading, leverage on its pattern of industrial value chain so as to create new edge in operation of synergy, leverage on its pattern of integrated innovation so as to create new edge in industrial technologies. Focusing on its annual production and operation targets, the Company will organise coal production in a scientific manner, enhance the coordination among production, transportation and sales, continue to improve its safety assurance ability, strengthen cost control and speed up the construction of projects. Industrial reform and management enhancements will be pressed ahead, striving to increase its raw coal production at above 5% in 2013 and control the year-on-year increase of the unit sales costs of self-produced commercial coal at no more than 5% and create new values for our Shareholders.

Wang An
Chairman

Beijing, the PRC
15 March 2013

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 IFRS.

I. Overview

In 2012, in face of adverse conditions, namely the slack in the growth of market demand and a substantial fall in coal price, the Company actively responded to the impacts of the market and achieved satisfactory operating results by making every effort to expand its scale of production and sale, optimise its product structure and adopt stringent costs control measures. For the year ended 31 December 2012, the Group's total revenue (net of inter-segmental sales) amounted to RMB87.292 billion, representing a year-on-year decrease of 3.9%; costs of sales amounted to RMB69.989 billion, representing a year-on-year decrease of 2.9%; profit before income tax amounted to RMB12.789 billion, representing a year-on-year decrease of 10.7%; profit attributable to equity holders of the Company amounted to RMB8.842 billion, representing a year-on-year decrease of 11.2%; net cash generated from operating activities per share was RMB0.82, representing a year-on-year decrease of RMB0.28; and basic earnings per share was RMB0.67, representing a year-on-year decrease of RMB0.08.

Unit: RMB100 million

	For the year ended 31 December 2012	For the year ended 31 December 2011 (restated)	Increase/decrease	
			Increase/ decrease in amount	Increase/ decrease (%)
Revenue	**872.92**	908.65	-35.73	-3.9
Profit before income tax	**127.89**	143.15	-15.26	-10.7
EBIDTA	**175.04**	189.58	-14.54	-7.7
Profit attributable to equity holders of the Company	**88.42**	99.55	-11.13	-11.2
Net cash generated from operating activities	**108.87**	145.47	-36.60	-25.2

As at 31 December 2012, the gearing ratio (total interest-bearing debts/(total interest-bearing debts + equity)) of the Group was 31.5%, representing an increase of 8.2 percentage points from the beginning of the year.

Unit: RMB100 million

	As at 31 December 2012	As at 31 December 2011 (restated)	Increase/decrease: Increase/ decrease in amount	Increase/decrease: Increase/ decrease (%)
Assets	**1,856.87**	1,621.52	235.35	14.5
Liabilities	**842.67**	652.78	189.89	29.1
Interest-bearing debts	**466.19**	294.73	171.46	58.2
Equity	**1,014.20**	968.74	45.46	4.7
Equity attributable to equity holders of the Company	**867.26**	825.25	42.01	5.1

II. Operating Results

(1) Combined Operating Results

1. Revenue

For the year ended 31 December 2012, the Group's total revenue (net of inter-segmental sales) decreased from RMB90.865 billion for the year ended 31 December 2011 to RMB87.292 billion, representing a decrease of 3.9%. In face of changing market conditions and a substantial fall in coal price, the Company actively expanded the production and sales of self-produced coal. Through adhering to the strategies of promoting sale through selling premium products and producing more coal to offset the decline in coal prices, the Company's revenue from self-produced commercial coal increased by RMB1.207 billion year-on-year. However, revenue from proprietary coal trading decreased by RMB3.566 billion year-on-year due to a substantial fall in the price of proprietary coal. In addition, revenue from coking operations diminished year-on-year due to a year-on-year decrease in the sales of the Company's self-produced coke and a year-on-year decrease in the overall sales price.

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 2012 in comparison with the year ended 31 December 2011 are set out as follows:

Unit: RMB100 million

	Revenue net of inter-segmental sales			
	For the year ended 31 December 2012	For the year ended 31 December 2011 (restated)	Increase/decrease: Increase/ decrease in amount	Increase/decrease: Increase/ decrease (%)
Coal operations	**717.83**	740.38	-22.55	-3.0
Coking operations	**41.85**	53.01	-11.16	-21.1
Coal mining equipment operations	**78.85**	77.33	1.52	2.0
Other operations	**34.39**	37.93	-3.54	-9.3
Total	**872.92**	908.65	-35.73	-3.9

The proportion of revenue net of inter-segmental sales generated by each operating segment of the Group for the year ended 31 December 2012 and the year ended 31 December 2011 in the Group's total revenue are set out as follows:

	Proportion of revenue net of inter-segmental sales (%)		
	For the year ended 31 December 2012	For the year ended 31 December 2011 (restated)	Increase/ decrease (percentage points)
Coal operations	**82.2**	81.5	0.7
Coking operations	**4.8**	5.8	–1.0
Coal mining equipment operations	**9.0**	8.5	0.5
Other operations	**4.0**	4.2	–0.2

2. *Cost of sales*

For the year ended 31 December 2012, the Group's cost of sales decreased from RMB72.052 billion for the year ended 31 December 2011 to RMB69.989 billion, representing a decrease of 2.9%.

Materials costs decreased from RMB41.320 billion for the year ended 31 December 2011 to RMB37.266 billion, representing a decrease of 9.8%. The decrease was mainly attributable to a year-on-year decrease in the unit price of proprietary coal purchased by the Group and a decrease in external purchase of raw coal for washing purposes, which led to a corresponding decrease in materials costs in the coal segment. In addition, elimination of backward coke production capacity reduced the sales of self-produced coke, which led to a corresponding decrease in material costs in the coking segment.

Staff costs increased from RMB4.117 billion for the year ended 31 December 2011 to RMB4.453 billion, representing an increase of 8.2%. The increase was mainly attributable to the commencement of operation of the Group's construction-in-progress projects during the reporting period, such as Pingshuo East Open Pit Mine Project, which led to a year-on-year increase in staff number on the payroll, thus incurring higher relevant staff costs.

Depreciation and amortisation expenses increased from RMB4.131 billion for the year ended 31 December 2011 to RMB4.260 billion, representing an increase of 3.1%. The increase was mainly attributable to the transfer of the Group's construction-in-progress projects to fixed assets, and an increase in production equipment and facilities purchased for production and operation, resulting in a corresponding year-on-year increase in provision for depreciation and amortisation expenses.

Repair and maintenance costs decreased from RMB1.119 billion for the year ended 31 December 2011 to RMB1.081 billion, representing a decrease of 3.4%. The decrease was mainly attributable to the decrease in expenditure on repair and maintenance as a result of the increase in replacement of production equipment and facilities being put into operation by the Group. In addition, the Group fully enhanced equipment independent repair and maintenance through fully capitalising on its own repair and maintenance capabilities, which led to a decrease in repair and maintenance costs.

Transportation costs increased from RMB9.716 billion for the year ended 31 December 2011 to RMB11.446 billion, representing an increase of 17.8%. The increase was mainly attributable to a number of factors including the increase in the volume of the Group's coal sales, for which the Group bore the transportation costs during the reporting period, the increase in the harbour tolls levied up to RMB4/tonne since October 2011, and the increased tariff rate of cargo transport through certain railway routes since May 2012.

Sales taxes and surcharges decreased from RMB1.376 billion for the year ended 31 December 2011 to RMB1.372 billion, representing a decrease of 0.3%. The decrease was mainly attributable to the decrease in coke export, resulting in a year-on-year decrease in customs tariff of RMB91 million. Other taxes including business tax increased by RMB87 million year-on-year.

Other expenses decreased from RMB10.273 billion for the year ended 31 December 2011 to RMB10.111 billion, representing a decrease of 1.6%. The decrease was mainly attributable to a year-on-year decrease in water discharge fee for mining paid by subsidiaries of the Company during the reporting period. In addition, during the reporting period, the Company stepped up control over expenditure on small and medium engineering projects on the ground and underground, resulting in a year-on-year decrease in expenditure for ground restoration, land subsidence treatment, small and medium engineering projects.

3. Gross profit and gross profit margin

For the year ended 31 December 2012, the Group's gross profit decreased from RMB18.813 billion for the year ended 31 December 2011 to RMB17.303 billion, representing a decrease of 8.0%, and gross profit margin decreased from 20.7% for the year ended 31 December 2011 to 19.8%, representing a decrease of 0.9 percentage point.

The gross profit and gross profit margin of each operating segment of the Group for the year ended 31 December 2012 and for the year ended 31 December 2011 are as follows:

Unit: RMB100 million

	Gross profit			Gross profit margin (%)		
	For the year ended 31 December 2012	For the year ended 31 December 2011 (restated)	**Increase/ decrease** (%)	**For the year ended 31 December 2012**	For the year ended 31 December 2011 (restated)	Increase/ decrease (percentage point(s))
Coal operations	**155.35**	169.24	-8.2	**21.6**	22.8	-1.2
Self-produced commercial coal	**152.38**	162.39	-6.2	**29.2**	31.8	-2.6
Proprietary coal trading	**2.70**	5.67	-52.4	**1.4**	2.5	-1.1
Coking operations	**–1.51**	1.10	-237.3	**–3.6**	2.1	-5.7
Coal mining equipment operations	**17.25**	15.84	8.9	**19.3**	18.0	1.3
Other operations	**2.46**	3.09	-20.4	**6.3**	6.8	-0.5
Group	**173.03**	188.13	-8.0	**19.8**	20.7	-0.9

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

(2) Operating results of segments

1. Coal segment

- **Revenue**

The Group's revenue from the coal operations was mainly generated from sales of 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 was engaged in coal import and export and domestic agency services.

For the year ended 31 December 2012, the total revenue from coal operations of the Group decreased from RMB74.374 billion for the year ended 31 December 2011 to RMB71.995 billion, representing a decrease of 3.2%; revenue net of other inter-segmental sales decreased from RMB74.038 billion for the year ended 31 December 2011 to RMB71.783 billion, representing a decrease of 3.0%.

For the year ended 31 December 2012, revenue from sales of self-produced commercial coal increased from RMB51.109 billion for the year ended 31 December 2011 to RMB52.220 billion, representing an increase of 2.2%. After offsetting the revenue from inter-segmental sales, the revenue increased from RMB50.816 billion for the year ended 31 December 2011 to RMB52.023 billion, representing an increase of 2.4%. Revenue from sales of proprietary coal trading decreased from RMB22.860 billion for the year ended 31 December 2011 to RMB19.294 billion, representing a decrease of 15.6%. Revenue from agency services decreased from RMB54 million for the year ended 31 December 2011 to RMB48 million, representing a decrease of 11.1%.

Changes in the Group's coal sales volume and selling price for the year ended 31 December 2012 in comparison with the year ended 31 December 2011 are set out as follows:

		2012		2011 (restated)		Increase/decrease in amount		Increase/decrease	
		Sales volume (10,000 tonnes)	**Selling price (RMB/tonne)**	Sales volume (10,000 tonnes)	Selling price (RMB/tonne)	Sales volume (10,000 tonnes)	Selling price (RMB/tonne)	Sales volume (%)	Selling price (%)
I. Self-produced commercial coal	Total	**11,112**	**468**	10,172	500	940	-32	9.2	-6.4
	(I) Thermal coal	**11,009**	**465**	10,085	492	924	-27	9.2	-5.5
	1. Domestic sale	**10,945**	**464**	10,011	490	934	-26	9.3	-5.3
	(1) Long-term contract	**5,211**	**452**	5,157	425	54	27	1.0	6.4
	(2) Spot trading	**5,734**	**474**	4,854	558	880	-84	18.1	-15.1
	2. Export	**64**	**742**	74	795	-10	-53	-13.5	-6.7
	(1) Long-term contract	**64**	**742**	74	795	-10	-53	-13.5	-6.7
	(2) Spot trading	☆	☆	☆	☆	–	–	–	–
	(II) Coking Coal◆	**103**	**796**	87	1,382	16	-586	18.4	-42.4
	1. Domestic sale	**103**	**796**	87	1,382	16	-586	18.4	-42.4
	(1) Long-term contract	☆	☆	21	1,412	-21	–	-100.0	–
	(2) Spot trading	**103**	**796**	66	1,373	37	-577	56.1	-42.0
	2. Export	☆	☆	☆	☆	–	–	–	–
II. Proprietary trading	Total	**3,364**	**574**	3,317	689	47	-115	1.4	-16.7
	(I) Domestic resale	**2,941**	**574**	2,869	698	72	-124	2.5	-17.8
	(II) Import trading	**415**	**549**	443	614	-28	-65	-6.3	-10.6
	(III) Transshipment trading	**5**	**1,056**	☆	☆	5	–	–	–
	(IV) Self-operated exports	**3***	**3,115**	5*	2,529	-2	586	-40.0	23.2
III. Import and export and domestic agency★	Total	**478**	**10**	368	15	110	-5	29.9	-33.3
	(I) Import agency	**133**	**8**	84	3	49	5	58.3	166.7
	(II) Export agency	**225**	**16**	284	18	-59	-2	-20.8	-11.1
	(III) Domestic agency	**120**	**1**	☆	☆	120	–	–	–

☆ : N/A

◆ : Huajin Coking Coal Company ceased to be consolidated into the Group since its split off in August 2011. Therefore, the sales of coking coal products by the above company subsequent to the split are not included in sales of coking coal.

★ : Selling price is agency service fee

* : Briquette export

- **Cost of sales**

For the year ended 31 December 2012, cost of sales for the Group's coal operations decreased from RMB57.450 billion for the year ended 31 December 2011 to RMB56.460 billion, representing a decrease of 1.7%. Changes in major cost items were set out as follows:

Unit: RMB100 million

Item	**For the year ended 31 December 2012**	For the year ended 31 December 2011 (restated)	Increase/decrease: Increase/ decrease in amount	Increase/decrease: Increase/ decrease (%)
Materials costs (excluding cost of external purchases of raw coal for washing purpose and proprietary coal trading cost)	**60.28**	59.63	0.65	1.1
Cost of external purchases of raw coal for washing purpose	**19.60**	22.11	-2.51	-11.4
Proprietary coal trading cost	**189.38**	222.93	-33.55	-15.0
Staff costs	**32.71**	30.24	2.47	8.2
Depreciation and amortisation	**37.05**	35.55	1.50	4.2
Repair and maintenance☆	**11.24**	11.65	-0.41	-3.5
Transportation costs	**110.02**	91.54	18.48	20.2
Coal sustainable development fund (reserve)	**20.90**	19.45	1.45	7.5
Outsourcing mining engineering fee	**27.27**	24.75	2.52	10.2
Sales taxes and surcharges	**12.72**	12.10	0.62	5.1
Other costs*	**43.43**	44.55	-1.12	-2.5
Total costs of sales for coal operations	**564.60**	574.50	-9.90	-1.7

Notes: ☆: Repair expenses of the coal operations segment include inter-segment repair expenses which are eliminated upon consolidation.

*: Other costs mainly include environmental restoration expenses incurred in relation to coal mining operation and expenses for small and medium projects etc. incurred in direct correlation with coal production.

For the year ended 31 December 2012, the Group's cost of sales of self-produced commercial coal was RMB36.982 billion, representing a year-on-year increase of RMB2.112 billion or 6.1%. The unit cost of sales of self-produced commercial coal was RMB332.82/tonne, representing a year-on-year decrease of RMB9.99/tonne or 2.9%.

Changes of major items of the Group's unit cost of sales of self-produced commercial coal are as follows:

Unit: RMB/tonne

Item	**For the year ended 31 December 2012**	For the year ended 31 December 2011 (restated)	Increase/decrease	
			Increase/ decrease in amount	Increase/ decrease (%)
Materials costs (excluding cost of external purchases of raw coal for washing purpose)	**54.25**	58.62	–4.37	–7.5
Cost of external purchases of raw coal for washing purpose	**17.64**	21.74	–4.10	–18.9
Staff costs	**29.44**	29.73	–0.29	–1.0
Depreciation and amortisation	**33.34**	34.95	–1.61	–4.6
Repair and maintenance	**10.11**	11.45	–1.34	–11.7
Transportation costs	**98.23**	89.99	8.24	9.2
Sales taxes and surcharges	**11.44**	11.90	–0.46	–3.9
Coal sustainable development fund (reserve)	**18.81**	19.12	–0.31	–1.6
Outsourcing mining engineering fee	**24.54**	24.33	0.21	0.9
Other costs	**35.02**	40.98	–5.96	–14.5
Unit cost of sales of self-produced commercial coal	**332.82**	342.81	–9.99	–2.9

The year-on-year decrease in the Group's unit cost of sales of self-produced commercial coal for the year ended 31 December 2012 was mainly attributable to:

Unit material cost decreased by RMB4.37/tonne year-on-year, which was mainly attributable to enhanced measures for cost reduction and efficiency improvement, and stepped-up management of obsolete materials repair and waste reuse, expense consumption reduction in response to market challenges as well as decreased procurement prices during the reporting period, which resulted in a drop in material cost; meanwhile, the year-on-year increase in the sales volume of self-produced commercial coal and the deconsolidation of Huajin Coking Coal Company with higher material cost after its split in August 2011 also contributed to the year-on-year decrease in material cost.

Unit cost of external purchases of raw coal for washing purpose decreased by RMB4.10/tonne year-on-year, which was mainly attributable to the decreased total cost of external purchases of raw coal for washing purpose as a result of the decrease in the procurement volume of external purchases of raw coal for washing purpose during the reporting period. In addition, the increase in the sales volume of self-produced commercial coal diluted the unit cost of external purchases of raw coal for washing purpose correspondingly.

Unit depreciation and amortisation decreased by RMB1.61/tonne year-on-year, which was mainly attributable to the dilution of depreciation and amortisation costs by the increased sales of self-produced commercial coal of the Group.

Unit repair and maintenance expenses decreased by RMB1.34/tonne year-on-year, which was mainly attributable to the decreased repair expenses incurred as a result of the increase in replacement of production equipment and facilities being put into operation by the subsidiaries of the Company. In addition, the Group intensified independent repair and maintenance efforts, leading to decreased repair expenses.

Unit transportation cost increased by RMB8.24/tonne year-on-year, which was mainly attributable to a number of factors including the expansion of the Group's operation scale and the increase in the coal sales volume for which the Group bore the transportation costs and the increase in the harbour tolls to RMB4/tonne since October 2011, and the increased tariff rate of cargo transport through certain railway routes since May 2012, leading to the corresponding increase in transportation costs.

Unit other costs decreased by RMB5.96/tonne year-on-year, which was mainly attributable to the year-on-year decrease in payment of water discharge fees levied on mining activities by subsidiaries of the Company during the reporting period. In addition, environmental restoration and land subsidence treatment expenses incurred recorded a year-on-year decrease due to the Group's enhanced management of non-recurring project expenses in the normal course of business.

- **Gross profit and gross profit margin**

For the year ended 31 December 2012, gross profit of the Group's coal operations segment decreased from RMB16.924 billion for the year ended 31 December 2011 to RMB15.535 billion, representing a decrease of 8.2%, and gross profit margin decreased by 1.2 percentage points from 22.8% for the year ended 31 December 2011 to 21.6%.

2. COKING OPERATIONS

- **Revenue**

For the year ended 31 December 2012, the Group's revenue from coking operations decreased from RMB5.301 billion for the year ended 31 December 2011 to RMB4.185 billion (generated entirely from revenue of external sales), representing a decrease of 21.1%. This was mainly due to the reduction of loss from coking operations, which was attributable to the decreased sales volume of self-produced coke year-on-year as a result of continuous implementation of contractive strategies in coking operations and elimination of backward coke production capacity. In addition, affected by the market situation, the selling price of coke decreased year-on-year.

The revenue from coke sales of the Group for the year ended 31 December 2012 was RMB3.325 billion, representing a year-on-year decrease of RMB996 million.

Changes in the sales volume and selling price of coke of the Group for the year ended 31 December 2012 and for the year ended 31 December 2011 were set out in the table below:

	For the year ended 31 December 2012		For the year ended 31 December 2011		Increase/decrease in amount		Increase/decrease	
	Sales volume (10,000 tonnes)	**Selling price (RMB/ tonne)**	Sales volume (10,000 tonnes)	Selling price (RMB/ tonne)	Sales volume (10,000 tonnes)	Selling price (RMB/ tonne)	Sales volume (%)	Selling price (%)
I. Self-produced	**177**	**1,441**	210	1,689	-33	-248	-15.7	-14.7
Domestic sales	**177**	**1,441**	210	1,689	-33	-248	-15.7	-14.7
Exports	☆	☆	☆	☆	–	–	–	–
2. Proprietary trading	**51**	**1,526**	38	2,045	13	-519	34.2	-25.4
Domestic sales	**50.7**	**1,523**	29	1,835	21.7	-312	74.8	-17.0
Exports	**0.3**	**1,978**	9	2,711	-8.7	-733	-96.7	-27.0
3. Export agency*	**1**	**26**	10	28	-9	-2	-90.0	-7.1

☆ : N/A

* : Selling price is agency service fee

For the year ended 31 December 2012, the Group's revenue from sales of methanol, coal tar, crude benzol etc., in the coking operations of the Group (in addition to coke sales) amounted to RMB860 million, representing a year-on-year decrease of RMB120 million. Among the sales, the sales volume of self-produced methanol by China Coal Heilongjiang Coal Chemical Company Limited amounted to 141.1 thousand tonnes. In addition, all methanol produced by Heilongjiang Coal Chemical Group was sold externally via the Group, which increased the sales volume of methanol by 49.9 thousand tonnes. For the year ended 31 December 2012, the Group's total sales volume of methanol amounted to 191 thousand tonnes with weighted average selling price of RMB2,118/tonne, achieving operating revenue of RMB405 million.

- **Cost of sales**

For the year ended 31 December 2012, costs of sales of coking operations decreased from RMB5.191 billion for the year ended 31 December 2011 to RMB4.336 billion, representing a decrease of 16.5%. The decrease was mainly attributable to the year-on-year decrease in the output of self-produced coke as a result of the elimination of backward coke production capacity. Details are set out as follows:

Unit: RMB100 million

Item	**For the year ended 31 December 2012**	For the year ended 31 December 2011	Increase/decrease: Increase/ decrease in amount	Increase/decrease: Increase/ decrease (%)
Material costs	**36.64**	42.31	-5.67	-13.4
Staff costs	**0.73**	0.65	0.08	12.3
Depreciation and amortisation	**1.60**	1.56	0.04	2.6
Repair expenses	**0.24**	0.25	-0.01	-4.0
Transportation expenses	**3.03**	4.05	-1.02	-25.2
Business taxes and surcharges	**0.17**	0.98	-0.81	-82.7
Other costs	**0.95**	2.11	-1.16	-55.0
Total costs of coking operations	**43.36**	51.91	-8.55	-16.5

- **Gross profit and gross profit margin**

For the year ended 31 December 2012, the gross profit of the Group's coking operations segment decreased from RMB110 million for the year ended 31 December 2011 to RMB-151 million, representing a decrease of RMB261 million, and the gross profit margin decreased from 2.1% for the year ended 31 December 2011 to -3.6%, representing a decrease of 5.7 percentage points. This was mainly due to the substantial year-on-year decrease in market price of coke as a result of the lingering weakness in coke market.

3. Coal mining equipment operations

- **Revenue**

For the year ended 31 December 2012, revenue of coal mining equipment operations increased from RMB8.788 billion for the year ended 31 December 2011 to RMB8.919 billion, representing an increase of 1.5%, of which the revenue after netting of other inter-segmental sales increased from RMB7.733 billion for the year ended 31 December 2011 to RMB7.885 billion, representing an increase of 2.0%. This was mainly attributable to the year-on-year increase in the sales volume of major coal mining equipment as a result of taking full advantages of complete set of equipment and efforts in market expansion.

- **Cost of sales**

For the year ended 31 December 2012, costs of sales of coal mining equipment operations decreased from RMB7.204 billion for the year ended 31 December 2011 to RMB7.194 billion, representing a decrease of 0.1%. This was mainly attributable to the year-on-year decrease in costs as a result of the changes in product mix of coal mining equipment, the optimisation of production technique and progress of coal mining equipment manufacturers. Details are set out below:

Unit: RMB100 million

Item	**For the year ended 31 December 2012**	For the year ended 31 December 2011	Increase/decrease Increase/ decrease in amount	Increase/ decrease (%)
Material costs	**57.43**	55.84	1.59	2.8
Staff costs	**6.72**	6.47	0.25	3.9
Depreciation and amortisation	**0.90**	0.86	0.04	4.7
Repair expenses	**0.62**	0.63	-0.01	-1.6
Transportation expenses	**1.36**	1.39	-0.03	-2.2
Business taxes and surcharges	**0.59**	0.44	0.15	34.1
Other costs	**4.32**	6.41	-2.09	-32.6
Total costs of coal mining equipment operations	**71.94**	72.04	-0.10	-0.1

- **Gross profit and gross profit margin**

For the year ended 31 December 2012, gross profit of the Group's coal mining equipment operations segment increased from RMB1.584 billion for the year ended 31 December 2011 to RMB1.725 billion, representing an increase of 8.9%, and gross profit margin increased from 18.0% for the year ended 31 December 2011 to 19.3%, representing an increase of 1.3 percentage points.

4. Other operating segments

For the year ended 31 December 2012, the Group's total revenue from operations such as sales of primary aluminium and power generation decreased from RMB4.511 billion for the year ended 31 December 2011 to RMB3.929 billion, representing a decrease of 12.9%, of which the revenue after netting of other inter-segmental sales decreased from RMB3.793 billion for the year ended 31 December 2011 to RMB3.439 billion, representing a decrease of 9.3%. The gross profit of other business segments decreased by 20.4% from RMB309 million for the year ended 31 December 2011 to RMB246 million, and gross profit margin decreased from 6.8% for the year ended 31 December 2011 to 6.3%, representing a decrease of 0.5 percentage point.

(3) Selling, general and administrative expenses

For the year ended 31 December 2012, the Group's selling, general and administrative expenses decreased from RMB4.757 billion for the year ended 31 December 2011 to RMB4.586 billion, representing a decrease of 3.6%. This was mainly because the Group strictly controlled various expenses by implementing a series of administrative measures such as cementing the control over staff costs and reducing daily recurring expenses, resulting in the decrease in relevant expenses. In addition, the Group made provision for the loss from bad debts in accounts receivable of RMB26 million during the reporting period, representing a decrease of RMB41 million as compared to RMB67 million in 2011.

(4) Other net gains

For the year ended 31 December 2012, the other net gains of the Group decreased from RMB152 million for the year ended 31 December 2011 to RMB122 million, representing a decrease of 19.7%. This was mainly attributable to the increase in losses from the disposal of non-current assets by subsidiaries of the Company and the natural disaster losses of China Coal Equipment Company, a subsidiary of the Company in 2012. In addition, income from government subsidies and other sources increased by RMB71 million.

(5) Profit from operations

For the year ended 31 December 2012, the Group's profit from operations decreased from RMB14.219 billion for the year ended 31 December 2011 to RMB12.807 billion, representing a decrease of 9.9%. Changes in profit from operations for each operating segment are as follows:

Unit: RMB100 million

	For the year ended 31 December 2012	For the year ended 31 December 2011 (restated)	Increase/decrease: Increase/ decrease in amount	Increase/decrease: Increase/ decrease (%)
The Group	**128.07**	142.19	-14.12	-9.9
Of which: Coal operations	**127.97**	140.09	-12.12	-8.7
Coking operations	**-3.53**	-0.75	-2.78	370.7
Coal mining equipment operations	**6.67**	5.85	0.82	14.0
Other operations	**-0.17**	0.07	-0.24	-342.9

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

(6) Finance income and finance cost

For the year ended 31 December 2012, the Group's net finance costs increased from RMB198 million for the year ended 31 December 2011 to RMB254 million, representing an increase of 28.3%, of which finance income increased from RMB622 million for the year ended 31 December 2011 to RMB807 million, representing an increase of 29.7%. This was mainly attributable to the increase in interest income. The finance costs increased from RMB820 million for the year ended 31 December 2011 to RMB1.061 billion, representing an increase of 29.4%. This was mainly attributable to the increase in interest expenses of RMB352 million as a result of the increase in interest-bearing debts of the Group, while the foreign exchange gains of RMB71 million (foreign exchange loss of RMB46 million in 2011) due to the changes in foreign exchange rate arising from the Japanese Yen borrowings by Pingshuo Company during the reporting period partially offsetting the increase in interest expenses.

(7) Share of profits of associates and jointly controlled entities

For the year ended 31 December 2012, the Group's share of profits of associates and jointly controlled entities decreased from RMB294 million for the year ended 31 December 2011 to RMB236 million, representing a decrease of 19.7%. This was mainly attributable to the decreased investment gains from associates and jointly controlled entities recognised in proportion to the shareholding during the reporting period resulting from the decreased profits of the associates and jointly controlled entities of the Group during the reporting period.

(8) Profit before income tax

For the year ended 31 December 2012, the profit of the Group before income tax decreased from RMB14.315 billion for the year ended 31 December 2011 to RMB12.789 billion, representing a decrease of 10.7%.

(9) Income tax expenses

For the year ended 31 December 2012, the Group's income tax expenses decreased from RMB3.462 billion for the year ended 31 December 2011 to RMB3.214 billion, representing a decrease of 7.2%.

(10) Profit attributable to the equity holders of the Company

For the year ended 31 December 2012, profit attributable to the equity holders of the Company decreased from RMB9.955 billion for the year ended 31 December 2011 to RMB8.842 billion, representing a decrease of 11.2%.

III. Cash Flow

As at 31 December 2012, the Group's cash and cash equivalents amounted to RMB13.222 billion, representing a decrease of RMB7.685 billion as compared to the cash and cash equivalents of RMB20.907 billion as at 31 December 2011.

Net cash generated from operating activities decreased from RMB14.547 billion for the year ended 31 December 2011 to RMB10.887 billion, representing a decrease of 25.2%. This was mainly attributable to the year-on-year decrease in net cash inflow generated from operating activities of RMB2.513 billion as a result of the appropriate adjustment by the Group on its sales policies and settlement method for major customers in order to adapt to the market situation, which led to a year-on-year increase in receivables attributable to operating activities. Cash outflow for interest payment increased by RMB1.485 billion year-on-year as a result of the increase in the issuance of medium-term notes and bank borrowings during the reporting period. During the reporting period, the cash outflow for income tax payment gained a year-on-year increase of RMB211 million. In addition, gains on interests increased by RMB550 million year-on-year, partially offsetting the increase in the above cash outflow.

Net cash used in investing activities decreased from RMB35.283 billion for the year ended 31 December 2011 to RMB31.889 billion, representing a decrease of 9.6%. This was mainly attributable to the year-on-year increase in cash expenses used for investing activities such as project construction, equipment purchase and equity investment related to the construction and development of the core businesses of the Group along with the comprehensive advancement of project constructions. However, the amount of term deposits with initial terms exceeding three months arranged during the reporting period decreased by RMB1.824 billion as compared to the beginning of 2012, which generated cash inflow. The amount of term deposits with initial terms exceeding three months arranged in 2011 increased by RMB6.672 billion as compared to the beginning of 2011, which generated cash outflow, resulting in the year-on-year decrease in net cash used in investing activities.

Net cash generated from financing activities decreased from RMB18.593 billion for the year ended 31 December 2011 to RMB13.311 billion, representing a decrease of 28.4%, which was mainly due to the year-on-year increase of cash net inflow of RMB6.801 billion as a result of the borrowings of the Group in 2012, the year-on-year decrease in cash net inflow of RMB9.967 billion resulting from the issuance of medium-term notes by the Company during the reporting period, the year-on-year increase of RMB962 million in dividend distribution and payment in cash, and the year-on-year increase of RMB1.045 billion attributable to cash consideration for the acquisition of minority interests during the reporting period, resulting in the year-on-year decrease in net cash generated from financing activities.

IV. Liquidity and Sources of Capital

For the year ended 31 December 2012, the Group's funds were mainly derived 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 payable 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 operating activities as well as project construction.

V. Assets and Liabilities

(1) Property, plant and equipment

As at 31 December 2012, the net value of property, plant and equipment of the Group amounted to RMB85.510 billion, representing a net increase of RMB24.687 billion or 40.6% as compared to RMB60.823 billion as at 31 December 2011. This was mainly attributable to an increase in the property, plant and equipment as a result of the increase in project investment from the Company's subsidiaries and the demand for additional equipment and facilities for manufacturing and operation.

As at 31 December 2012 and 31 December 2011, composition of the Group's property, plant and equipment (net value) is set out below:

Unit: RMB100 million

	As at 31 December 2012	**Percentage (%)**	As at 31 December 2011 (restated)	Percentage (%)
Buildings	**115.20**	**13.5**	92.49	15.2
Mining structures	**101.78**	**11.9**	46.07	7.6
Plant, machinery and equipment	**195.53**	**22.9**	167.95	27.6
Railway structures	**4.24**	**0.5**	4.41	0.7
Motor vehicles, fixtures and others	**10.69**	**1.3**	10.10	1.7
Construction in progress	**427.66**	**49.9**	287.21	47.2
Total	**855.10**	**100.0**	608.23	100.0

(2) Mining and exploration rights

As at 31 December 2012, the net value of the Group's mining and exploration rights amounted to RMB32.479 billion, representing a net increase of RMB3.506 billion or 12.1% as compared to RMB28.973 billion as at 31 December 2011. This was mainly attributable to the increase of RMB3.878 billion for the combination of the enterprises under common control, the acquisition and consolidation of local mines and the payment of resource consideration during the reporting period as well as the amortisation of RMB372 million for the reporting period.

(3) Other non-current assets

As at 31 December 2012, other non-current assets of the Group amounted to RMB3.551 billion, representing an increase of RMB503 million or 16.5% as compared to RMB3.048 billion as at 31 December 2011. This was mainly attributable to the increase in the amount of the advance payment of the Group for investment and resource acquisition. And the above amount will be transferred to investment or mining and exploration rights according to the progress of projects.

(4) Trade and note receivables

As at 31 December 2012, the net amount of trade and note receivables amounted to RMB11.394 billion, representing an increase of RMB3.380 billion or 42.2% as compared to RMB8.014 billion as at 31 December 2011, of which the net amount of trade receivables amounted to RMB8.175 billion, representing an increase of RMB2.590 billion or 46.4% as compared to RMB5.585 billion as at 31 December 2011. As at 31 December 2012, the net trade receivables aged within six months of the Group amounted to RMB7.025 billion, accounting for 85.9% of the net trade receivables and representing an increase of RMB2.325 billion or 49.5% as compared to RMB4.700 billion as at 31 December 2011, accounting for 89.8% of the total increased trade receivables. This was mainly attributable to the increase in trade receivables as a result of appropriate adjustment by the Group on its sales policies and settlement method for major customers in order to adapt to the market situation.

(5) Borrowings

As at 31 December 2012, the balance of borrowings of the Group amounted to RMB26.712 billion, representing a net increase of RMB12.194 billion or 84.0% as compared to RMB14.518 billion as at 31 December 2011. This was mainly attributable to an increase in the bank borrowings used for the turnover of production, construction and operation of the subsidiaries under the Company, of which the balance of long-term borrowings (including the portion due within one year) was RMB21.582 billion, representing a net increase of RMB9.319 billion as compared to RMB12.263 billion as at 31 December 2011, and the balance of short-term borrowings amounted to RMB5.130 billion, representing a net increase of RMB2.875 billion as compared to RMB2.255 billion as at 31 December 2011.

(6) Long-term Bonds

As at 31 December 2012, the balance of long-term Bonds of the Group amounted to RMB19.906 billion, representing a net increase of RMB4.951 billion from RMB14.955 billion as at 31 December 2011. The increase was a result of the issuance of medium-term notes by the Company during the reporting period.

VI. Significant Pledge of Assets

The Group did not have significant pledge of assets for the year ended 31 December 2012.

VII. Significant Investment

For details of significant investment during the reporting period, please refer to the section "Directors' Report" in this report.

VIII. Material Acquisition and Disposal

The Group did not have material acquisition and disposal for the year ended 31 December 2012.

IX. Registration and Issuance of Medium-Term Notes and Short-Term Financing Bonds

For details of the registration and issuance of medium-term notes and short-term financing bonds during the reporting period, please refer to the section "Directors' Report" in this report.

X. Operational Risks

For details of the operational risks, please refer to the section "Directors' Report" in this report.

XI. Contingent Liabilities

(1) Bank guarantees

As at 31 December 2012, the Group provided guarantees for a total amount of RMB4.927 billion, of which RMB1.695 billion were the guarantees provided in proportion to the Group's shareholdings for the bank borrowings of the Group's associates and jointly controlled entities. Details are set out below:

Unit: RMB10 thousand

The Company's external guarantees (excluding guarantees for controlling subsidiaries)													
Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	Date of execution of guarantee (the date of signing agreement)	Commencement date of guarantee	Expiry date of guarantee	Type of the guarantee	Completed or not	Overdue or not	Overdue amount	Counter guarantee available or not	Provided to the related party or not	Related party relationship
China Coal Energy Company Limited	Company headquarter	Shanxi Pingshuo Gangue-fired Power Generation Company Limited	9,300	19 December 2008	19 December 2008	18 December 2020	Joint and several liability guarantee	No	No	–	Yes	No	Associate
China Coal Energy Company Limited	Company headquarter	Shanxi Pingshuo Gangue-fired Power Generation Company Limited	47,400	24 December 2008	24 December 2008	23 December 2020	Joint and several liability guarantee	No	No	–	Yes	No	Associate
China Coal Energy Company Limited	Company headquarter	Huajin Coking Coal Company Limited	11,350	28 March 2008	28 March 2008	20 December 2022	Joint and several liability guarantee	No	No	–	No	No	Associate
China Coal Energy Company Limited	Company headquarter	Huajin Coking Coal Company Limited	43,826	28 March 2008	28 March 2008	20 December 2023	Joint and several liability guarantee	No	No	–	No	No	Associate
China Coal Energy Company Limited	Company headquarter	Huajin Coking Coal Company Limited	9,981	28 March 2008	28 March 2008	20 December 2023	Joint and several liability guarantee	No	No	–	No	No	Associate
China Coal Energy Company Limited	Company headquarter	Huajin Coking Coal Company Limited	500	21 November 2012	21 November 2012	20 November 2027	Joint and several liability guarantee	No	No	–	No	No	Associate
China Coal Energy Company Limited	Company headquarter	Taiyuan Coal Gasification Longquan Energy Development Company Limited	30,000	29 October 2012	29 October 2012	31 January 2021	Joint and several liability guarantee	No	No	–	No	No	Associate
China Coal and Coke Holdings Limited	Subsidiary	China Coal and Coke Xuyang China Coal Group	13,500	23 August 2012	23 August 2012	31 August 2017	Joint and several liability guarantee	No	No	No	Yes	No	Joint venture
China Coal and Coke Holdings Limited	Subsidiary	China Coal and Coke Xuyang China Coal Group	3,600	17 September 2012	17 September 2012	17 September 2015	Joint and several liability guarantee	No	No	No	Yes	No	Joint venture
Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)													-56,050
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)													169,457
Guarantee provided by the Company to its subsidiaries													
Total guarantee to subsidiaries incurred during the reporting period													88,904
Total balance of guarantee to subsidiaries as at the end of the reporting period (B)													323,197
Total guarantee of the Company (including those to subsidiaries)													
Total guarantee (A+B)													492,654
Percentage of total guarantee to net assets of the Company (%)													5.7
Of which:													
Amount of guarantee provided to shareholders, de facto controllers and related parties (C)													–
Balance of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratio of over 70% (D)													311,181
Excess amount of total guarantee over 50% of net assets (E)													–
Total amount of the above three categories (C+D+E)													311,181

Note: On 11 December 2012, the Board of the Company agreed to provide a guarantee of not exceeding the loan principal of RMB5.61 billion for the proposed bank loans of Shaanxi Yanchang China Coal Yulin Energy Chemical Company Limited, a 30%-owned associate of the Company. Relevant bank loan guarantee agreement is yet to be executed and no guarantee obligation is occurred.

(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 are currently no other environmental protection responsibilities that may have a material adverse impact on the financial position of the Group.

(3) Contingent legal liabilities

For the year ended 31 December 2012, 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.

XII. Other Event

(1) Entrusted wealth management

◆Overview

Unit: RMB10 thousand

Balance of entrusted wealth management at the beginning of the period	Amounts incurred from entrusted wealth management for the current period	Actual recovered principle amount from entrusted wealth management	Balance of entrusted wealth management at the end of the period
–	12,000	–	12,000

◆Wealth management products

Unit: RMB10 thousand

Partner	Type of entrusted wealth management products	Amounts of entrusted wealth management	Commencement date of entrusted wealth management	Expiry date of entrusted wealth management	Actual recovered principle amount	Any litigation?	Source of capital and whether for fund raising?	Related party relationship
China Bohai Bank	Principle and gains guaranteed	10,000	2012.11.23	2013.1.22	–	No	No	No
Industrial and Commercial Bank of China (Xiangning branch)	Principle unguaranteed with floating gains	2,000	2012.12.25	2013.4.11	–	No	No	No
Total outstanding amount of unrecovered principle and gains				Nil				

Note: The above entrusted wealth management products were bought by Shanxi Huaning Coke Co., Ltd., a subsidiary acquired through business combination not under common control by China Coal Huajin Company, a subsidiary of the Group in 2012. The principle and gains of the wealth management product due on 22 January 2013 have all been recovered.

(2) Entrusted loans

◆Overview

Unit: RMB10 thousand

Balance of entrusted loans at the beginning of the period	Amounts incurred from entrusted loans for the current period	Actual recovered principle amount from entrusted loans	Balance of entrusted loans at the end of the period
212,689	20,000	40,000	192,689

◆Details

Unit: RMB10 thousand

Borrowers	Amount of entrusted loans	Term	Interest rates (%)	Collateral or guarantor	Overdue or not	Connected transaction or not	Extended or not	Involved litigation or not	Source of capital and whether for fund raising or not	Related party relationship
Yan'an Hecaogou Coal Mining Co., Ltd.	100,000	One year	6.60	–	No	No	No	No	No	–
Yan'an Hecaogou Coal Mining Co., Ltd.	20,000	One year	6.60	–	No	No	No	No	No	–
Yan'an Hecaogou Coal Mining Co., Ltd.	50,000	Half a year	6.44	–	No	No	No	No	No	–
China Coal and Coke Xuyang China Coal Group	10,200	Three years	7.47	–	No	No	No	No	No	Joint venture
China Coal and Coke Xuyang China Coal Group*	12,489	Four years	8.18	Pledge of assets	Yes	No	No	No	No	Joint venture

* As at the date of this report, the entrusted loan in the amount of RMB124.89 million has been fully repaid.

(3) Other investment and wealth management products and derivatives

Unit: RMB10 thousand

Type of Investment	Fund source	Signatory	Investment shares	Term	Type of product	Expected gains	Investment gains and losses	Involved litigation or not
Hedging	Self-financed	–	1,900	9 months	Hedging	–	27.9	No

Note: The above hedging operation is for aluminium ingots conducted by Shanghai Energy Company, a subsidiary of the Group. No position was held as at 31 December 2012.

Business Performance

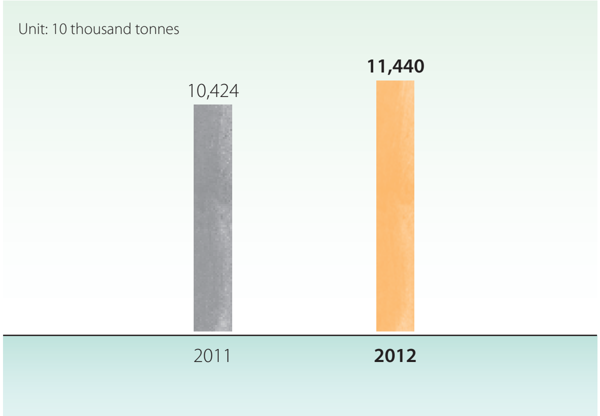
I. Principal Business Operations of the Company in 2012

• Coal Operations

1. Coal production volume maintained rapid growth

During 2012, growth in coal demand in China lacked momentum as a result of the joint impact of slower macroeconomic growth, higher hydropower output in the south and the competitions from imported coal. Such trend led to a change in the relationship between supply and demand of coal and a significant drop in the coal spot price. In face of the complex and challenging environment, China Coal Energy strived to increase its coal production volume by organising production in a scientific manner, optimising coal mining and exploration, and mining and stripping continuation. Meanwhile, the Company also adjusted its marketing strategy flexibly, continued to enhance the coordination among production, transportation and sales, and secured more railway transport capacity, so as to consolidate its key customer base and strive to explore new markets. The Company's coal production volume and sales thus maintained rapid growth against the unfavourable market trend. During the reporting period, the production volume of raw coal amounted to 145.37 million tonnes, representing a year-on-year increase of 14.76 million tonnes or 11.3%. The production volume of commercial coal reached 114.40 million tonnes, representing a year-on-year increase of 10.16 million tonnes or 9.7%. The Company continued to make efforts in promoting the development of a safety-assured enterprise, enhancing the coal production technology management system, and improving its control over safe production. As a result, the Company continued to increase its coal production efficiency while maintaining a safe production environment. During the reporting period, the raw coal production efficiency of the Company reached 47.1 tonnes/worker-shift, representing a year-on-year increase of 4.9%, of which the raw coal production efficiency rate of the open pit mines reached 176.8 tonnes/worker-shift, representing a year-on-year increase of 12.3%.

Commercial Coal Production Volume



By utilising its mining area with an advantage of a production capacity of 100 million tonnes, optimising the layout of working faces, and enhancing its equipment utilisation rate and production efficiency, Pingshuo Company recorded a commercial coal production volume of 89.67 million tonnes during 2012, representing a year-on-year increase of 11.8%. After accelerating the relocation of villages where coal mines were located and enhancing its safety technology support, Shanghai Energy Company attained a commercial coal production volume of 7.66 million tonnes during 2012, representing a year-on-year increase of 5.5%. China Coal Huajin Company achieved a commercial coal production volume of 1.92 million tonnes during 2012 through speeding up the construction of mines with high production volume and efficiency, introducing advanced mining equipment, optimising its production system and enhancing the unit output and unit roadheading level of its mines. Tang Shan Gou Company recorded a commercial coal production volume of 1.50 million tonnes during the reporting period by ensuring production continuation in a reasonable manner and stepping up its efforts to produce premium coal.

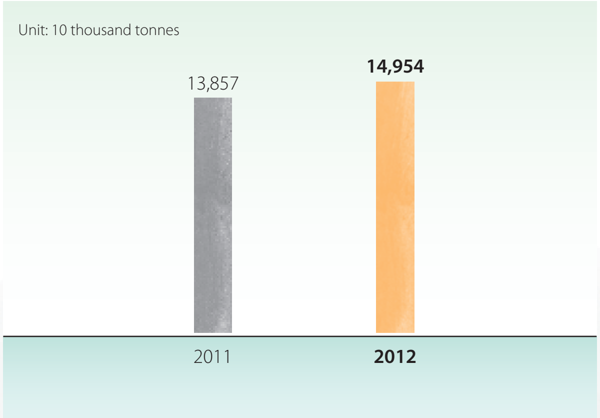
Commercial coal production volume (10 thousand tonnes)	2012	2011 (restated)	Change (%)
Pingshuo Company	**8,967**	8,023	11.8
Shanghai Energy Company	**766**	726	5.5
China Coal Huajin Company	**192**	-	-
Huajin Coking Coal Company	-	149	-
Dongpo Company	**792**	720	10.0
Nanliang Company	**210**	189	11.1
Tang Shan Gou Company	**150**	145	3.4
Shuozhong Company	**617**	608	1.5
Dazhong Company	**370**	340	8.8
Shaanxi Company	**60**	-	-
Total	**11,440**	10,424	9.7

Note: 1. The Company's consolidated commercial coal production volume has excluded volume for intra-group transactions, the amount of which reached 6.84 million tonnes in 2012 and 4.76 million tonnes in 2011.
2. Huajin Coking Coal Company ceased to be consolidated into the Company since its split off in August 2011.
3. Tang Shan Gou Company was consolidated into the Company in 2012, the comparative figures have been restated.
4. Shaanxi Company has not been consolidated into the Company and its production volume was calculated based on management statistics.

2. *Coal sales volume recorded a higher year-on-year growth*

The Company adjusted its marketing strategy proactively, integrated market information resources and enhanced its quick response capacity. The Company also ensured smooth and efficient coordination among production, transportation and sales by optimising its control system and establishing a dynamic coordination mechanism with multiple levels. The Company strengthened and expanded sales channels through fully leveraging on regional companies to promote market segmentation and sales. The Company also enhanced its management on coal quality and improved product and service quality by adjusting its production structure flexibly based on customers' needs, thereby further enhancing the influence of the "China Coal" brand and its product competitiveness on the market. During the reporting period, the Company's commercial coal sales volume reached 149.54 million tonnes, representing a year-on-year increase of 10.97 million tonnes or 7.9%.

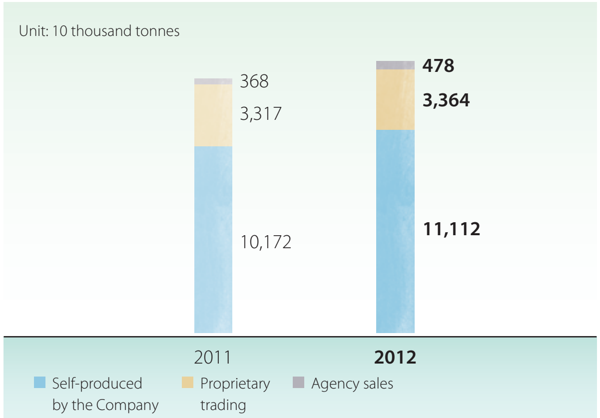
Commercial Coal Sales Volume



Production volume of commercial coal (10 thousand tonnes)		2012	2011 (restated)	Change (%)
(1) Domestic sales of self-produced coal		**11,048**	10,098	9.4
By region:	North China	**4,662**	4,359	7.0
	East China	**4,552**	4,102	11.0
	South China	**1,547**	1,589	-2.6
	Others	**287**	48	497.9
By coal type:	Thermal coal	**10,945**	10,011	9.3
	Coking coal	**103**	87	18.4
By contract:	Long– term contract	**5,211**	5,178	0.6
	Spot trading	**5,837**	4,920	18.6
By transportation:	Seaborne	**7,814**	6,903	13.2
	Direct arrival	**1,419**	1,195	18.7
	Local sales	**1,815**	2,000	-9.3
(2) Self-produced coal export		**64**	74	-13.5
By region:	Taiwan, China	**48**	58	-17.2
	Korea	**5**	3	66.7
	Japan	**11**	13	-15.4
By coal type:	Thermal coal	**64**	74	-13.5
By contract:	Long-term contract	**64**	74	-13.5
(3) Proprietary trading		**3,364**	3,317	1.4
Of which:	Domestic resale	**2,941**	2,869	2.5
	Import trading	**415**	443	-6.3
	Transshipment trading	**5**	–	–
	Self-operated exports	**3**	5	-40.0
(4) Agency sales		**478**	368	29.9
Of which:	Import agency	**133**	84	58.3
	Export agency	**225**	284	-20.8
	Domestic agency	**120**	–	–
Total		**14,954**	**13,857**	**7.9**

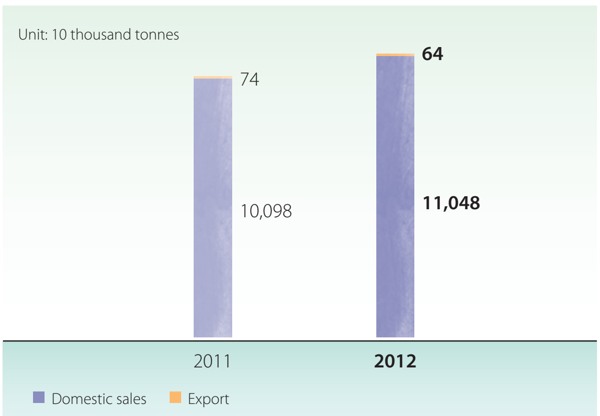
By markets

By product sources

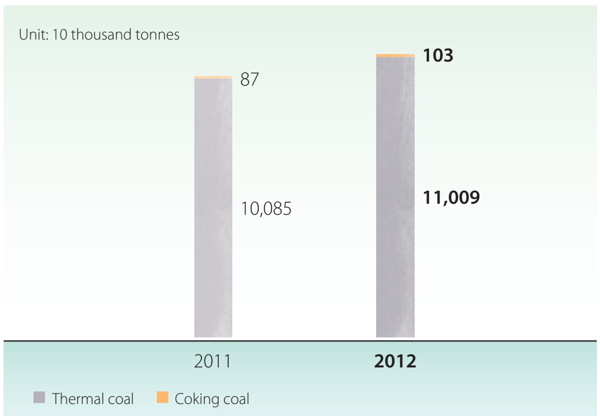


During the reporting period, the Company's sales volume of self-produced coal reached 111.12 million tonnes, representing a year-on-year increase of 9.40 million tonnes or 9.2%. In particular, domestic sales of self-produced coal reached 110.48 million tonnes, representing a year-on-year increase of 9.4%. Export of self-produced coal reached 640,000 tonnes, representing a year-on-year decrease of 13.5%.

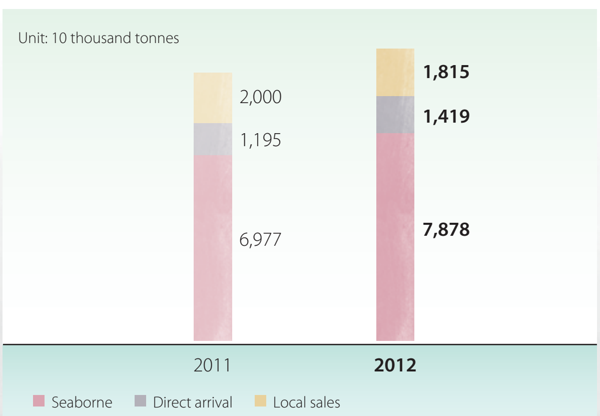
Self-produced coal sales – by market



Self-produced coal sales – by coal type



Self-produced coal sales – by transportation



Self-produced coal sales – by contract

The Company stepped up its efforts on the development of proprietary coal trading and optimised the product structure by blending with self-produced coal while expanding its market share, thereby increasing the product profitability. During the reporting period, the Company's sales volume of proprietary coal trading amounted to 33.64 million tonnes, of which domestic trading reached 29.41 million tonnes and import trading reached 4.15 million tonnes.

The Company captured the favourable opportunity of the relatively sufficient railway transportation capability in the region of northern Shanxi during the first quarter to actively organise the transportation of coal. The Company successfully seized the market opportunities before the coal prices dropped significantly and laid a solid foundation for the growth of self-produced coal sales scale for 2012. During the reporting period, commercial coal transportation volume by railway amounted to 92.70 million tonnes, representing a year-on-year increase of 11.12 million tonnes or 13.6%.

While strengthening its key customer base, the Company maintained a suitable spot trading sales scale and proactively explored new customers and markets. During the reporting period, the Company's spot sales accounted for 52.5% of the sales of self-produced commercial coal, representing a year-on-year increase of 4.1 percentage points.

• Coking Operations

During 2012, the grim situation of the China's coke market in recent years continued as coke producing enterprises faced pressure from both upstream and downstream industries, thus the scale and amount of losses continued to expand. The Company adopted decisive measures, such as transferring its affiliated company China Coal & Coke Jingda Limited in Taigu County of Shanxi Province during 2012, thereby eliminating total backward production capacity of 1.30 million tonnes/year. Meanwhile, the Company endeavoured to increase the profitability of coke products by enhancing its cost control and product quality management, lowering its purchasing cost and increasing the ratio of using railway for external coke transportation. The Company speeded up the construction of various projects, among which the coke-oven gas produced chemical fertiliser project with annual production capacity of 180,000 tonnes synthetic ammonia and 300,000 tonnes urea has commenced trial production. It is expected that the coking operations will realise profits in 2013.

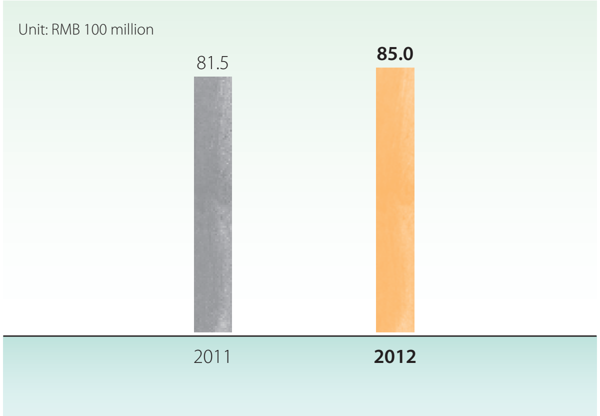
In 2012, the Company realised coke production of 1.70 million tonnes, representing a year-on-year decrease of 360,000 tonnes or 17.5%. Coke sales volume amounted to 2.29 million tonnes, representing a year-on-year decrease of 11.2%, of which self-produced coke sales volume was 1.77 million tonnes, representing a year-on-year decrease of 15.7%; coke sales volume through proprietary trading and import and export agency sales was 520,000 tonnes, representing a year-on-year increase of 8.3%. During the reporting period, the Company produced 134,000 tonnes of methanol, representing a year-on-year decrease of 19,000 tonnes.

Sales volume of coke (10 thousand tonnes)	2012	2011	Change (%)
Self-produced	177	210	-15.7
Of which: Metallurgical coke	144	177	-18.6
Foundry coke	33	33	0.0
Proprietary and agency	52	48	8.3
Total	229	258	–11.2

- ## Coal mining equipment operations

The Company fully leveraged on its ability to manufacture the entire set of equipment and optimised the production technologies and processes so as to satisfy requirements of customers' orders. Total production value of coal mining equipment for 2012 was RMB8.50 billion, representing a year-on-year increase of 4.3%. The total production volume of coal mining equipment reached 391,000 tonnes, representing a year-on-year increase of 8.9%, of which 22,393 units (sets) were major coal mining equipment. The Company further increased the profitability of coal mining equipment through improving its after-sale services and expanding the sales of spare parts of coal mining equipment. While strengthening and expanding its market share in China, the Company also made new progress in developing overseas markets with its main products being sold in various countries in Asia and Europe.

Production value of coal mining equipment



Coal mining equipment	Production value (RMB100 million) 2012	2011	Percentage change (%)	Revenue in 2012 (RMB100 million)	Percentage of revenue of the coal mining equipment segment %
Conveyor equipment	33.3	31.7	5.0	18.7	21.0
Support equipment	27.1	25.7	5.4	22.4	25.1
Road header	7.5	7.9	-5.1	2.1	2.4
Shearer	7.6	7.2	5.6	4.9	5.5
Electric mining motor	9.5	9.0	5.6	7.6	8.5
Total	85.0	81.5	4.3	89.2	–

Note: Revenues are figures before netting of inter-segmental sales. The total amount of revenue refers to the total revenue of the coal mining equipment segment.

Product type	Percentage of sales of the product %	Market share %
Medium and high-end armoured face conveyors	56	60
Medium and high-end hydraulic roof supports	80	19
Medium and high-end shearers	84	31
Medium and high-end electric motors	60	68
Medium and high-end road headers and drilling machines	32	12

The Company is committed to and continues enhancing its technological innovation with a view to developing a technological advantage in its products. In 2012, the Company completed 2 projects in the National 863 Programme and 1 project in the National Key Technologies R&D Programme. The Company won over 10 science awards at national, provincial and ministerial levels, of which the "Complete Set of Equipment and Technology for 10 Million Tonnes Per Year Top Coal Caving Super Long Working Face With Hard Roof And Hard Coal for Shallow But Near Level Coal Seam" was granted the second class award of the National Scientific and Technological Progress Award by National Energy Administration, and the "R&D of Complete Set of Technology and Equipment for Fully-mechanised Top Coal Caving in Extra Thick Coal Seam" was granted the grand prize of the Scientific and Technological Award by China National Coal Association.

• Other Operations

In 2012, the production volume of the Company's primary aluminium was 113,000 tonnes, which was basically the same as 2011. Electricity generated was 4.12 billion Kwh, representing a year-on-year decrease of 3.5%.

II. Competition Landscape in the Industry

In recent years, the PRC government has stepped up its efforts in advancing coal resource consolidation and coal industry restructuring, leading to the increasing industrial concentration. According to the statistics of the National Energy Administration of the PRC, as at the end of 2012, the number of coal enterprises in China reduced to 8,000, of which 45 were 10-million-tonne-scale major coal enterprises with an annual coal production of 2.41 billion tonnes, representing 66% of the total production of the PRC; 18 of them were 50-million-tonne-scale coal enterprises with an annual coal production of 1.86 billion tonnes, representing 51% of the total production capacity of the PRC; 7 of them were 100-million-tonne-scale coal enterprises with an annual coal production of 1.24 billion tonnes, representing 34% of the total production of the PRC.

Given the increasing industrial concentration and the alignment of the price of key thermal coal contracts with the market price of coal, the PRC government has gradually relieved its interventions to the price of thermal coal and the coal pricing has, in essence, transferred from the plan-based mode to the market-based mode. In December 2012, the General Office of the State Council of the PRC issued Guidance on the Deepening of Market-Oriented Reform of the Thermal Coal Market (Guo Ban Fa [2012] No.57), which removed the dual pricing system for thermal coal and abolished key thermal coal contracts. The National Development and Reform Commission issued the Notice Regarding the Relief of Temporary Intervention on Price of Thermal Coal (Fa Gai Jia Ge [2012] No. 3956), which removed the temporary intervention on thermal coal price with effect from 1 January 2013. The market-oriented reform for thermal coal will create excellent external environment for fair market competition by bringing the market mechanism into full play, laying a solid foundation for the sustainable healthy development of the coal industry.

To secure a stable coal supply, the PRC will continue to promote the mergers and reorganisations of coal enterprises, with an aim to develop large scale coal conglomerates, and to set up large-scale coal bases. Pursuant to the objective set out in the 12th Five-Year Plan for Coal Industry Development, during the period of the 12th Five-Year, through mergers and reorganisations, the number of coal enterprises in the PRC is to be limited to 4,000 or below with an average production scale increasing to 1 million tonnes/year or above. Large scale coal enterprises will be the principal subjects for development with a focus on establishing large scale coal mining areas. In particular, ten 100-million-tonne-scale and ten 50-million-tonne-scale large scale coal enterprises, which account for over 60% of the national production capacity, will be scheduled to be formed. In 2013, the progress of mergers and reorganisations for coal enterprises shall be expected to continue and the number of coal enterprises nationwide will be reduced to below 6,500 by eliminating around 600 small coal mines. Leveraging on these initiatives for facilitating the integration and construction of safe yet efficient large scale mines, the resource allocation of the coal industry will be further optimised, resulting in a more concentrated market and a better environment for competition.

III. Development of the Industry Trend of the Company

(I) Coal Demand

Coal is the fundamental energy resources in China, accounting for approximately 70% of total energy consumption. With the economic cool-down and the rise of hydroelectricity in 2012, the coal-fired generation experienced a slowdown in growth, which led to weakening coal demand. It is expected that, in 2013, the China's economy will maintain a steady development with a rapid growth in industries such as electricity, steel, chemical engineering and building materials, leading to continuous growth in coal demand.

(II) Coal Supply

According to the Statistical Communiqué of the People's Republic of China on the 2012 National Economic and Social Development issued by the National Bureau of Statistics of the PRC on 22 February 2013, the raw coal production volume of China in 2012 was 3.65 billion tonnes, representing a year-on-year increase of 3.8%. In recent years, the investments in the coal industry has maintained a rapid growth and, as the new coal mines, mines under construction and consolidated mines in the major coal producing provinces will be put into production, coal production capacity is to be swiftly released. In 2013, the coal production volume of China will continue to rise and therefore the market supply of coal may be less tight.

(III) Railway Transportation Capacity

According to the 12th Five-Year Plan for Coal Industry Development, the planned coal transportation capacity of railways in China shall be 3 billion tonnes in 2015. According to the statistics from railway authorities, in 2012, the coal transportation volume by railway in China was 2.26 billion tonnes which was far below the planned target, indicating that the bottleneck of coal transportation still existed. With the completion of reconstruction of several routes for coal transportation and the commissioning of a number of passenger transportation routes in 2013, cargo transportation capacity will be released to a certain extent. As such, coal transportation capacity by railway shall be expected to be enhanced.

(IV) Coal Import

Since 2012, both international and domestic coal markets have been under pressure of oversupply. With a competitive edge in cost, coal import increased by 29.8% year-on-year to a record-breaking 290 million tonnes in 2012, which exerted pressure to the domestic market to a certain extent. It is expected that, in 2013, the demand for coal import will remain strong.

(V)Coal Prices

The spot price of domestic thermal coal has not seen a substantial recovery since the slump in 2012. Since 2013, the PRC government has abolished key thermal coal contracts and executed reform to converge the dual pricing for thermal coal into a unified mechanism. Rather than being controlled by the government, coal orders will be negotiated directly between suppliers and buyers. Based on the preliminary result of the negotiation between coal enterprises and major power generation companies up till now, the coal price for long-term contacts in 2013 will be about RMB10/tonne lower than that of the spot coal, subject to phase adjustments in light of market volatility.

IV. Production and Operation Plans of the Company in 2013

The Company may record a year-on-year decrease in total profit due to the remained low price of coal under a relatively significant change in demand and supply of the domestic coal market in 2013. In response to such grim market conditions, the Company will adhere to annual production and operation goals, arrange production process in a scientific manner, strengthen the coordination among production, transportation, and sales. To enhance development quality and efficiency as the goal, cost control will be more vigorous, adjustments to the layout structure will be speeded up, and product structure and marketing and sales efforts will be optimised. The Company will try its best to achieve the year-on-year growth of raw coal production at above 5% in 2013 and to control the year-on-year increase in unit costs of sales for self-produced commercial coal at no more than 5%, so as to ensure that all the operational missions set by the Board will be attained.

Firstly, to step up market expansion to ensure steady operations of coal production, transportation and sales. By further streamlining production system, optimising production deployment in addition to the construction of safe and efficient coal mines, the Company is dedicated to enhance the coal production capacity and improve unit output and unit roadheading level of its mines. The Company will strengthen coal quality management and optimise commercial coal structure in order to increase the production capacity of premium coal. The Company will increase the transportation capacity in full swing by continuing to organise the first quarter coal production and railway transportation in Northern Shanxi in order to secure advantage in the market at its early stage. By further enhancing its marketing efforts, the Company will step up its market expansion. The Company will create a new competitive edge of integrated operations by optimising its logistics plan and overall development layout and facilitating the construction of a logistics network.

Secondly, to optimise management of key projects and accelerate layout and structural adjustment. The Company will improve the preparation of projects by expediting its applications for licenses and permits. The Company will further optimise the projects to accelerate construction progress. Backed by improvement in its construction planning to control construction costs effectively, the Company will optimise risk control regarding construction projects to enhance construction project management. For corporate structure, the Company will proceed with two key projects, namely the 100-million-tonne scale circular economic demonstration zone in Pingshuo and the 100-million-tonne scale energy and chemical engineering base in Inner Mongolia-Shaanxi. For industrial structure, the Company will focus on developing power generation from pit mouth and coal chemical engineering to extend the industrial chain and improve industrial and product structure, so as to improve the core competitiveness of the Company.

Thirdly, to facilitate the establishment of a safety assured company to improve safety production. By continuing to proceed with the three-year project for the establishment of a safety assured company and focusing on safety and quality standardisation, the Company will aim to eradicate large or even more serious accidents by devoting to risk projection, further resolving hidden problems, creating new supervision measures and enhancing accountability, so as to comprehensively improve the safety management. The three aspects, namely the optimisation of technological safety, on-site execution, and safety supervision, will continue to contribute to the safety and quality standardisation and establishment of a safety assured company. The Company will continue to encourage production status reporting system with an aim of improving dynamic analysis and assessment, in order to master the safety risks and focus on addressing flood and gas disasters.

Fourthly, to deepen management improvement to strive to enhance economic efficiency. By persisting in perfecting the management system and operational workflow, the Company will enhance the foundation management. The Company will strengthen comprehensive budget management by stepping up the efforts in analysis, management and supervision of budget execution and performance assessment. The Company will enhance control over labour cost and promote cost reduction and efficiency increment by various measures to enhance the degree of refined cost management. By pushing forward the establishment of Finance Company, the Company will boost its financial value creation to further centralise treasury management. By perfecting and improving a comprehensive risk management and internal control system, the Company's capability to avoid great risks will be elevated. The Company will enhance the extent of informatisation by promoting industrialised and informatised integration.

Fifthly, to strive for technological innovation to increase the momentum for innovation. Sticking to the strategy of consolidating various leading technological innovations, the Company will accelerate the improvement of technological creativity and enhance the mastery of technology. By facilitating technological breakthroughs and promoting the construction of technological innovation system and mechanism, the Company will deepen the development of technological research system that emphasises on both production and research, so as to improve its own creativity and establish itself as an innovative corporation. The Company will focus on the in-depth integration of technological innovation and energy conservation and emission reduction to facilitate the creation of a "Green China Coal Energy" by establishing a comprehensive management mechanism for energy conservation and environmental protection procedures, a technical support mechanism and a collaborative development mechanism.

Capital Expenditure

I. Performance of Capital Expenditure Budgeted for 2012

Focusing on principal operations including coal, coal chemical, coal mining equipment and power generation, the Company's capital expenditure for 2012 was budgeted at RMB43.146 billion, of which RMB35.347 billion or 81.92% was invested during the reporting period.

Performance of Capital Expenditure Budgeted for 2012 (By items)

Unit: RMB100 million

Items of capital expenditure	Actual Investment in 2012	Budgeted Investment in 2012	Actual Investment Ratio %
Infrastructure projects	241.24	309.21	78.0
Acquisition and maintenance of fixed assets	38.67	49.25	78.5
Equity investment	73.56	73.00	100.8
Total	353.47	431.46	81.92

Performance of Capital Expenditure Budgeted for 2012 (By business segments)

Unit: RMB100 million

Business segments	Actual Investment in 2012	Budgeted Investment in 2012	Actual Investment Ratio %
Coal	181.11	232.33	77.9
Coal chemical	141.75	170.91	82.9
Coal mining equipment	14.51	18.41	78.8
Power generation	5.50	2.70	203.7
Others	10.60	7.11	149.1
Total	353.47	431.46	81.92

II. Progress of major investment projects in 2012

The Pingshuo East Open Pit Mine in Shanxi has a production capacity of 20 million tonnes/year with a total investment budget of RMB10.57 billion, and its construction commenced in January 2009. As at 31 December 2012, the accumulated actual investment amounted to RMB11.598 billion, of which RMB2.01 billion was invested in 2012. The construction of the open pit mine and the coal preparation plant had been completed. The underground portion of the dedicated railway line project was fully completed and the dedicated railway line will be expected to commence operation in June 2013. The Pingshuo East Open Pit Mine shall be expected to produce 12 million tonnes of coal in 2013.

The Wangjialing Mine in Xiangning of Shanxi has a production capacity of 6 million tonnes/year with a total investment budget of RMB5.021 billion, and its construction commenced in April 2007.

As at 31 December 2012, the accumulated actual investment amounted to RMB5.797 billion, of which RMB1.822 billion was invested in 2012. The installation of the first working face was completed and the second working face was being installed. The construction of wind ventilation, transportation, water supply and discharge, electricity transmission, telecommunication, control and monitoring as well as gas ventilation systems was basically completed. Currently, the coal preparation plant is under joint trial operation while the construction of the power plant has been fully completed and the power plant is under preparation for power generation upon being connected to the power grid. As at the end of 2012, the construction of the road understructure and bridge culvert of the dedicated railway line was fully completed. The rail-track laying project at loadout station has been fully completed and the railway line is scheduled to commence operation in April 2013. In 2013, the construction of Wangjialing Mine will be completed in its entirety and will commence operation with a production capacity of 6 million tonnes/year.

The Kongzhuang Mine renovation and expansion works in Jiangsu has a production capacity of 1.8 million tonnes/year with a total investment budget of RMB532 million, and its construction commenced in November 2007. As at 31 December 2012, the accumulated actual investment amounted to RMB515 million, of which RMB33 million was invested in 2012. The expansion and installation works were fully completed. Except the joint structure, other civil engineering works were completed. The project commenced official joint trial operation on 1 October 2012 and all systems are under normal operation.

The Hecaogou Coal Mine project in Shaanxi has a production capacity of 3 million tonnes/year with a total investment budget of RMB2.18 billion, and its construction commenced on 9 September 2010. As at 31 December 2012, the accumulated actual investment amounted to RMB2.054 billion, of which RMB796 million was invested in 2012. The first working face was established and the ground work was fully completed.

The No.106 Coal Mine renovation and expansion project in Xinjiang has a production capacity of 1.80 million tonnes/year with a total investment budget of RMB677 million, and its construction commenced in March 2010. As at 31 December 2012, the accumulated actual investment amounted to RMB606 million, of which RMB294 million was invested in 2012. Currently, the project is in smooth progress.

The Muduchaideng Coal Mine project in Ordos of Inner Mongolia has a production capacity of 6 million tonnes/year with a total investment budget of RMB6.021 billion. After being granted a consultation letter from the National Energy Administration on the commencement of preliminary work in 2010 and a project safety approval from the State Administration of Work Safety in 2011, the project is undergoing other approval procedures.

The coke-oven gas produced chemical fertiliser project in Lingshi of Shanxi has a production capacity of 180,000 tonnes/year of synthetic ammonia and 300,000 tonnes/year of urea, with a total investment budget of RMB997 million. As at 31 December 2012, the accumulated actual investment amounted to RMB939 million, of which RMB419 million was invested in 2012. The project successfully completed the commissing test run in December 2012.

The Mengda Coal Based Methanol in Ordos of Inner Mongolia has a production capacity of 600,000 tonnes/year of methanol with a total investment budget of RMB3.547 billion, and its construction commenced in October 2007. As at 31 December 2012, the accumulated actual investment amounted to RMB2.69 billion, of which RMB1.564 billion was invested in 2012. The main thermal power plant with a boiler has commenced operation. The installation of the equipment for air separation and methanol production was completed. The installation of gasification equipment, external pipelines of the whole plant and utility systems is in progress.

The Phase 1 of Ordos Tuke Fertiliser Project in Inner Mongolia has a production capacity of 1 million tonnes/year of synthetic ammonia and 1.75 million tonnes of urea, with a total investment budget of RMB9.506 billion, and its construction commenced on 1 April 2011. As at 31 December 2012, the accumulated actual investment amounted to RMB6.365 billion, of which RMB4.028 billion was invested in 2012. The construction of civil engineering works of processing equipment for air separation, gasification and purification of ammonia synthesis/urea was basically completed. Major equipment was in place and the installation of equipment and processing pipelines was underway. The project will be undergoing commissioning test run by the end of 2013.

The Engineering Plastics Project in Ordos of Inner Mongolia has a production capacity of 500,000 tonnes/year, with a total investment of RMB10.422 billion. As at 31 December 2012, the accumulated actual investment amounted to RMB296 million, of which RMB296 million was invested in 2012. The processing package, basic design and overall design were completed. Orders of certain equipment with long delivery cycle were placed. The on-site mapping, detailed exploration, flat fielding and pile foundation examination were completed, with road construction, electricity transmission and pipelines construction in the factory area under preparation.

The construction project of Coal Machinery Equipment Industrial Park in Zhangjiakou of Hebei has an investment budget of RMB2.362 billion. As at 31 December 2012, the accumulated actual investment amounted to RMB1.824 billion, of which RMB634 million was invested in 2012. In 2012, the examination for pre-acceptance of the main and the ancillary structures of the hydraulic plant, mining chain plant and casting plant were completed. The construction of plant structures at the line pans branch, assembly branch, transmission branch and structure component branch was completed.

III. Overall analysis of external equity investments

In 2012, the Company's external equity investment was RMB7.356 billion, representing a year-on-year increase of RMB336 million or 3.87%. Major equity investment projects included: the acquisition of the equity interest in Tang Shan Gou Company at the consideration of RMB1.113 billion; the acquisition of the equity interest in Sales and Transportation Company at the consideration of RMB207 million; payment of RMB517 million as the consideration for the equity interest in Xiaohuigou Coal Mine in Shanxi; the acquisition of the equity interest in Mengda Chemical Company held by Shanghai Zendai at the consideration of RMB130 million; the acquisition of the equity interest in Mengda Mining Company held by Shanghai Zendai at the consideration of RMB915 million; the initial contribution of RMB100 million for the investment in Mengxi-Huazhong Railway Company; the contribution of RMB300 million for capital increase in the investment in Mengji Railway Company; the contribution of RMB130 million for the investment in the 2x600MW power generation project of China Power Shentou Power Generation Company Limited; the contribution of RMB980 million to the capital of Zhongtian Synergetic Company; and payment of RMB2.61 billion as the consideration for the acquisition of the equity interest in Yinhe Hongtai Company.

Name of the investee	Principal activities	Percentage of the equity interest in the investee
Tang Shan Gou Company	Coal production	80%
Sales and Transportation Company	Coal trading	100%
Shanxi Xiaohuigou Coal Industry Company Limited	Coal production	55%
Yinhe Hongtai Company	Coal production	78.84%
Zhongtian Synergetic Company	Coal production and coal chemical	38.75%
Mengda Mining Company	Coal production	66%
Mengda Chemical Company	Coal chemical	75%
China Power Shentou Power Generation Company Limited	Power generation	20%
Mengji Railway Company	Railway transportation	5%
Mengxi-Huazhong Railway Company	Railway transportation	10%

IV. Arrangement for Capital Expenditure in 2013

The Company's capital expenditure budget for 2013 is RMB32.889 billion, representing a decrease of RMB10.257 billion and 23.78% compared with that of 2012. Out of the capital expenditure budget stated above, RMB26.767 billion (including expenditure of RMB417 million for preliminary works prior to the commencement of the projects) will be invested in infrastructure projects; RMB2.962 billion will be invested in the acquisition of fixed assets, small-scale construction, renovation and maintenance; and RMB3.159 billion (including expenditure of RMB140 million for preliminary works prior to the commencement of the projects) will be utilised in equity investment.

Set out below is the capital expenditure budget by business segments:

Unit: RMB100 million

Business segments	Investment budget in 2013	Actual investment in 2012	Increase/decrease in capital expenditure budget in 2013 compared with actual investment in 2012 (%)	Percentage of the total (%)
Coal	132.06	181.11	–27.1	40.2
Coal chemical	174.02	141.75	22.8	52.9
Coal mining equipment	14.21	14.51	–2.1	4.3
Power generation	0.71	5.50	–87.1	0.2
Others	7.89	10.60	–25.6	2.4
Total	328.89	353.47	–6.9	100.00

Capital Expenditure

Profile of infrastructure projects for 2013 is as follows:

Unit: RMB100 million

No.	Name of project	Production capacity	Expected total amount of investment	Budgeted investment in 2013
Coal segment				
Major projects are as follows:				
1	Nalin River No. 2 Coal Mine in Ordos	8 million tonnes/year	68.9	13.96
2	Muduchaideng Coal Mine in Ordos	6 million tonnes/year	60.21	12.71
3	Renovation and expansion of Huaning Coal Mine in Shanxi	3 million tonnes/year	9.33	5.6
4	Renovation and expansion of Hanzui Coal Mine in Shanxi	1.2 million tonnes/year	8.76	5.44
5	Xiaohuigou Coal Mine in Shanxi	3 million tonnes/year	21.68	4.5
6	Weizigou Coal Mine in Xinjiang	3 million tonnes/year	15.17	2.3
7	Renovation and expansion of No.106 Coal Mine in Xinjiang	1.8 million tonnes/year	6.77	1.39
8	No. 3 Coal Mine in Yilan of Heilongjiang	2.4 million tonnes/year	19.01	2.22
Coal chemical segment				
Major projects are as follows:				
1	Mengda Coal Based Methanol in Ordos	600,000 tonnes/year	35.47	10.23
2	Phase 1 of Tuke Fertiliser Project in Ordos	1 million tonnes/year of synthetic ammonia, 1.75 million tonnes/year of urea	95.06	26.47
3	Mengda 500,000 tonnes/year Engineering Plastics Project	500,000 tonnes/year	104.22	26.22
4	Pingshuo Inferior Coal Comprehensive Ulilisation Project	400,000 tonnes/year of porous ammonium nitrate, 110 million Nm^3/year of natural gas	42.47	15.5
Coal mining equipment segment				
Major projects are as follows:				
1	Equipment Manufacturing Base in Ordos	—	8.99	2.86
2	Coal Machinery Equipment Industrial Park in Zhangjiakou of Hebei	—	23.62	3.69
Power generation segment				
Major projects are as follows:				
	Pingshuo low calorific value coal power generation project in Shanxi	2x660MW	63.92	0.5
Resource comprehensive utilisation segment				
Major projects are as follows:				
	Pingshuo Purified Fly Ash Resource Comprehensive Utilisation Exemplary Project in Shanxi	40,000 tonnes/year of white carbon black and 98,000 tonnes/year of aluminium oxide	8.34	3.53

The plan of major equity investment projects for 2013 includes: contribution of RMB853 million for capital increase in Zhongtian Synergetic Company; payment of RMB731 million as the consideration for consolidation of small scale mines adjacent to Pingshuo East Open Pit Mine, payment of RMB196 million as the consideration for the acquisition of the equity interest in Yinhe Hongtai Company, contribution of RMB100 million for capital increase in Hohhot-Junggar-Ordos Railway Co., Ltd., contribution of RMB300 million for capital increase in Mengji Railway Company, contribution of RMB300 million for capital increase in Mengxi-Huazhong Railway Company, payment of RMB354 million as the consideration for the acquisition of the equity interest in Shanxi Yuquan Coal Industry Co., Ltd. in Yu County of Yangquan City and payment of RMB120 million as the consideration for investment in the equity interest in Jiangyin Zhongxin Ligang Port project.

According to the development plan and objectives of the Company, the above-mentioned budgeted capital expenditure may be subject to changes in line with the Company's business development (including potential acquisitions), the progress of the investment projects, the change in market conditions and the status of obtaining the required government approvals and regulatory documents. The Company will make disclosures in a timely manner in accordance with the requirements of the regulatory authorities and the stock exchanges.

V. Corporate Development Strategy

The Company has defined its overall strategic goal to build up a large-scale energy conglomerate with international competitiveness. Through significantly improving its competitive edge and sustainability, the Company will further consolidate its position in the industry to maintain its comprehensive strength of the top two players domestically and the top three coal enterprises globally while ranking among the global top 500 companies.

During the period of "Twelfth Five-Year Plan", China Coal Energy will uphold its market-oriented and customer-centred operation philosophy, and will actively promote the economies of scale in four areas namely production and operation, modernisation in equipment, specialisation of workforce and informatisation of management. The Company will observe the "five-high" standards featuring high starting point, high target, high quality, high efficiency and high benefits with an aim at restructuring, improvement, consolidation and upgrading. Pressing ahead with its strategies on transformation and upgrades, technological innovation, strengthening the enterprise with talents and safe development, the Company will strengthen and expand the core coal business, aggressively develop innovative coal chemical and power generation-related businesses while optimising the coal equipment business. By accelerating the construction of the five major coal production and transformation bases in Shanxi, Inner Mongolia-Shaanxi, Jiangsu, Heilongjiang and Xinjiang, the Company will aim to accomplish an industrial layout with four pillar businesses of coal, coal chemical, power generation and coal mining equipment as well as a geographic layout of five major coal production and transformation bases. The two growth engines in Pingshuo and Inner Mongolia-Shaanxi will be prioritised to optimise the geographic layout and upgrade the business portfolio while highlighting their economies of scale, intensive production, resource conservation and modernisation as 100-million-tonne production bases. The Company will strive to achieve strong growth in the production volume of major products, asset size, sales revenue and profit in 2015, with an aim of doubling the economic volumes during the "Twelfth Five-Year Plan" period.

Coal industry:

Under the direction of the national coal industry development plan and the relevant policies of the PRC, the Company will optimise production layout, product portfolio and market structure, and further strengthen the core and fundamental position of coal business to enhance the overall competitiveness of its coal segment. During the "Twelfth Five-Year Plan" period, the Company will vigorously improve the capacity to acquire and the control over coal resources. In addition to accelerating the safety technology renovation of its existing coal mines in operation, the Company will focus on the development of 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 exploration of overseas resources while expediting the construction of coal logistics infrastructures and the marketing network. Pursuing the "Going out" strategy, the Company will strive to leverage on the development of overseas coal resources to facilitate the export of coal mining equipment and the overseas expansion of China Coal Group's coal mine construction business. During the period of "Twelfth Five-Year Plan", coal production of the Company will be expected to reach over 200 million tonnes.

Coal chemical industry:

Based on the development layout as well as the policies on coal chemical industry announced by Chinese government, the Company will leverage on its strength in the coal industry to develop new types of coal chemical business 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 develop it into the Company's pillar business so as to advance strategic business restructuring and upgrading. During the period of "Twelfth Five-Year Plan", the Company will 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 businesses involving coal chemical resources. Emphasis will also be placed on the construction of model projects of innovative coal chemical business, as well as the development and operation of integrated coal, chemical and power bases.

Power industry:

Based on the power industry plan, power resources layout as well as the preferential policies on joint operation between coal and power enterprises announced by Chinese government, the Company will aim to achieve coal-power integrated operation by leveraging on its strength in the coal industry to enhance the strategic cooperation between coal and power enterprises and capital operation while taking water resources, power transmission channels and market demand into account, so as to build up power operations into a pillar business so as to improve the overall profitability and the risk resistance capacity of coal business. During the period of "Twelfth Five-Year Plan", priority will be given to the development of power plants utilising integrated resources of 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 capacity, high parameter and low emission. The construction of the state-level Pingshuo Energy Base will be stepped up. The Company will seek power resources with advanced technology standard and ample expansion capacity in coastal regions with intensified power loading and carry out equity investment in large scale coal-fired power generation projects when appropriate.

Coal mining equipment industry:

The Company will strive to improve its technological innovation capacity with an aim to develop high-end coal mining equipment products with proprietary intellectual property rights. Backed by the capability to supply "three machines and one roof support" underground complete equipment, the Company will seek to increase the market share of its high-end products. The value chain of coal mining equipment products will be also extended with a focus on maintenance and leasing services. The Company will put emphasis on export expansion in a move to improve its marketing reach and capacity on coal mining equipment. During the period of "Twelfth Five-year Plan", the Company will endeavour to build its coal mining equipment business into a pillar business with sales revenue exceeding RMB10 billion, cement and improve its influence and leadership within the coal mining equipment industry.

Technological Innovation

In 2012, the Company earnestly implemented the integrated and leading technological innovation strategy to steadily improve the technological innovation system, deepened the cooperation with production and academic and research institution, and strengthened the research on key technologies as well as the protection of intellectual property rights, leading to significant improvements in its technological innovation capability.

I. Carrying out the research on key technologies conscientiously

Addressing major national and corporate technological needs, the Company further defined its research direction and innovation strongholds, focusing on its key technology bottlenecks and common technical difficulties in the industry so as to seize the technological commanding heights. The Company undertook 17 tasks of the national science and technology programme and carried out 43 corporate major technological projects, thus effectively advancing the national scientific research mission and the research on key core technologies for the Company.

Tasks of the national science and technology programme undertaken by the Company in 2012

No.	Name of project/task	Nature of project/task	R&D progress
1	Development of technologies and equipment for continuous mining of open pit coal mine with special coal seam conditions	National High-tech R&D Programme (863 Programme)	Completed the task for the year
2	Key technologies on construction of the 100-million-tonne coal base in hinterland of Inner Mongolia-Shaanxi	National Science and Technology Support Programme	Completed the task for the year
3	Key technologies and equipment of the freeze sinking method for 500m inclined shafts	National High-tech R&D Programme (863 Programme)	Completed the task for the year
4	Model system for emergency responses to contingencies	National High-tech R&D Programme (863 Programme)	Completed the task for the year
5	Intelligent super heavy-duty road headers for rock entries	National High-tech R&D Programme (863 Programme)	Completed the task for the year
6	Development of coal auger for extremely thin coal seam	National High-tech R&D Programme (863 Programme)	Completed the task for the year

No.	Name of project/task	Nature of project/task	R&D progress
7	Development of complete equipment for semi-continuous mining by mobile crusher for large scale open pit mines	National High-tech R&D Programme (863 Programme)	Completed the task for the year
8	Road Header Remote Control Technology and Monitoring System	National High-tech R&D Programme (863 Programme)	Passed acceptance inspection
9	Remote control techniques and monitoring system for shearer	National High-tech R&D Programme (863 Programme)	Task concluded
10	Complete technologies and equipment for fully-mechanised top coal caving for extra-thick coal seam with large mining height	National Science and Technology Support Programmes	Passed acceptance inspection
11	Complete equipment of 3×1000 (855) kW type armoured face conveyor	National Key New Product Programme	Completed the task for the year
12	National Energy Coal Mining Equipment R&D (Laboratory) Centre	Programme of the R&D Centre of the National Energy Administration	Completed the task for the year
13	Model project of high-precision surveying and 3D modelling technologies for goaf	Safety technology programme of the State Administration of Work Safety	Completed the task for the year
14	Model project of technologies, processes and equipment of the comprehensive dust control system for mines	Safety technology programme of the State Administration of Work Safety	Completed the task for the year
15	Research on key flood control technologies for close mining of thick coal seams under water body	Technological programme on prevention and control of serious accidents of the State Administration of Work Safety	Completed the task for the year
16	Research on the mechanism of road instability from rock burst around deep shaft and the mining of extremely brittle surrounding rocks, and application of key monitoring technologies	Technological programme on prevention and control of serious accidents of the State Administration of Work Safety	Completed the task for the year
17	High-precision geological modelling for coal mines and early warning system for hazard sources	Technological programme on prevention and control of serious accidents of the State Administration of Work Safety	Completed the task for the year

Technological Innovation

The major technological breakthroughs achieved in 2012 were as follows:

Research on integrated detection and evaluation technologies on complex geological structures at shallow mines. Remarkable achievements were made in 3-dimension fine geological modelling and visualisation management for coal mines, being the technologies for complex geological conditions at shallow mines of the Pingshuo Mining Area and for goaf detection. This project was awarded the first class prize of the Coal Industry Technology Progress for 2012.

Integrated system research on high-precision 3-dimension geological modelling for coal mines and early warning system for major hazard sources. Through the survey and study on abnormal geological conditions and pools zone at Wangjialing Mine, a high-precision 3-dimension geological modelling encompassing various geological structures was established, which provided a technological safeguard for mining operations.

Research and implementation of the selectively cooling system for in-depth mining at the Datun Mining Area. At Yaoqiao Mine, Xuzhuang Mine and Kongzhuang Mine of the Datun Mining Area, cooling technologies including heat control and underground rapid ice melting were developed, with significant cooling effect achieved for safe, economic and efficient operations.

Key technologies on construction of the 100-million-tonne coal base in Inner Mongolia-Shaanxi. Milestone research progresses were made in the areas including the techniques for soft overlying rock strata movement control and mining, the technologies on prediction of hydrogeological conditions and mining water inflow, the technologies on safe mining under composite water body and recycling of underground mine water and other technologies for efficient and safe mining, thus technologically underpinning the construction of the 100-million-tonne coal base in Inner Mongolia-Shaanxi.

Development of complete equipment and technologies on no man automatic working face of thin coal seam. The complete equipment of thin coal seam drum shearer for no man automatic mining with the domestically largest installed power was successfully developed. The complete equipment of thin coal seam coal plough system for no man automatic working face was also developed, filling the gap in mining the hard and thin coal seams by coal plough in Inner Mongolia-Shaanxi.

Significant progress in new product development of major coal mining equipment. Six models of trackless rubble-tyre vehicles with explosion-proof battery for mines were successfully developed. The MG1000/2550-GWD AC electric haulage shearer successfully passed the acceptance inspection, narrowing the gap of the coal mining equipment manufacturing technologies in the PRC and the global leading level. The field test of SGZ1350/3x1500 armoured face conveyor for intelligent fully-mechanised working face has achieved success of industrial trial. The powered support technologies and equipment for fully-mechanised top coal caving of thick coal seam with 50° incline and above have been extensively applied. The complete top coal caving equipment with annual output of 10 million tonnes has overtaken international leading level while the localisation of major coal mining equipment has been expedited. The coal mining products produced by the Company have been exported to a number of overseas countries.

2. Advancing the construction of technological innovation system steadily

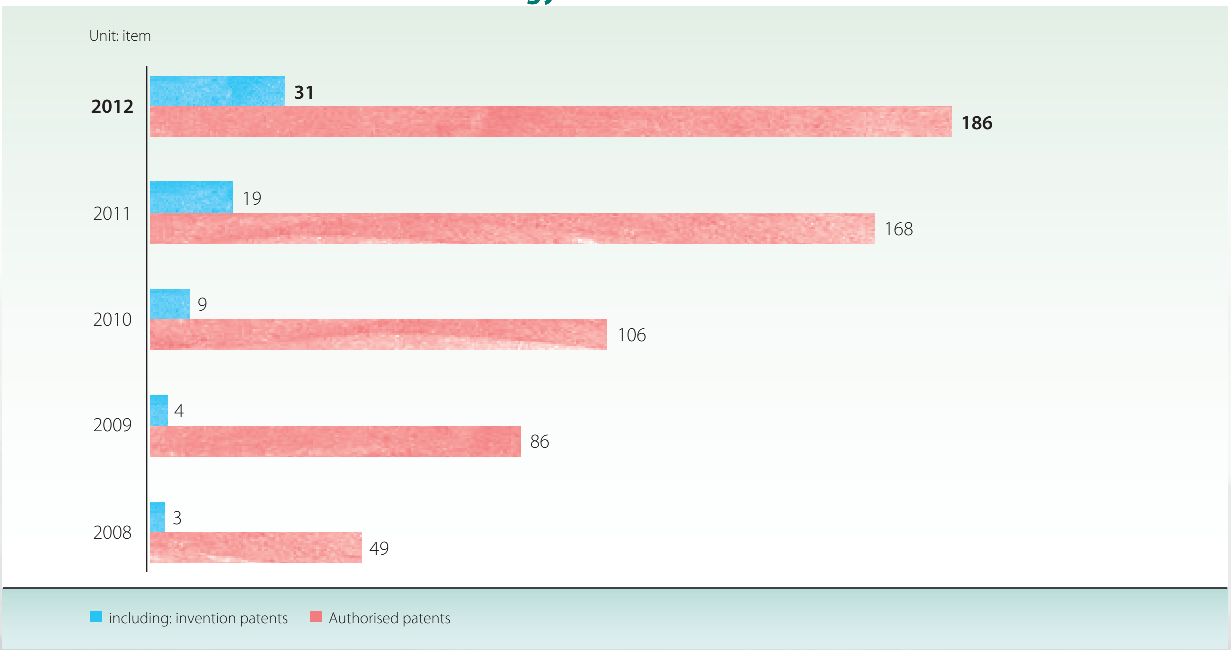
The Company took initiatives to improve its innovation platform and became an integral part of the national technological innovation system. The project of the National Energy Coal Mining Equipment R&D (Laboratory) Centre accomplished the task for 2012, and defined the research scope for the general mining equipment laboratory. Through the co-establishment of a state-level collaborative innovation centre with China University of Mining and Technology, the cooperation with production and research professionals was further improved in terms of extent and quality. The Antaibao Laboratory and the Anjialing Laboratory in the Pingshuo Mining Area passed the review and were officially certified by the CNAS National Laboratory Accreditation Committee. Both China Coal Equipment Company and Heilengjiang Coal Chemical respectively passed the certification for national high-tech enterprises.

The Company has established an independent, open and integrated technology R&D system, which mainly comprises 1 national energy R&D centre, 2 state-level enterprise technological centres, 6 province-level enterprise technological centres, 3 provincial engineering research centres, 7 national accredited laboratories, 2 post-doctoral research stations and 1 state-level collaborative innovation centre as well as 7 high-tech enterprises, thus further enhancing its R&D capabilities.

3. Achieving a series of high-level technological innovations

In 2012, the Company was honoured with 1 national technological improvement award, 2 national energy technological improvement awards, 3 provincial technological improvement awards and 9 coal industrial technological improvement awards; registered 241 patent applications (including 83 invention patents) and was granted 186 authorised patents (including 31 invention patents). As a result, the Company owns a total of 655 effective patents in force, including 67 invention patents. The Dual-post Two-leg Low Caving Coal Powered Support Patent was authorised by the Australian Patent Office and the Russian Patent Office; and the Patent for Complex Flipper Powered Support and its Application won the 14th China Patent Outstanding Award.

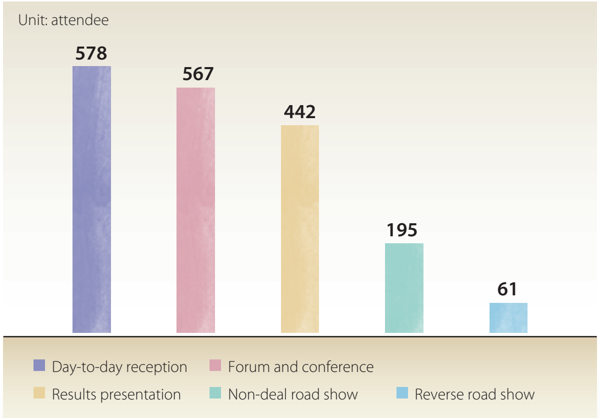
Authorised Patents of China Coal Energy from 2008 to 2012



Investor Relations

In light of the "shareholders utmost" philosophy, China Coal Energy took continuous efforts in improving investors' recognition of the Company's value in 2012, including further enhancing the transparency of corporate governance, extending the scope and depth of information disclosure and improving the communication platform with investors to strengthen the management of investor relations. During 2012, the Company held 594 investors' meetings with 1,843 attendees in total. The above activities included 6 presentations and briefings of business results, 87 non-deal road shows and 7 surveys on second-tier subsidiaries with 61 participants, as well as the visits by 425 investors and 69 forums staged by 21 domestic and foreign securities firms.

Investor relations activities in 2012



Attaching great importance to investor communications, the Company's management attended the presentations of annual and interim results and road shows in person. After announcing the annual results for 2011, the Company despatched teams respectively led by Chairman, Vice Chairman and the President to visit significant shareholders and potential investors at home and abroad and earnestly responded to investors' inquires, which were highly recognised by investors. Meanwhile, the Company strengthened the cooperation with small and medium-sized securities firms and held small scale non-deal road shows, extending its presence to a broader diversity of investors to further enhance its influence in capital market.

To comply with regulatory requirements and improve its investor relations, the Company carried out in-depth investor protection teachings in 2012 on the "comprehensive and gradual promotion, specific and focused, unique and practical" basis. An "Investor Education" module was introduced under the "Investor Relations" column of the Company's website, where regulatory updates and initiatives were uploaded in time to highlight the investment value of blue chip stocks, thus effectively strengthening shareholders' awareness with sound publicity.

China Coal Energy has been highly valuing the communications with media since its listing, aiming to further diversify the access to investors to enhance the investor relations management level. In September 2012, the Company successfully held the first tour by news media themed "Close to China Coal" in the principle of "building a close tie for friendship". The news group comprising 25 journalists from 19 agencies including People's Daily, People's Daily Online, CCTV and Xinhua News Agency conduced field surveys on the Company's coal mining equipment industrial park and the Pingshuo Mining Area and gained an in-depth understanding of the Company's overall operations, development planning and the fulfilment of social responsibilities, as well as its efforts and remarkable achievements in upgrading its growth model in the principle of scientific development. Through the event, the media released positive reports on the Company's commitment to the safety concept of "implementing automation" as well as its practices of pushing forward land reclamation and ecological treatment, properly dealing with farmer resettlement in land acquisition and vigorously promoting the recycling economy to build up a "Green China Coal Energy", thus showcasing the Company's promising outlook and a creditworthy and responsible corporate image.

While adhering to the practices of investor reception on Tuesdays and Thursdays, the Company optimised the reception procedures to streamline the communication channels. To protect the interests of minority shareholders and enhance service quality, the Company introduced an investor hotline service system in 2012, and responded to the inquiries through telephone call, mail and facsimile in a timely manner to provide feedback from minority shareholders to senior management. China Coal Group, the controlling shareholder of the Company, increased its shareholdings in China Coal Energy several times in 2012, buying a total of 33,607,993 A shares directly as well as 5,351,000 H shares through China Coal Hong Kong Limited. As at 31 December 2012, China Coal Group and the parties acting in concert with it held 57.81% interest of the Company, timely demonstrating the controlling shareholder's firm confidence in the Company's outlook and effectively stabilising its stock price.

Thanks to the conscientious efforts, China Coal Energy was included into the "Hang Seng China A Industry Top Index" and the "CCTV Financial 50 Index" in 2012. The Company was also honoured with a string of awards in capital market in 2012, including "Platts Top 250", "Fortune 500 in China", "Top 100 China Capital Brand Value", "Top 100 Most Valuable Companies Listed in the Chinese Main Board" and "the third session of Top 100 HK-listed Companies". The Company's information disclosure team was named by the SSE as an excellent team of information disclosure. Such honours fully reflected the Company's sound business results, improving information disclosure quality and the high recognitions in capital market during the recent years.

Looking forward, China Coal Energy will be more shareholder-oriented, conduct continuous research on new management method of investor relations and further improve the quality of investor relations in order to contribute to the capital market with solid work and satisfactory results.

Safety, Health, Environmental Protection and Social Responsibility

I. Safe Production

During 2012, the Company earnestly implemented the national safety production decisions and deployment, focusing on the three-year campaign of building up a safety-assured enterprise to strengthen its primary units, fundamentals and basic capabilities and enhance risk prevention and control. The safety practices were upgraded and the stability of safety production was maintained.

(1) **Taking great efforts to assure safety fundamentals.** By deepening the safety and quality standardisation, increasing safety investment and upgrading equipment as a whole, 13 mines (plants) met the first safety and quality standards, among which 8 coal mines were named the "National Safety and Quality Standardised Coal Mines". Beijing Coal Mining Machinery Company was named by the State Administration of Work Safety as the "First-class Safety Production Standardised Machinery Manufacturing Enterprise", and further improved its on-site operational conditions. To strengthen special flood control, the Company published the Management System for Special Technologies on Flood Control. By organising its mines to carry out the "Four geological surveys" and pressing forward the pilot project of high-precision 3-dimension geological modelling, the Company further improved its flood control capability. Moreover, the emergency rescue systematic construction was earnestly carried forward under a company-wide emergency response system. The Company organised underground fire emergency drills while 147 various emergency drills were conducted by the subsidiaries with 7,489 attendees, thus further enhancing the emergency response capability.

(2) **Reinforcing on-site safety management and control.** The Company strengthened the incentive and restrictive mechanism by introducing rules and regulations such as pledged rectification, accident questioning and safety red lines and increasing the standards for safety-related rewards and punishments, thus effectively mobilising the safety enthusiasm of executives and the staff. To strengthen safety monitoring, the Company organised inspections in important periods and standardised examinations as well as special inspections covering "one ventilation, three preventions", flood control, lifting and transportation across all business segments. To preclude safety risks, the Company organised all its production units to prepare safety production performance reports, whereby safety risks were systematically identified to ensure a controllable level. Furthermore, experts were organised to conduct safety evaluation on production systems of mines, hence further improving the anti-disaster capabilities.

(3) **Promoting the safety awareness.** To strengthen safety training, the Company organised 821 training courses in the year with 79,345 attendees, and 72 front workers attended the "Course for Elite Blue-Collar Coal Workers", an 18-month academic programme. The 7-month safety rules refresher course covered all executives to primary employees. Through a string of activities titled "March Safety Warnings", "Production Safety Month" and "100-day Safety", the safety awareness was boosted and the Company was named an outstanding organiser in the national "Production Safety Month" campaign and a winner in the national quiz on hazardous chemicals safety regulations. Shanghai Datun Training Centre was named the national "Model Base of Coal Mine Safety Training".

II. Occupational Health

The Company further improved the occupational health control system by strengthening the monitoring on employees' occupational health and the occupational hazards in workplace, seeking to effectively prevent, control and eliminate occupational hazards. To press ahead with the occupational health promotion and training, the Company leveraged on promotional activities such as the Week of the Occupation Disease Prevention Law to publicise the basic knowledge of occupational hazards and boost the staff's self-protection awareness and ability. Carrying forward its occupational physical examination and evaluation endeavours, the Company provided occupational physical examinations for a total of 18,766 workers exposed to heat, dust and hazardous operations. With the increasing occupational health investments, the Company covered employment injury insurance and accident insurance for the staff, and provided labour protection goods to workers according to laws. To strengthen the control over occupational hazard sources, the Company promoted the application of intelligently positioning spray system at fully-mechanised top caving working faces, thus effectively reducing the dust concentration. The "Three-Simultaneous" occupational health system was strictly implemented to ensure simultaneous design, construction and commissioning of the occupational hazard control facilities and the main construction, to ensure the control from the source.

III. Environmental Protection

Embracing the core concept of "A green China Coal Energy to benefit the nature", the Company earnestly implemented the Green Development Compendium and the energy conservation and environment protection plan for the "Twelfth Five-Year Plan" period to press forward the construction of "Green China Coal Energy", and achieved sound progress. In 2012, the integrated energy consumption per RMB10,000 production output recorded a year-on-year decrease of 12.6%; the emission of sulphur dioxide and chemical oxygen demand (COD) reduced by 11.9% and 17.9% year-on-year, while major indictors maintained the industrial leading position. The Company was honoured the "Low-carbon Model of China 2012" by China News Agency and China News Weekly; its subsidiary Pingshuo Company was named the "National Pioneering Group of Energy Saving" and the "National Outstanding Unit of Recycling Economy"; Antaibao Open Pit Mine, Yaoqiao, Longdong and Xuzhuang coal mines were named the Most Beautiful Mine; and the "1 vertical and 5 horizontal" recycling economy model of Shanghai Energy Company was included into the first batch of major model projects of industrial recycling economy by the Ministry of Industry and Information Technology.

Regarding the establishment of the standards and framework of "Green China Coal Energy", the Company basically completed the green standards and appraisal systems for coal and coal mining equipment businesses, laying a foundation for further strengthening control, exercising normalised, standard and systematic management and controlling and tackling risks.

To strengthen source control, the Company placed emphasis on protection and utilisation of water resources in the coal base in Inner Mongolia-Shaanxi; developed the plans for enterprises in Ordos region on comprehensive utilisation of water resources and the combination of mine water control, treatment and utilisation; and implemented a major technology research programme on safe mining under composite water body and recycling of underground mine water for coal mines in west Inner Mongolia.

The Company recognised the importance of ecological restoration and construction at mining area. As at the end of 2012, the land reclamation rate of the Pingshuo Mining Area reached over 50%, and the vegetation coverage rate of dumping grounds reached over 90% which was far above the original vegetation coverage rate of 10%. At the Datun Mining Area, the lake mud refilling approach was adopted to push forward the reclamation of subsidence areas to construct a green mining area.

IV.Social Responsibility

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

Directors, Supervisors and Senior Management

1. General Information on Directors, Supervisors and Senior Management

Unit: Share

Name	Position held	Gender	Age	Effective date of appointment	Termination date of appointment	Shareholding at the beginning of the year	Shareholding at the end of the year	Changes in shareholding during the year	Reason of changes	Total remuneration received from the Company during the reporting period (RMB ten thousand) (before tax)	Total remuneration received from shareholders during the reporting period (RMB ten thousand) (before tax)
Wang An	Chairman, Executive Director	Male	54	December 2010	December 2013	–	–	–	–	0	74.4
Peng Yi	Vice Chairman Non-Executive Director	Male	50	December 2010	February 2013 December 2013	–	–	–	–	0	66.4
* Yang Lieke	Executive Director, President	Male	55	December 2010	December 2013	–	–	–	–	66.8	0
★Li Yanmeng	Non-Executive Director	Male	67	December 2010	December 2013	–	–	–	–	2.9	11.0
Zhang Ke	Independent Non-Executive Director	Male	59	December 2010	February 2013	–	–	–	–	30.0	0
Wu Rongkang	Independent Non-Executive Director	Male	72	December 2010	February 2013	–	–	–	–	30.0	0
Zhang Jiaren	Independent Non-Executive Director	Male	68	December 2010	December 2013	–	–	–	–	30.0	0
Zhao Pei	Independent Non-Executive Director	Male	63	December 2010	December 2013	–	–	–	–	30.0	0
Ngai Wai Fung	Independent Non-Executive Director	Male	50	December 2010	December 2013	–	–	–	–	30.0	0
Wang Xi	Chairman of the Supervisory Committee	Male	57	December 2010	December 2013	–	–	–	–	0	66.3
Zhou Litao	Non-Employee Representative Supervisor	Male	52	December 2010	December 2013	–	–	–	–	0	69.0
Zhang Shaoping	Employee Representative Supervisor	Male	48	December 2010	December 2013	–	–	–	–	55.2	0
Gao Jianjun	Vice-President	Male	54	December 2010	December 2013	–	–	–	–	89.8	0
Qi Hegang	Vice-President	Male	53	December 2010	December 2013	–	–	–	–	78.1	0
Niu Jianhua	Vice-President	Male	50	December 2010	December 2013	–	–	–	–	78.3	0
Pu Jin	Vice-President	Male	52	December 2010	December 2013	–	–	–	–	74.0	0
Weng Qing'an	Chief Financial Officer	Male	56	December 2010	December 2013	–	–	–	–	78.1	0
Zhou Dongzhou	Secretary to the Board and Company Secretary	Male	54	December 2010	December 2013	–	–	–	–	77.8	0
Total	/	/	/	/	/	–	–	–	/	751	287.1

Notes: 1. Remuneration is calculated based on the period during which they hold office, including salaries, bonuses, five insurances and one fund and annuity paid by the Company.

2. The remunerations during the reporting period presented are the remunerations of directors, supervisors and senior management received from the Company.

3. * The remunerations that Mr. Yang Lieke received for the reporting period do not include the portion of deferred payment of the performance-based remuneration for previous periods. The deferred payment of the performance-based remuneration is remitted every three years.

4. ★ The remuneration that Mr. Li Yanmeng received from the Company was conference allowance only.

During the reporting period, the Company 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 or senior management of the Company in respect of finance, business and family or in other material aspects. 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 that all the independent non-executive directors are independent pursuant to Hong Kong Listing Rules.

2. Details of Directors, Supervisors and Senior Management

Directors

Wang An, aged 54

He is the Chairman and Executive Director of the Second Session of the Board of the Company. Mr. Wang is also the Director, General Manager and deputy secretary of Party Committee of China Coal Group. Mr. Wang is a member of the Chinese Academy of Engineering and also Dean of the School of Management of China University of Mining and Technology. He is also the vice chairman of the board of World Coal Association, the vice president of China National Coal Association and the deputy head of China Association of Work Safety. He graduated in August 1982 from Shanxi Mining Institute with a Bachelor's Degree majoring in underground coal mining. He was then awarded 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 of directors, the General Manager and Chief Engineer of Shenfu Dongsheng Coal Company Limited 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 50

He is the Vice Chairman and Non-Executive Director of the Second Session of the Board of the Company. He is also the Vice General Manager and Chief Accountant of China Coal Group, as well as a Director of China Coal Insurance Company Limited. Mr. Peng graduated in July 1984 from the Construction Engineering Department of Wuhan Construction Material Industry Institute (currently known as Wuhan University of Technology), obtained a Master's Degree in Business Administration from Wuhan University in June 1999 and obtained a Doctor's Degree in economics from Wuhan University of Technology in 2011. Mr. Peng is also a Senior Engineer, Senior Accountant and a Senior Professional Manager in the coal industry, and is entitled to special government allowance granted by the State Council. 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 the Board of Wuhan Gelin Tiandi Environmental Protection Enterprises Group Company Limited, Chairman of the Board of Wuhan Kaidi Lantian Technology Company Limited, 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 corporate management, capital operation and financial management.

Yang Lieke, aged 55

He is an Executive Director of the Second Session of the Board of the Company and the President of the Company. Mr. Yang graduated in June 1982 from Xi'an Mining Institute (currently known as Xi'an University of Science and Technology) 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 integrated planning department of China National Coal Industry Import & Export Corporation, the General Manager of Import & Export Company, Director of Sunfield Resources Pty. Limited and Shanghai Datun Energy Company Limited and the Executive Director and the 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 the management of corporate production and operation, and has more than 20 years of experience in the production, operation and management in coal industry.

Li Yanmeng, aged 67

He 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 Company Limited. 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 Office 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 General Office of the National Electric Power System Reform Working Team, Deputy General Manager 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 macroeconomic controls relating to basic energy management.

Zhang Ke, aged 59

He 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 Company Limited, 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 of Beijing Association of Forensic Science. Mr. Zhang graduated 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 Limited, Zhuhai Zhongfu Enterprise Company Limited, and Air China Limited. He was also the 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 72

He is an Independent Non-Executive Director of the Second Session of the Board of the Company, and serves as the honorary adviser of China National Coal Association. 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 Centre 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 an 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 over 40 years of working experience related to coal production and technological management.

Zhang Jiaren, aged 68

He is an Independent Non-Executive Director of the Second Session of the Board of the Company, Non-Executive Director of Societe Generale (China) Limited, Independent Director of Hangzhou Industrial & Commercial Trust Company Limited and of China Erzhong Group (Deyang) Heavy Industries Company Limited. Mr. Zhang graduated from Hefei Industrial University in 1966 majoring 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, Technician, Engineer and Vice Section Chief of Zhejiang Refinery, Deputy Division 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 Company Limited, Deputy General Manager of China Petrochemical Corporation, Director, Vice-President, Senior Vice-President and Chief Financial Officer 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 63

He is an Independent Non-Executive Director of the Second Session of the Board of the Company and currently the Vice-President and General Secretary of Chinese Society for Metals. Mr. Zhao served as Executive Director and President of Advanced Technology & Materials Company Limited (AT&M), Chairman of Beijing Gang Yan Diamond Products Co., Ltd., Chairman of Heye Special Steel Company Limited. Director of Zhong Lian Advanced Steel Materials Technology Company Limited. He also 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 Centre of Central Iron & Steel Research Institute, Vice-President of Central Iron & Steel Research Institute, Chairman of New Metallurgy Hightech Group Company Limited, Chairman of Beijing Iron & Steel Research New Metallurgy Engineering Design Company Limited. Mr. Zhao is a Doctor of Engineering, a Postdoctoral Fellow at the University of Leeds in UK, Professor and Doctorial Tutor, and is entitled to special government allowance. 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 50

He is an Independent Non-Executive Director of the Second Session of the Board of the Company, the Managing Director of MNCOR Consulting Limited, as well as the Chief Executive Officer of SW Corporate Services Group Limited. He is currently an Independent Non-Executive Director of China Railway Construction Corporation Limited, BaWang International (Group) Holdings Limited, Bosideng International Holdings Limited, Powerlong Real Estate Holdings Limited, Sany Heavy Equipment International Holdings Company Limited, SITC International Holdings Company Limited, Biostime International Holdings Limited and LDK Solar Co., Ltd., and the Vice-President of the Hong Kong Institute of Chartered Secretaries, the visiting professor of Department of Law of Hong Kong Shue Yan University. Mr. Ngai has been appointed as the non-official member of the working group on professional services of Economic Development Committee by the Chief Executive of Hong Kong Special Administrative Region and has been appointed as a member of the Professional Qualification and Examination Council of the Hong Kong Institute of Certified Public Accountants. He graduated from Shanghai University of Finance and Economics, The Hong Kong Polytechnic University, Andrews University of Michigan, the United States and the University of Wolverhampton, the United Kingdom. He has obtained a Doctor's Degree in Finance, Master's Degree in Finance, an MBA Degree and a Bachelor's Degree in Laws (with Honours). Mr. Ngai is a member of the Association of Chartered Accountants in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Chartered Secretaries and Administrators in the United Kingdom, a fellow of the Hong Kong Institute of Company Secretaries, a fellow of the Hong Kong Institute of Directors and a member of the Hong Kong Securities and Investment Institute. Mr. Ngai has more than 20 years of senior management experience, and has acted as the Executive Director and Chief Financial Officer of a number of Hong Kong listed companies, including China COSCO Holdings Company Limited, China Unicom and Industrial and Commercial Bank of China (Asia) Limited, etc., He also served as the Independent Non-Executive Director of China Life Insurance Company Limited and Franshion Properties (China) Limited. Mr. Ngai has participated in or led a number of key financing projects, including listing, mergers and acquisitions and issuance of bonds, and provided professional services for various state-owned enterprises and red chip companies.

Supervisors

1. Wang Xi, aged 57

He is the Chairman and Non-Employee Representative Supervisor of the Second Session of the Supervisory Committee of the Company and the Employee Director, deputy secretary of Party Committee, secretary of Commission for Discipline Inspection 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 52

He 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 (currently known as Zhongnan University of Economics and Law) with a major in law. He finished the management science and engineering course for Master postgraduate in the China University of Mining and Technology in September 2000, and obtained an Executive MBA Degree from HEC Business School Paris, France in December 2007. He obtained a doctorate diploma and a Doctor's Degree in Law from China University of Political Science and Law in June 2011. Mr. Zhou is a senior economist and a qualified corporate legal advisor. 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 48

He is the Employee Representative Supervisor of the Second Session of the Supervisory Committee of the Company and the Secretary of the Party Committee and 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 a staff of Beijing Coal Planning and Design General Institute, staff and Principal Staff Member of China Unified Distribution Coal Mine Corporation, Principal Staff Member and Assistant Researcher of Policy and Regulation Department of the Ministry of Coal Industry, Deputy Director of the Office of China National Coal Sales and Transportation Corporation, 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 Committee Work Department of China Coal Group. Mr. Zhang has worked in the coal industry for an extensive period and has full understanding of the coal industry and extensive experience in business management.

Senior Management

1. Yang Lieke, aged 55

He is an Executive Director of the Second Session of the Board of the Company and the President of the Company. For detailed biography of Mr. Yang, please refer to the section headed "Directors" of this chapter.

2. Gao Jianjun, aged 54

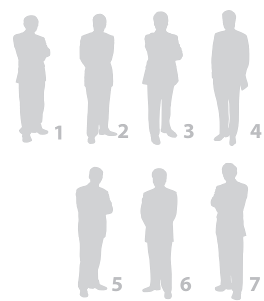
He is the Vice President of the Company and the Chairman and General Manager of Shanghai Energy Company. He obtained a Bachelor's Degree in mining from Shandong Mining Institute (currently known as Shandong University of Science and Technology) in 1982, and a Master's Degree in engineering from Liaoning 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, Director of Huajin Coking Coal Company. He also worked at the Human Resources Division and New Technology Promotion Division of China Coal Research Institute; and 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 corporate development strategies, restructuring and project investment.

3. Qi Hegang, aged 53

He is the Vice President of the Company, Chief Engineer of China Coal Group, the Dean of China Coal Energy Technology Research Institute, member of the Mining Committee of Coal Miners of Coal Industry Technology Committee, member of the professional committee of coal geology of China Coal Society, an adjunct professor of China University of Mining and Technology and an expert of the Council of the Establishment of National Higher Education Institutions. He graduated from Shanghai Datun Intermediate Specialised Institute majoring in mining engineering, and obtained a Master's Degree in Engineering and an Executive Master degree in Business Administration from China University of Mining and Technology and the School of Economics and Management of Tsinghua University respectively. He is also a Professoriate Senior Engineer and a Senior Professional Manager in the coal industry. He served as the Head of Mine Design Division, Vice Chief Engineer, Deputy Head, and Head for the Yaoqiao Mine of Datun Coal and Electricity (Group) Company Limited, the Chief Engineer of Datun Coal Power (Group) Company Limited and a Director of Shanghai Energy Company. Mr. Qi has been involved in the production, technology 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 managerial experience in the industry.

4. Niu Jianhua, aged 50

He is the Vice President of the Company. He graduated from Shandong Mining Institute (currently known as Shandong University of Science and Technology) in 1984, majoring in Calculating Mathematics, and obtained an Executive Master degree in Business Administration from the School of Economics and Management of Tsinghua University in 2011. 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 as a cadre 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 and developed extensive understanding of the industry, and has rich experience in administrative management.



5. Pu Jin, aged 52

He is the Vice President of the Company. He is also an Executive Director, General Manager and deputy secretary of Party Committee of China Coal Equipment Company, 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" Expert Steering Committee. He graduated from the China University of Mining and Technology in 1998 with a Master's Degree in engineering, and he obtained a Doctoral Degree in Management from the School of Management Science and Engineering of Tongji University in 2003. He is a Professoriate 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 Corp. under the Ministry of Machinery Industry, General Manager of China Coal Shenzhen Company, General Manager of China Coal Southern Energy Resources Company Limited and Chairman of China National Coal Mining Equipment Group Corp and other positions. Mr. Pu has extensive experience in enterprise management as well as solid theoretical expertise in coal mining machinery.

6. Weng Qing'an, aged 56

He is the Chief Financial Officer of the Company. He graduated from China University of Mining and Technology in July 1998 majoring in accounting. He is a Senior Accountant and a Senior Professional Manager in the coal industry and a qualified corporate legal advisor. 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 Energy Company, Chief Accountant of Pingshuo Coal Industry Company, and Chairman of the Supervisory Committee of Huajin Coking Coal Company. Mr. Weng had been working for coal mining enterprises at the basic level and listed companies for an extensive period and has over 30 years of experience in financial work in state-owned enterprises as well as rich experience in capital operation and financial management in listed companies.

7. Zhou Dongzhou, aged 54

He is the Secretary to the Board and the Company Secretary of the Company. He graduated from China Mining College (currently known as China University of Mining and Technology) in July 1982 majoring in English where he also obtained a Master's Degree of Engineering 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 to 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 Import & Export Company and Joint Company Secretary of the Company.

3. Remuneration of Directors, Supervisors and Senior Management

(1) Decision-making procedures for the remuneration of directors, supervisors and senior management

Remuneration for directors and supervisors is subject to the approval by the shareholders' general meeting, while the remuneration for senior management is subject to the approval by the Board. For the year of 2012, the total remuneration for directors, supervisors and senior management of the Company was RMB7.51 million (tax inclusive).

(2) Basis for determining the remuneration of directors, supervisors and senior management

Appraisal and incentive systems are adopted to determine annual salary for the Company's senior management. The annual salary comprises base salary and performance-related salary: base salary is determined by the production and operation scale of the Company with reference to the prevailing salary level in the market and income level of employees etc.; the performance-related salary is determined based on the "Measures for Performance Evaluation on Operating Results Achieved by Senior Management" and the accomplishment progress of operation plans of the year as stated in the accountability report of operational results, which is subject to the final assessment and approval by the Board.

4. Changes in Directors, Supervisors and Senior Management of the Company

As approved at the first extraordinary general meeting for the year of 2013 convened on 1 February 2013, Mr. Li Yanjiang was elected as the non-executive director, and Mr. Zhou Qinye was elected as the independent non-executive director of the second session of the Board of the Company; Mr. Zhang Ke and Mr. Wu Rongkang retired from their current positions as the independent non-executive directors of the second session of the Board of the Company due to the expiration of their terms.

Mr. Peng Yi has resigned as the vice chairman of the second session of the Board due to job re-arrangement. However, Mr. Peng Yi will continue to serve as the non-executive director of the Company. As approved at the first meeting of the second session of the Board for 2013 convened on 1 February 2013, Mr. Li Yanjiang, the non-executive director of the Company, was elected as the vice chairman of the second session of the Board.

Li Yanjiang, aged 55, is the Vice Chairman and Non-Executive Director of the Second Session of the Board of the Company. He serves as the Vice Chairman of the board of directors and the Secretary of Party Committee of China Coal Group. Mr. Li graduated from Fu Xin Mining Institute with a Bachelor's Degree and obtained the title of Researcher in January 1982. He served as the General Manager of China Coal International Economic and Technical Cooperation Corporation, the Chairman of the board of directors, General Manager and Deputy Secretary of Party Committee of China Coal Construction Group Corporation, the Director General of the Plan and Development Department of State Administration of Coal Industry, Director and the General Manager of China National Coal Industry Import and Export (Group) Corporation, the Secretary of Party Committee and the Vice President of China Coal Research Institute, the Chairman of the board of directors, Secretary of Party Committee and General Manager of China Foma (Group) Co., Ltd. as well as the Secretary of Party Committee and a director of China National Machinery Industry Corporation and other positions. Mr. Li has long been engaged in areas of production, operation and management of coal enterprises, and has strong background in coal industry and extensive experience in corporate operation and management.

Zhou Qinye, aged 60, is an Independent Non-Executive Director of the Second Session of the Board of the Company. Mr. Zhou serves as an independent director of Shanghai Pudong Development Bank, Industrial Bank Co., Ltd., SAIC Motor Corporation Limited and Shanghai Jahwa United Company Ltd., as well as a director of Shanghai East-China Computer Co., Ltd. and Anxin Trust & Investment Co., Ltd. Mr. Zhou is a member of the China Accounting Standards Committee under the Ministry of Finance and the China Internal Control Standards Committee, a director of the Chinese Institute of Certified Public Accountants (the "CICPA"), a member of the Auditing Standards Committee of CICPA, a Standing Director of the China Appraisal Society, a member of Shanghai Judiciary Expertise Committee, an arbitrator of Shanghai Arbitration Commission and a director of Heren Charitable Foundation. Mr. Zhou is a doctoral advisor at Fudan University and adjunct professor at Xiamen University and Shanghai University of Finance and Economics. Mr. Zhou graduated from the Faculty of Accounting of Shanghai University of Finance and Economics with a Master's Degree in Economics in 1986. He served as the Vice President and Chief Accountant of the SSE, as well as a member of the Issuance Review and Approval Committee and the Substantial Restructuring Review Committee of the China Securities Regulatory Commission. Mr. Zhou has solid academic base and considerable practical expertise in areas including securities markets supervision, corporate governance and capital operation of listed companies, corporate financial management, accounting, auditing and internal control.

Directors' Report

Dear Shareholders,

The board of directors (the "**Board**") of China Coal Energy Company Limited 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 2012 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 coking 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 aluminium. Details of the principal business of the Group's principal subsidiaries are set out in the financial statements.

2. Operating Results

The financial and operating results of the Group for the year ended 31 December 2012 are set out in the section headed "Management Discussion and Analysis of Financial Conditions and Operating Results".

3. Distributable Profits, Dividends and Closure of Share Register

For the year ended 31 December 2012, the profit attributable to shareholders of the Company amounted to RMB8,842,210,000 and RMB9,281,271,000 as set out in the audited consolidated financial statements of the year 2012 of the Company prepared in accordance with the International Financial Reporting Standards and the PRC Accounting Standards for Business Enterprises, respectively. To provide better rewards to our shareholders as well as improve corporate and shareholders' values, taking into consideration of our cash dividends policy and the cash dividends distribution record for the last three years, the Board of the Company recommended the payment of cash dividends of RMB2,785,296,150 to shareholders of the Company, representing 31.50% of the profit attributable to the shareholders of the Company (representing 30% of the net profit attributable to the shareholders of the Parent Company prepared in accordance with the PRC Accounting Standards for Business Enterprises), which was RMB8,842,210,000 as set out in the consolidated financial statements of 2012 prepared in accordance with International Financial Reporting Standards. 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 RMB0.210 per share (inclusive of tax). Should the proposed profits distribution plan be approved by the Shareholders at the 2012 annual general meeting by an ordinary resolution, a final dividend will be distributed to the H Shareholders whose names appear on the Company's H Share register of members on 17 May 2013.

Pursuant to the Enterprise Income Tax Law of the People's Republic of China which came into effect on 1 January 2008 and its implementing rules and other relevant rules, the Company is required to withhold enterprise income tax at a rate of 10% before distributing the final dividend to non-resident enterprise Shareholders whose names appear on the Company's H Share register of members. Any shares registered in the name of the non-individual registered Shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organisations, will be treated as being held by non-resident enterprise shareholders and therefore an enterprise income tax shall be withheld for their dividends receivables.

Pursuant to The Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 issued by the State Administration of Taxation on 28 June 2011, the dividend received by the overseas resident individual Shareholders from the stocks issued by domestic non-foreign invested enterprises in Hong Kong is subject to individual income tax at a rate of 10% in general. However, the tax rates for respective overseas resident individual Shareholders may vary, depending on the relevant tax agreements between those countries where the overseas resident individual Shareholders reside and China. Pursuant to the abovementioned notice, the Company will withhold 10% of the final dividend as individual income tax unless otherwise required by the relevant tax agreements, tax treaties or notices, while distributing the final dividend to the H Shareholders whose names appear on the Company's H Share register of members on 17 May 2013.

As the 2012 annual general meeting will be convened by the Company on 13 May 2013, the share register of the Company will be closed from 13 April 2013 to 13 May 2013 (both days inclusive). In order to qualify for attending and voting at the annual general meeting, holders of H Shares of the Company should, no later than 4:30 p.m. on 12 April 2013, submit all the transfer documents to 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, Wanchai, Hong Kong. For holders of H Shares of the Company whose names appear on the Company's H Share register of members on 13 April 2013 are entitled to attend and vote at the annual general meeting.

The share register of the Company will be closed from 17 May 2013 to 21 May 2013 (both days inclusive). In order to qualify for receiving the final dividend for 2012, holders of H Shares of the Company should, no later than 4:30 p.m. on 16 May 2013, submit all the transfer documents to 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, Wanchai, Hong Kong.

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 2012, which, among other things, will set out the record date and ex-rights date of dividend distribution for A Shares.

As of 31 December 2012, no arrangement was reached pursuant to which the shareholders waived or agreed to waive their dividends.

4. Shareholdings of Substantial Shareholders

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

5. Interests and short positions of Directors, Supervisors and Chief Executive in the Shares, Underlying Shares and Debentures of the Company

As at 31 December 2012, none of our directors, supervisors or chief executive had any interests or short positions 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 2012, the Company had not granted any rights to any directors, supervisors or chief executive 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 Hong Kong 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 of the Company agrees to perform his duties as the Company's director or supervisor. Term of service: save for Mr. Zhang Ke and Mr. Wu Rongkang, whose term of service for the second session of the Board commenced from the date of appointment and have ended on 1 February 2013, the term of service of each of other Directors is three years from the date of appointment. After the expiration of the terms of service for Mr. Zhang Ke and Mr. Wu Rongkang, the Company has engaged new Directors and entered into service contracts with them. The term of service for new Directors will be expired upon expiration of term of service for the second session of the Board of the Company. The term of service for supervisors of the Company 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 Hong Kong 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, for the year ended 31 December 2012, 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 2012 are set out in note 37 to the consolidated financial statements and the section headed "Directors, Supervisors and Senior Management" of this report.

For the year ended 31 December 2012, 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. To determine 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 2012, the Company and its subsidiaries had not purchased, sold or redeemed any securities (the term "securities" has the meaning ascribed to it under Hong Kong 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 the net proceeds were used in the way disclosed in the prospectus of H Shares. As at 31 December 2012, among the investment projects funded by the H Share proceeds, Pingshuo East Open Pit Mine, Antaibao underground mine and Heilongjiang methanol project (with a production capacity of 250,000 tonnes/year) were completed and put into production as well as generated revenue. The auxiliary coal preparation plant of Pingshuo East Open Pit Mine has been completed and the underground portion of the auxiliary designated railway line project has been completed and the dedicated railway line shall be expected to be put into operation in June 2013.

(2) Use of proceeds from A Share issuance

As at 31 December 2012, the actual application of proceeds from A Share issuance amounted to RMB19.706 billion in total, representing approximately 77.8% of the net proceeds from A Share issuance, details of which are listed below:

Unit: RMB100 million

Committed projects	Corresponding original committed projects	Any change in project	Proposed investment financed by proceeds	Actual investment financed by proceeds for the year	Actual accumulated investment financed by proceeds	Meets the planned schedule or not	Project progress	Estimated gains (Internal rate of gains of the project investment after taxation)	Status of gains generated	Meets the planned gains or not	Explanation on failure to meet the planned schedule and gains	Reasons for changes and explanation on the changes in procedures of use of proceeds
Ordos project and ancillary engineering facilities with an annual production capacity of 25 million tonnes of coal, 4.2 million tonnes of methanol and 3 million tonnes of dimethyl ether	–	No	41.58	9.8	30.74	No	Preliminary work in progress and subject to the approval by the National Development and Reform Commission.	13.94%	–	–	Pending approval.	
Heilongjiang project and ancillary engineering facilities with an annual production capacity of 10 million tonnes of coal, 1.8 million tonnes of methanol and 0.6 million tonnes of olefin	–	No	–	–	0.12	–	–	–	–	–	–	Please refer to the prospectus of A Shares of China Coal Energy Company Limited.
Supplementing the working capital of the Company for general corporate purpose or for the acquisitions of assets related to core business	–	No	41.33	–	41.33	Yes	–	–	–	–	–	
Nalin River No. 2 Coal Mine Project developed by Wushenqi Mengda Mining Company Limited with an annual production capacity of 8 million tonnes of coal		Yes	16.69	–	13.3	No	Preliminary work in progress.	18.37%	–	–	Pending approval.	
Muduchaideng Coal Mine Project developed by Ordos Yihua Mining Resources Company Limited with an annual production capacity of 6 million tonnes of coal		Yes	44.64	–	16.94	No	Preliminary work in progress	19.59%	–	–	Pending approval.	
Xiaohuigou Coal Mine Project developed by Shanxi Xiaohuigou Coal Industry Company Limited with an annual production capacity of 3 million tonnes of coal	Heilongjiang project and ancillary engineering facilities with an annual production capacity of 10 million tonnes of coal, 1.8 million tonnes of methanol and 0.6 million tonnes of olefin	Yes	28.06	5.65	14.18	No	Approved with construction planned to be commenced in 2013.	34.20%	–	–	In preparation for commencement of construction.	Please refer to the announcement in relation to the change in certain investment projects financed by the proceeds from the A share offering of China Coal Energy Company Limited.
Hecaogou Coal Mine Project developed by Shaanxi Yan'an Hecaogou Coal Mine Company Limited (to be established)_with an annual production capacity of 3 million tonnes of coal		Yes	12.00	5.00	12.00	Yes	Under construction and expected to be completed for operation in 2013.	30.57%	–	–		
Zhangjiakou Coal Machinery Equipment Industrial Park Project developed by China Coal Zhangjiakou Coal Mining Machinery Company Limited		Yes	23.62	8.00	19.07	Yes	Under construction.	11.60%	–	–	Under construction.	
Yulin Energy and Chemical Comprehensive Utilisation Project developed by Shaanxi Yulin Energy Chemical Company Limited with an annual production capacity of 0.6 million tonnes of polyethylene and 0.6 million tonnes of polypropylene		Yes	21.00	–	21.00	Yes	Under construction.	15.51%	–	–		
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		/	257.30	28.45	197.06	/	/	/	/	/	/	/

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 2012 are set out in note 7 to the audited financial statements for the year.

13. Donation

For the year ended 31 December 2012, the charitable and other donations made by the Company amounted to RMB15,638,000.

14. Subsidiaries and associates

The details of subsidiaries and associates of the Company as at 31 December 2012 are set out in note 11 to the audited financial statements for 2012.

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 2012, the revenues derived from the Company's largest external customer and its top five external customers accounted for 7.1% and 19.6% of the operating revenue of the Company for the year ended 31 December 2012 respectively.

For the year ended 31 December 2012, the total purchases made by the Company from its top five suppliers represented less than 30% of the total purchases made by the Company for the year ended 31 December 2012.

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.

18. Connected transactions

The followings are the major connected transactions of the Group during the year of 2012:

(1) Continuing connected transactions

The Company has entered into certain connected transaction agreements with the Company's controlling shareholder 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 Hong Kong Listing Rules. The terms of the relevant connected transaction agreements, the annual caps and the actual amounts of 2012 incurred are as follows:

1. Coal Supply Framework Agreement

On 21 October 2011, the Company renewed the Coal Supply Framework Agreement with China Coal Group. The agreement is valid from 1 January 2012 until 31 December 2014, and is renewable upon expiry. Pursuant to the agreement, China Coal Group has agreed to exclusively supply the coal products produced from the mines of China Coal Group and its subsidiaries (excluding the Company) to the Group, and has undertaken not to sell any such coal products to any third party. The Group is entitled to purchase coal products produced by third parties once the quantity or quality of coal products provided by China Coal Group and its subsidiaries (excluding the Company) cannot satisfy the requirements of the Group. Details are set out in the announcement of the Company dated 21 October 2011.

Pricing principles: (1) market price, which is determined with reference to the prevailing market prices 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 of China Coal Group and its subsidiaries (excluding the Company); (2) where market price is unavailable, the price shall be calculated based on the reasonable cost of the coal products provided plus reasonable profit margin.

The annual cap of coal purchase expenditure for 2012 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 2012 was RMB4.883 billion. The actual expenditure incurred was RMB428 million.

2. Integrated Materials and Services Mutual Provision Framework Agreement

On 21 October 2011, the Company renewed the Integrated Materials and Services Mutual Provision Framework Agreement with China Coal Group. The agreement is valid from 1 January 2012 until 31 December 2014, and is renewable upon expiry. Pursuant to the agreement, 1) China Coal Group and its subsidiaries (excluding the Company) shall supply the Group (i) production materials and ancillary services, including raw materials, transportation service, electricity and heat supplies, testing and equipment maintenance services, equipment leasing and others; and (ii) social and support services including security services, staff training, medical services and emergence services, management of pension, medical fund and unemployment fund, communication, property management and others; 2) The Group shall supply China Coal Group and its subsidiaries (excluding the Company) (i) production materials and ancillary services, among others, including raw materials, electricity, transportation and loading services, machinery maintenance, labour, tending services, gas, oil, water, heat and others; and (ii) the coal export-related services including organising product supplies, performing coal blending, coordinating logistics and transportation, provision of port related services, arranging for inspection and quality verification and providing services relating to product delivery. Details are set out in the announcement of the Company dated 21 October 2011.

Pricing principles shall be in the following order: the state-prescribed price in China; the state-recommended price in China; the relevant market price; where none of the above prices is available or applicable, the price shall be calculated based on the reasonable cost plus reasonable profit margin.

For the year ended 31 December 2012, (1) the annual cap of the expenses paid by the Company for raw materials and ancillary services and social and support services provided by China Coal Group and its subsidiaries (excluding the Company) for 2012 was RMB3.4885 billion and the actual expenses incurred were RMB2.515 billion; (2) the annual cap of the revenue from the provision of raw materials and ancillary services and coal export-related services to China Coal Group and its subsidiaries (excluding the Company) for 2012 was RMB866.8 million and the actual revenue was RMB643 million.

3. Project Design, Construction and General Contracting Services Framework Agreement

On 21 October 2011, the Company entered into the Project Design, Construction and General Contracting Services Framework Agreement with China Coal Group. The agreement is valid from 1 January 2012 to 31 December 2014 and is renewable upon expiry. Pursuant to the agreement, China Coal Group and its subsidiaries (excluding the Company) shall provide project design, construction and general contracting services to the Group. Details are set out in the announcement of the Company dated 21 October 2011.

Pricing principles: The price and other terms shall be determined through the tendering process; and when the bidding price and other terms offered by China Coal Group and its subsidiaries (excluding the Company) are equal to or better than those offered by other independent bidders, China Coal Group and its subsidiaries (excluding the Company) shall be selected in preference to such other independent bidders. The services fee will be paid according to terms determined through the tendering process and funded by the Group's internal resources.

For the year ended 31 December 2012, the annual cap of the expenses paid by the Company for project design, construction and general contracting services provided by China Coal Group and its subsidiaries (excluding the Company) for 2012 was RMB9.7047 billion and the actual expenses incurred were RMB4.649 billion.

4. Property Leasing Framework Agreement

On 5 September 2006, the Company entered into Property Leasing Framework Agreement with China Coal Group of a term of 10 years, and is renewable upon expiry. Pursuant to the agreement, China Coal Group and its subsidiaries (excluding the Company) has agreed to lease certain properties in the PRC to the Group for the general operation and ancillary purpose. The properties leased include 480 properties amounting to a total floor area of approximately 222,837 square meters and most of which are for production and operation usage. Details are set out in the announcements of the Company dated 5 September 2006 and 21 October 2011.

Pricing principles: (i) the rentals are subject to review and adjustments every three years within the term of the Property Leasing Framework Agreement by reference to the prevailing market rates. The adjusted rentals shall not exceed the prevailing market rates as confirmed by an independent property valuer; (ii) any downward adjustment in rentals for such properties leased to the Group may be made at any time within the term of the Property Leasing Framework Agreement notwithstanding the normal three-year rental adjustment mechanism provided for thereunder as described above; and (iii) the rentals will be paid by cash at the end of each year and funded by the Group's internal resources.

The annual cap for 2012 in respect of property rentals paid by the Company to China Coal Group and its subsidiaries (excluding the Company) in respect of the structures and properties leased amounted to RMB95.8 million. For the year ended 31 December 2012, the actual rentals incurred were RMB92 million.

5. 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 of a term of 20 years, and is renewable upon expiry. Pursuant to the agreement, China Coal Group and its subsidiaries (excluding the Company) agreed to lease to the Group certain land use rights for general business and auxiliary facilities purposes. Such land use rights include 220 parcels of land with total site area of 11,616,000 square meters, which are mainly used for production and operation. Details are set out in the announcements of the Company dated 5 September 2006 and 21 October 2011.

Pricing principles: (i) the rentals are subject to review and adjustment every three years within the term of the Land Use Rights Leasing Framework Agreement by reference to the prevailing market rates. The adjusted rentals shall not exceed the prevailing market rate as confirmed by an independent property valuer; (ii) any downward adjustment in rentals of such land use rights leased to the Group may be made at any time during the term of the Land Use Rights Leasing Framework Agreement notwithstanding the normal three-year rental adjustment mechanism provided for thereunder as described above; and (iii) the rentals will be paid by cash annually and funded by the Group's internal resources.

The annual cap for 2012 in respect of the land use rights rental paid by the Company to China Coal Group and its subsidiaries (excluding the Company) amounted to RMB72 million. For the year ended 31 December 2012, the actual rental occurred was RMB62 million.

The auditor of the Company has issued a letter to the Board in relation to the abovementioned continuing connected transactions stating the following:

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

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

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

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

All the independent non-executive directors of the Company have reviewed the above continuing connected transactions and have confirmed that the transactions are:

1. in the Company's ordinary course of business;

2. on normal commercial terms; and

3. 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.

(2) Non-continuing connected transactions

Non-continuing connected transactions during the reporting period included the Company's acquisition of the 80% equity interest in Tang Shan Gou Company held by Import and Export Company, the acquisition of the 100% equity interest in Sales and Transportation Company, a new company upon the completion of the reform of Sales and Transportation Company held by China Coal Group as well as the formation of Finance Company by joint capital contribution of the Company and China Coal Group.

1. The acquisitions of Sales and Transportation Company and Tang Shan Gou Company

On 27 March 2012, the Company and Import and Export Company entered into the Tang Shan Gou Company equity transfer agreement, pursuant to which the Company has agreed to acquire the 80% equity interest in Tang Shan Gou Company held by Import and Export Company for a cash consideration of RMB1,112,609,000; on the same day, the Company and China Coal Group entered into the Sales and Transportation Company equity transfer agreement, pursuant to which the Company has agreed to acquire the entire equity interest in Sales and Transportation Company held by the China Coal Group for a cash consideration of RMB206,581,200. Currently, the equity transfer agreement for 80% equity interest in Tang Shan Gou Company has been executed and become effective; Tang Shan Gou Company has become a subsidiary of the Company. The registration of changes with the relevant administrative authority of industry and commerce is being processed; the registration of changes with the relevant administrative authority of industry and commerce for the acquisition of Sales and Transportation Company has been completed and it has become a wholly-owned subsidiary of the Company. Import and Export Company is a subsidiary of China Coal Group and is a connected person of the Company.

The Company is of the view that the acquisitions of Sales and Transportation Company and Tang Shan Gou Company will (i) conduce to realise the Company's strategy of becoming stronger and excellent in coal industry, increase the high quality coal reserves of the Company and the production volume of coal; (ii) further enhance coal marketing and logistics networks of the Company; (iii) reduce the connected transactions and horizontal competition; and (iv) improve competitiveness and profitability of the Company. The connected transactions are fair and reasonable and in the interests of the Company and its independent Shareholders as a whole.

For relevant details, please refer to relevant announcements released on the websites of SSE, HKSE and the Company on 27 March 2012.

2. Formation of Finance Company

On 21 August 2012, the Company entered into the Capital Contribution Agreement with China Coal Group, agreeing to establish Finance Company with a registered capital of RMB3 billion. Of the total, the Company proposed to contribute RMB2.73 billion in cash, accounting for 91% of the registered capital of Finance Company; China Coal Group proposed to contribute RMB0.27 billion in cash, accounting for 9% of the registered capital of Finance Company. The approval procedures for the formation of Finance Company are under smooth progress.

As the operation scale of the Group grows, and based on the strategic development plan, in order to further lift the standard of capital management and improve the allocation of capital, the Board is of the view that through the establishment of Finance Company, a more professional and highly efficient capital management platform can be built. The establishment of Finance Company can further strengthen the collective management of internal capital, raise the efficiency of capital use, reduce the financial cost, improve the control means and system of risk, and increase the ability of management, control and consolidation of resources of the Group.

For relevant details, please refer to relevant announcements published on the websites of SSE, HKSE and the Company on 21 August 2012.

Save as disclosed above, no connected transaction or continuing connected transaction set out in notes to the financial statements falls under the definition of discloseable connected transaction or continuing connected transaction in Hong Kong Listing Rules. As for the aforementioned connected transactions and continuing connected transactions, the Company has complied with the disclosure requirements set out in Hong Kong Listing Rules from time to time.

19. Reduce horizontal competition

In 2012, Import and Export Company, a wholly-owned subsidiary of China Coal Group, Jinhaiyang Company, which is held as to 60% by China Coal Group, Heilongjiang Coal Chemical Group, a wholly-owned subsidiary of China Coal Group, and Taiyuan Coal Gasification Group, which is held as to 35.39% by China Coal Group, engaged in coal production and coal chemical business. Since 2012, China Coal Group and the Company have been proactively tackling horizontal competitions and have achieved the following progresses:

(I) Please refer to the section headed "Non-continuing connected transactions" of the report for details of the acquisitions of equity interests in Sales and Transportation Company and Tang Shan Gou Company by China Coal Energy.

(II) Heilongjiang Coal Chemical Group became a wholly-owned subsidiary of China Coal Group. In 2010, China Coal Group acquired the 18.64% equity interests in Heilongjiang Coal Chemical Group held by China Construction Bank Heilongjiang Branch, which increased its shareholdings in Heilongjiang Coal Chemical Group from 57.92% to 76.56%. Through the acquisition, China Coal Group obtained the right of decision-making in major events of Heilongjiang Coal Chemical Group, which laid a foundation for subsequent assets injection. On 30 December 2011, China Coal Group acquired the remaining 23.44% equity interest in Heilongjiang Coal Chemical Group held by Cinda Assets Management Company Limited. Heilongjiang Coal Chemical Group therefore became a wholly-owned subsidiary of China Coal Group, which facilitated the further consolidation and injection of Heilongjiang Coal Chemical Group into the Company.

(III) The eight coal mines held by Jinhaiyang Company are accelerating projects approval, licences application and technology renovation projects, in a bid to be consolidated into China Coal Energy as soon as possible.

(IV) Transfer the equity interest of Taiyuan Coal Gasification Group was completed. On 13 April 2011, China Coal Group entrusted 16.18% equity interests in Taiyuan Coal Gasification Group to the State-owned Assets Supervision and Administration Commission of Shanxi Provincial Government, which in turn appointed Jinmei Group to manage the 51% equity interest (including both its self-owned and entrusted equity interests) of Taiyuan Coal Gasification Group. Jinmei Group has therefore became the de facto controller of Taiyuan Coal Gasification Group. In November 2012, China Coal Group and the State-owned Assets Supervision and

Administration Commission of Shan Xi Provincial Government entered into the Agreement of State-owned Equity Interest Transfer at Nil Consideration. The application for the transfer of equity interest and controlling interest at nil consideration had been submitted to the SASAC. Such transfer was approved by the SASAC on 26 December 2012. Following such transfer, China Coal Group's shareholding reduced to 35.39% and China Coal Group became a non-controlling shareholder of Taiyuan Coal Gasification Group. The change of registration with the administration authority of industry and commerce has been completed. The coal and coal chemical businesses of Taiyuan Coal Gasification Group no longer constituted horizontal competition to the Company.

Since the conditions of demand and supply in domestic coal market has changed rather significantly and the PRC has imposed stricter regulatory requirements on safe coal production which resulted in longer approval period of coal projects, the Company will, in comprehensive consideration of the factors like the status of capital markets and its development strategy and with a high sense of responsibility to investors, capture the opportunity to purchase the assets of the relevant coal and coal chemical businesses of China Coal Group, so as to reduce horizontal competition between China Coal Group and the Company.

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

(I) Risks of 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 including electricity, metallurgy, construction materials and chemical industry. With the current global economy remains its downturn and the slowdown in China's economic growth, resulting in the decrease in the growth rate of coal demand as well as the coal price, coal enterprises are suffering from subdued profitability.

(II) 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 come into play in the next few years and the coal market may be confronted with serious oversupply. As coal enterprises have similar business models, the homogenised competition among them shall be fierce and overcapacity will trigger price decrease and pressurise the profit margins of the coal enterprises.

(III) Risks of influence of coal import

As affected by conditions of demand and supply and the changes in prices in global and domestic coal markets, Chinese coal import has been undergoing significant growth, while coal export has been dwindling since 2009. The coal import volume of China amounted to 290 million tonnes in 2012, posing greater effect on the demand and supply in domestic coal market. As the world's economic globalisation continues, together with the changes in world's major coal producing nations and energy structure of consuming nations, the demand and supply in domestic coal market will continue to be affected.

(IV) Risks of product price

As affected by various factors such as demand and supply, transportation capacity, policies and weather, the coal price is rather difficult to be determined accurately. Since China abolished the key thermal coal contract for 2013 and implemented a market-oriented reform for thermal coal price, uncertainties may exist in securing railway transport capacity, determining the price and executing contracts for coal enterprises.

(V) Risks of safety production

Restricted by geological conditions and mining methods, coal mining industry involves inherent production safety risks. The Company makes enormous efforts in promoting the "Three Constructions" policies, which covers safe and efficient mines, safety-assured enterprises and production technology management system, and continues to perfect its safety management system through upgrading automatic production and reducing staff working underground gradually, so as to stay ahead in safety production among its peer companies.

(VI) Risks of project investment

New investment project normally requires longer time from conducting feasibility study to completion for commencing operation. Since it is uncertain about the time required for obtaining government's approval as well as the change in the industry and related industries of the project, the timing and the actual yield rate may vary from the expectation to a certain extent after the project is completed and put into operation.

(VII) Risks of environmental protection

The mining of coal resources will inevitably affect the environment to a certain extent. The Company has strictly complied with the laws and regulations on energy saving and emission reduction and upheld the concept of developing "black resources" in a "green way". The Company has strived to strike a balance between coal mining development and environmental protection through increasing investment in technological and environmental protection, while actively promoting the recycling economy to build itself into an energy-saving and environmental-friendly enterprise.

(VIII) Risks of rising costs

Continuously rising raw material costs, rigid growth of labour cost and increasing investment in safety production and environmental protection have been persistently bringing up the costs of coal production. In the future, the Company will exert more efforts in cost control, optimise production layout and reduce material purchase costs and unit consumption through adopting new technologies, new working processes and equipment to maintain its leading competitive edge in cost control in the industry.

(IX) Risks of Foreign exchange

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. The changes in foreign exchange rates of Renminbi to any other foreign currencies will have bilateral compound effects on the operating results of the Company.

21. Significant Events

(1) Share capital structure

As at 31 December 2012, the structure of the share capital of the Company was as follows:

Unit: share

Type of Shares	Number of Share	Percentage (%)
A Shares	9,152,000,400	69.03
Of which: A Shares held by China Coal Group	7,538,833,347	56.86
H Shares	4,106,663,000	30.97
Of which: H Shares held by China Coal Hong Kong Limited, a wholly-owned subsidiary of China Coal Group	125,351,000	0.95
Total	13,258,663,400	100.00
Of which: shares held by China Coal Group and parties acting in concert with it	7,664,184,347	57.81

(2) Distribution of final dividends for 2011

The Company's 2011 profit distribution plan was considered and approved at the Company's 2011 annual general meeting held on 27 May 2012. Cash dividends of RMB2,851,145,100 were distributed to the Shareholders, representing 30% of the net profit attributable to the Shareholders of the Company under the PRC Accounting Standards of Business Enterprises, which was RMB9,503,817,000 (the lower of post-tax profits in the financial statements prepared in accordance with the PRC Accounting Standards of Business Enterprises and International Financial Reporting Standards). The distribution was based on the Company's total issued share capital of 13,258,663,400 shares, representing a dividend of RMB0.215 per share (inclusive of tax). The aforesaid final dividends were duly paid to the Shareholders of the Company on 14 June 2012 and 18 July 2012 respectively.

(3) Amendment to the Articles of Association

1. On 25 May 2012, in order to comply with the amendment to the requirements of the Hong Kong Listing Rules, the Code on Corporate Governance Practices and the Corporate Governance Report of the HKSE as well as governance requirements of the domestic regulatory authorities, the resolution in relation to the amendment to the Articles of Association was considered and approved at the Company's 2011 annual general meeting.

   For details, please refer to the announcement of the Company dated 25 May 2012 published on the websites of SSE, HKSE and the Company.

2. On 11 December 2012, the Resolution on "Amendments to the Articles of Association of the Company" was considered and approved at the first extraordinary general meeting of the Company for 2012 in order to comply with the requirements on Cash Dividends by Listed Companies issued by the China Securities Regulatory Commission and its Beijing Bureau.

   For details, please refer to the announcement of the Company dated 11 December 2012 published on the websites of SSE, HKSE and the Company.

(4) Other significant events

1. *Investment in the Construction of Engineering Plastics Project in Ordos*

On 27 March 2012, the resolution on "Investment in the Construction of Engineering Plastics Project in Ordos" was considered and approved at the first meeting of the second session of the Board for 2012, regarding that the Company would invest in the construction of Engineering Plastics Project in Ordos. Contracts concerning the use of patented technologies have been signed, orders of certain equipment with long delivery cycle have been placed and the basic design is about to be completed. Progresses are being made on the tender process of EPC and the preliminary preparation work of on-site construction.

For details, please refer to the announcement of the Company dated 27 March 2012 published on the websites of SSE, HKSE and the Company.

2. *Issues on the relocation of the neighbouring residents of China Coal and Coke Jiuxin Limited*

In May 2010, the Ministry of Environmental Protection of China issued the "Circular on Examination Results after Environmental Protection Inspection on Listed Companies", which addressed the environmental issues on the relocation of the neighbouring residents of China Coal and Coke Jiuxin Limited (a subsidiary of the Company) in Lingshi. The Company took the initiative to converse and coordinate with the local government and residents, and the "Agreement on the Relocation of Residents" was entered into by China Coal and Coke Jiuxin Limited and the Lingshi county government in July 2012. The Company paid a one-off relocation expense of RMB70 million, while the Lingshi county government is responsible for the execution of relocation. 96 units have been relocated so far, which is 50% of the total relocation mission.

For details, please refer to the announcement of the Company dated 27 May 2010 published on the websites of SSE, HKSE and the Company.

3. *Investment in Mengxi-Huazhong Railway Company*

On 15 August 2012, the resolution on "Investment in the construction of Mengxi-Huazhong Railway for Coal Transportation" was considered and approved at the third meeting of the second session of the Board for 2012. The Company, together with China Railway Investment Corporation and other promoters, established Mengxi-Huazhong Railway Company, in which the Company owned as to 10% equity interest. The procedures of obtaining business registration and business license for the Mengxi-Huazhong Railway Company was completed in September 2012. As legal person for the project, Mengxi-Huazhong Railway

Company will be responsible for the engineering construction of Mengxi-Huazhong Railway for coal transportation. The construction of this project is in the process of implementation.

For details, please refer to relevant announcements published on the websites of SSE, HKSE and the Company on 15 August 2012.

4. Issuance of Medium-term Notes

On 27 May 2011, the resolution on "Proposal on China Coal Energy Company Limited's Registration and Issuance of Medium-term Notes and Short-term Financing Bonds" was considered and approved, and the Company was approved to register each of the medium-term notes and short-term financing bonds, respectively, for an amount up to RMB35 billion (or an issuance cap determined based on 40% of the latest audited net assets at each registration).

The Company registered and issued the medium-term notes of RMB15 billion with a term of 5 years in 2011. The Company was approved for another registration of the issuance of medium-term notes up to RMB15 billion in 2012 and issued the medium-term notes of RMB5 billion with a term of 7 years on 18 September 2012. The par value is RMB100 each, with the coupon interest rate of 5.12%. All the proceeds were fully credited into the Company's account on 19 September 2012.

For details, please refer to relevant announcements published on the websites of SSE, HKSE and the Company on 19 May 2011 and 27 May 2011 and 20 September 2012.

5. Shareholding increase in the Company by China Coal Group

The Company's controlling shareholder China Coal Group increased its shareholding in A Shares of the Company amounting to 24,228,245 shares in accruals by the securities trading system of SSE from 22 September 2011 to 21 September 2012. China Coal Group has kept its undertakings not to decrease its shareholding in the Company during the period of the implementation of the plan on shareholding increase and within the statutory period.

China Coal Group and its wholly-owned subsidiary China Coal Hong Kong Limited, since October 2012, have increased shareholding in both A Share and H Share of the Company in several batches. For the period between the first time of increase in shareholding in October 2012 and the end of the reporting period, China Coal Group increased shareholding by 32,961,328 A Shares and China Coal Hong Kong Limited increased shareholding by 5,351,000 H Shares in total. After shareholding increase, China Coal Group has a shareholding in A Shares amounting to 7,538,833,347 shares and China Coal Hong Kong Limited has a shareholding in H Shares amounting to 125,351,000 shares in total. China Coal Group and its parties acting in concert have a total amount in A Shares and H Shares representing 57.81% of the total issued share capital of the Company. China Coal Group and its parties in concert undertook not to decrease its shareholding of the Company within 12 months since the first shareholding increase in October 2012.

For details, please refer to the relevant announcements published on the websites of SSE, HKSE and the Company on 21 September 2012 and 10 October 2012.

6. *Provision of guarantee for Shaanxi Yanchang China Coal Yulin Energy Chemical Company Limited*

For details of such guarantee, please refer to "(1) Bank guarantees" under "XI. Contingent Liabilities" set out in the section headed "Management Discussion and Analysis of Financial Conditions and Operating Results" of this Report. For details of the transaction, please refer to the relevant announcement published on the websites of SSE, HKSE and the Company on 11 December 2012.

22. Material Legal Proceedings

As at 31 December 2012, the Company was not 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 2012.

23. Auditors

The Company has appointed PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian as its international and domestic auditor respectively for the year ended 31 December 2012. 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 2013 and PricewaterhouseCoopers Zhong Tian as the Company's domestic auditor for the year 2013 will be considered at the 2012 annual general meeting to be convened on 13 May 2013.

The Company has not changed its auditors over the last three years.

24. Taxation

For details of taxation matters, please refer to the subsection headed 'Distributable profits, dividends and closure of share register' of the Directors' Report in this report.

The Company, according to the relevant taxation provisions, shall withhold and pay relevant taxes when distributing dividends for the year 2012 to foreign non-resident enterprises or resident individual shareholders.

25. Reserves

Details of changes in the reserves of the Group during the year are set out in note 23 to the consolidated financial statements and the consolidated statement of changes in equity respectively.

As at 31 December 2012, reserves available for distribution to shareholders by the Company in accordance with the laws and regulations of the PRC were RMB21.685 billion.

26. Pension and other staff cost

Details of pension and other staff costs of the Group are set out in note 33 to the financial statement.

27. 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.

28. Subsequent Events

There are no material subsequent events for the Group.

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

Beijing, China
15 March 2013

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

Supervisory Committee's Report

During 2012, by upholding the principle of integrity and with an aim to protect the interests of the Company and its shareholders, the Supervisory Committee of the Company discharged their powers and obligations authorised by laws and regulations with the utmost conscientiousness in accordance with relevant requirements of the Company Law of the People's Republic of China, the Articles of Association and the rules of procedures for the Supervisory Committee of the Company, hence supervising perfecting in corporate governance and healthy development of the Company.

I. Details of meetings of Supervisory Committee

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

The first meeting for 2012 of the second session of the Supervisory Committee convened on 27 March 2012 considered and approved seven resolutions principally in relation to the Company's 2011 annual report and its summary, 2011 annual results announcement, report of the Supervisory Committee, 2011 annual financial report, proposed profits distribution plan for 2011, report of the Board for 2011 on the self-assessment of the Company's internal control, and the acquisition of Tang Shan Gou Company and Sales and Transportation Company.

The second meeting for 2012 of the second session of the Supervisory Committee convened on 27 April 2012 considered and approved the resolution on the Company's first quarterly report for 2012.

The third meeting for 2012 of the second session of the Supervisory Committee convened on 21 August 2012 considered and approved the resolution on the Company's interim report and establishment of Finance Company by joint capital contribution with China Coal Group.

The fourth meeting for 2012 of the second session of the Supervisory Committee convened on 23 October 2012 considered and approved the resolution on the Company's third quarterly report for 2012.

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

During 2012, overcoming the adverse impact of Chinese economic growth slowdown and decreasing coal price, the Company proactively dealt with the difficulties and achieved progresses. By adhering to the rationale of "seeking progress in stability and keeping simmering to prosper", the strategy of scientific development, accelerating structural adjustments and emphasising management enhancement, the Company maintained a comparatively fast growth in production and sales in coal, and further improved in market position, operational management and risk resilience, thus attaining new achievements in different projects.

III. Independent opinions have been given by the Supervisory Committee in respect of the following issues of the Company in 2012:

(1) Operation of the Company in 2012 in accordance with the laws

During the reporting period, the Supervisory Committee supervised, examined and assessed the financial affairs of the Company and the duties performed by the directors and senior management of the Company. The Supervisory Committee is of the opinion that the Company was able to operate in strict compliance with the laws and regulations of the PRC, and that the decision-making procedures were within the boundaries of laws. The Company management conscientiously implemented the resolutions of shareholders' general meetings and Board meetings, continued to improve its internal control system and strengthened its risk prevention capabilities. Directors and senior management of the Company duly performed their duties, and the Supervisory Committee is not aware of any act of the directors or senior management of the Company which was in violation of any laws, regulations and the Articles of Association or was detrimental to the interests of the Company.

(2) Examination of the financial affairs of the Company

After carefully reviewing the annual financial report, the proposed profit distribution plan and other matters of the Company, the Supervisory Committee considers that the Company's financial management and accounting works were being increasingly standardised, the Company had sound financial positions, and the auditor's report with standard unqualified opinions provided by PricewaterhouseCoopers Zhong Tian and PricewaterhouseCoopers represented a true, objective and fair description of the financial conditions, operating results and cash flow of the Company without any false records, misleading statements or material omissions.

(3) Use of proceeds

During the reporting period, the expended proceeds from A Share issuance amounted to RMB2.845 billion while the accumulated expended proceeds amounted to RMB19.706 billion. The actual expenses incurred are consistent with those 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 other material transactions on acquisitions 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, 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 2012 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 of the Company 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 and hence has promoted the scientific and healthy development of the Company.

(7) Review of assessment report on internal control

The Supervisory Committee has duly reviewed the Board's assessment Report on Internal Control of the Company for 2012. The Supervisory Committee is of the opinion that the self-assessment report on internal control of the Company has given an objective and true picture of the conditions of the internal control of the Company. The Supervisory Committee has no dissenting opinions on the Company's self-assessment report on internal control.

In 2013, by further expanding thinking patterns and making innovations in its working methods, the Supervisory Committee will perform its duties diligently as usual and improve its supervision in accordance with the duties stipulated by the laws and regulations of the PRC and the Articles of Association, uphold the principle of integrity and strive to fulfill its functions with an aim to protect the lawful rights and interests of the Company and its shareholders.

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

Beijing, China
15 March 2013

Corporate Governance Report

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

1. Overview of Corporate Governance

The Company has established a corporate governance structure comprising the shareholders' general meeting, the Board, the supervisory committee and the management in accordance with the provisions of the relevant laws and regulations as Company Law and Securities Law so as to establish a check-and-balance mechanism with clear delineation of rights and responsibilities and standardised operation among the executive, decision-making and supervisory bodies and operation team. The Company has formulated a series of rules and regulations such as "Articles of Associations", "Rules of Procedures of Shareholders' General Meetings" and "Rules of Procedures of the Board of Directors". During the reporting period, the Company revised the rules and regulations such as "Articles of Associations", "Rules of Procedures of Shareholder's General Meetings", "Rules of Procedures of the Board of Directors", "Work Manual of the Remuneration Committee", "Work Manual of the Audit Committee", "Work Manual of the Nomination Committee". "Work System of Independent Directors" and "The Registration System on Company Insiders" in compliance with the latest requirements of the laws and regulations, the listing rules and regulatory rules on the exchanges where the Company's shares were listed. Therefore the corporate governance system has become more sophisticated. For details, please refer to the announcements published on the websites of SSE, HKSE and the Company on 27 March and 27 April 2012. The corporate governance of the Company complies with the requirements of relevant regulations by Company Law and CSRC.

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 "Corporate Governance Code" and "Corporate Governance Report" set out in Appendix 14 of Hong Kong Listing Rules. As at 31 December 2012, the Company strictly complied with the code provisions under the "Corporate Governance Code" and "Corporate Governance Report" set out in Appendix 14 of Hong Kong 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 "Corporate Governance Code" and "Corporate Governance Report":

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 requirements under Rule 3.10(1) and Rule 3.10A of Hong Kong Listing Rules respectively which stipulate that there must be at least three independent non-executive directors and that independent non-executive

directors must represent at least one-third of the Board. 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 under Rule 3.10(2) of Hong Kong Listing Rules which stipulates that at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise.

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

As of 31 December 2012, 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 of the total shares in issue (%)
China National Coal Group Corporation	7,538,833,347	A Shares	N/A	Beneficial owner	82.37	56.86
BlackRock, Inc.	431,385,430	H Shares	Long position	Interest of controlled corporation by substantial shareholders	10.50	3.25
	84,423,488		Short position		2.05	0.64
Government of Singapore Investment Corporation Pte Ltd	324,683,390	H Shares	Long position	Investment manager	7.91	2.45
Citigroup Inc.	271,634,767	H Shares	Long position	Of which 44,457,021 shares were interest of corporations controlled by substantial shareholders, 2,544,000 shares were held as person having a security interest in the shares, 224,633,746 shares (shares available for lending) were held as custodian-corporation/approved lending agents	6.61	2.05
	30,499,302		Short position	Interest of controlled corporation by substantial shareholders	0.74	0.23
JPMorgan Chase & Co.	243,578,275	H Shares	Long position	Of which 50,145,070 shares were held as beneficial owner, 22,220,000 shares were held as investment manager, 171,213,205 shares (shares available for lending) were held as custodian-corporation/approved lending agents	5.93	1.84
	15,180,411		Short position	Beneficial owner	0.37	0.11
Morgan Stanley	241,120,256	H Shares	Long position	Interest of controlled corporation by substantial shareholders	5.87	1.82
	21,991,372		Short position		0.54	0.17

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 2012, 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 the Hong Kong Listing Rules as at 31 December 2012. Upon making specific enquiries, the Company confirmed that all Directors and supervisors of the Company had complied with the Model Code for the year ended 31 December 2012.

4. Board of Directors

(I) Composition and term of office

During the reporting period, 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 or the secretary to the Board and to appoint or remove the Company's vice president in accordance with the nomination of the president; and to discharge other functions assigned by a shareholders' general 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 2012, 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 statement of responsibilities of the international auditors is set out in the independent auditor's report of this annual report.

During the reporting period, all members of the Board keenly participated in continuous professional training, including professional training sessions provided by the Company, which helped to keep them updated with latest knowledge and techniques. It is ensured that all members can contribute to the Board in an appropriate and well-informed manner.

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.

(II) Convening of Board Meetings in 2012

The attendance record of the Board meetings of the Company for 2012 (including attendance by written proxy) is set out as follows:

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	6/6		100
Yang Lieke	Executive Director, President	5/6	1/6	83
Li Yanmeng	Non-Executive Director	6/6		100
Zhang Ke	Independent Non-Executive Director	6/6		100
Wu Rongkang	Independent Non-Executive Director	6/6		100
Zhang Jiaren	Independent Non-Executive Director	5/6	1/6	83
Zhao Pei	Independent Non-Executive Director	5/6	1/6	83
Ngai Wai Fung	Independent Non-Executive Director	6/6		100

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

1. At the first meeting in 2012 of the Second Session of the Board held on 27 March 2012, twenty-two resolutions were considered and approved. These resolutions are concerned with the following issues: Annual Report for 2011 of the Company and its Summary, Results Announcement for 2011, Directors' Report of the Company for 2011, Financial Report of the Company for 2011, Proposed Profit Distribution Plan of the Company for 2011, Capital Expenditure Plans of the Company for 2012, engaging Auditors to review Interim Financial Report and Audit Annual Financial Report for 2012, remuneration of directors and supervisors of the Company for 2012, Report of the Board on the Self-assessment of Internal Control of the Company for 2011, Social Responsibility Report of the Company for 2011, Operational Results Evaluation for Senior Management of the Company for 2012, the acquisition of 80% equity of Tang Shan Gou Company, the acquisition of 100% equity of Sales and Transportation Company, the Investment in the Construction of Ordos Engineering Plastics Project, guarantee provided for Taiyuan Coal Gasification Longquan Energy Development Company Limited, the change of financing Body and guarantee of Wangjialing Coal Mine Project, the guarantee provided for the loans regarding the resource integration, merger and acquisition of Huajin Coking Coal Company, the guarantee provided for the loans regarding Phase II of Gas Power Plant Project of Huajin Coking Coal Company, amendments to the Articles of Association, amendments to the Rules of Procedure for the General Meeting, to the Rules of Procedure for the Board, to the Terms of Reference of the Audit Committee, the Terms of Reference of the Remuneration Committee, the Terms of Reference of the Nomination Committee and Work System of Independent Directors, and convening of Annual General Meeting for 2011.

2. On the second meeting in 2012 of the Second Session of the Board on 27 April 2012, the resolutions on the Company's first quarterly report for 2012 and amendments to the Registration System on Company Insiders were

considered and approved. The Board listened to 6 special reports, including the Company's 2011 work progress and 2012 work arrangement in relation to safety, health, environmental protection and auditing, respectively, the 2011 resolution executed by the Board, the completion status of the capital expenditure plan for the first quarter of 2012 and the report on the status of the Company's connected parties.

3. On 14 August 2012, the third meeting in 2012 of the second session of the Board was held through communications equipment, and the Resolution on Investment on and Construction of Mengxi-Huazhong Railway for Coal Transportation was considered and approved.

4. On the fourth meeting in 2012 of the second session of the Board on 21 August 2012, five resolutions were considered and approved. The Board considered resolutions mainly on the followings: Interim Report for 2012 of the Company, Establishment of Finance Company co-invested by the Company and the China Coal Group, guarantee provided in proportion to shares by China Coal and Coke to China Coal and Coke Xuyang China Coal Group, guarantee provided in proportion to shares by Mengda Chemical Company to the Neimenggu Boyuan Joint Chemical Company Limited, and amendments to the Articles of Association. The Board listened to the implementation of the Company's plan on capital expenditure for January to June of 2012 and work arrangement for the second half of 2012.

5. On the fifth meeting in 2012 of the second session of the Board on 23 October 2012, Resolution on the Third Quarterly Report for 2012 of the Company and Resolution on Convention of the First Extraordinary General Meeting of 2012 were considered and approved. The Board listened to the implementation of the Company's plan on capital expenditure for January to September of 2012, and the commencement and progress of equipment assembling in the plant of Phase 2 of Tuke Fertiliser Project in Ordos.

6. On the sixth meeting in 2012 of the second session of the Board on 11 December 2012, four resolutions, in relation to guarantee provided in proportion to shares by the Company to financing Shaanxi Yanchang China Coal Yulin Energy Chemical Company Limited, the proposal for the payment of remuneration to senior management for 2011 and the proposal for the basic salary of 2012, the election of two new Directors for the second session of the Board, and convening of the First Extraordinary General Meeting of 2013, were considered and approved. The arrangements related to the 2013 Board and shareholders' general meetings were reported at the meeting.

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, rules for convening the meetings and related matters. 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.

(III) The Directors' attendance rate at shareholders' general meetings and the execution by the Board of the resolutions of shareholders' general meetings

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 where the Company is listed, and the Articles of Association. The table below sets out the attendance of the Company's directors at the shareholders' general meetings:

Name	Position in the Company	Attendance in person	Attendance by proxy	Attendance rate %
Wang An	Chairman, Executive Director	2	–	100
Peng Yi	Vice Chairman, Non-Executive Director	2	–	100
Yang Lieke	Executive Director, President	2	–	100
Li Yanmeng	Non-Executive Director	1	–	50
Zhang Ke	Independent Non-Executive Director	2	–	100
Wu Rongkang	Independent Non-Executive Director	2	–	100
Zhang Jiaren	Independent Non-Executive Director	2	–	100
Zhao Pei	Independent Non-Executive Director	1	–	50
Ngai Wai Fung	Independent Non-Executive Director	2	–	100

1. In response to the resolutions at the annual general meeting for the year 2011 convened on 25 May 2012, the Board:

   (1) continued to engage PricewaterhouseCoopers Zhong Tian and PricewaterhouseCoopers as its domestic and international auditors respectively for the year 2012 for the Interim Report review and Annual Report audit in accordance with PRC GAAP and IFRS respectively, and confirmed that their fees for the above work in 2012 amounted to RMB11.50 million;

   (2) distributed profit for 2011 of RMB2,851,145,100 to existing shareholders of the Company on 14 June 2012, representing a dividend of RMB0.215 per share (inclusive of tax);

   (3) provision of a joint liability guarantee for the merger and acquisition loan of RMB302,008,200 made by Huajin Coking Coal Company from the China Development Bank in proportion to shares held by the Company. When the Company holds 50% of its shares, the proportionate guarantee amount should be no more than RMB151,004,100; when the Company holds 49% of its shares, the proportionate guarantee amount should be no more than RMB147,984,000. The guarantee is not yet realised as of the Reporting date.

   (4) provision of a joint liability guarantee for the loans regarding Phase II of Gas Power Plant Project for RMB330,000,000 made by Huajin Coking Coal Company from the China Development Bank in proportion to shares held by the Company. When the Company holds 50% of its shares, the proportionate guarantee amount should be no more than RMB165,000,000; when the Company holds 49% of its shares, the proportionate guarantee amount should be no more than RMB161,700,000. Actual amount of the guarantee granted is RMB5,000,000.

2. According to the first extraordinary general meeting for 2012 convened on 11 December 2012, the provision of a joint liability guarantee not exceeding RMB 234,000,000 by China Coal and Coke, a subsidiary of the Company to China Coal and Coke Xuyang China Coal Group in proportion to its 45% shareholding in the company for the bank loans of RMB520,000,000. The term of the said guarantee will not exceed 3 years and the actual amount of the guarantee granted is RMB171,000,000.

(IV) Corporate Governance Function of the Board

As approved by the shareholders' general meeting of the Company on 25 May 2012, amendments were made to the Board's rules of procedure, the Board has the following function: to formulate, review and make suggestions on the Company's corporate governance policies and practices; review and monitor the professional training and continuous professional development for the directors and senior management of the Company as well as the Company's policies and practices in legal compliance and regulatory requirements; to formulate, review and monitor the Code of Conduct and Compliance Manual (if any) for employees and the Directors; to review the Company's compliance with the Code and disclosures made in the Corporate Governance Report; to formulate and review regularly shareholders' communications policies to ensure their effectiveness.

During the reporting period, the Board reviewed and proposed to amend a series of corporate governance documents, including the Articles of Association, the Rules of Procedure of the General Meeting, the Rules of Procedure for the Board, the Terms of Reference of the Audit Committee, the Terms of Reference of the Remuneration Committee and the Terms of Reference of the Nomination Committee under the Board and Work System of Independent Directors, and monitored the implementation of these documents from time to time; reviewed and keenly organised professional training and continuous professional development for the Directors and Senior Management; reviewed and monitored the Company whether there was any violation of laws and regulatory requirements; approved the Annual Corporate Governance Report for 2011, as well as the disclosures made on the website of The Stock Exchange of Hong Kong Limited and the Company Website; formulated, reviewed and supervised shareholder' communication policies to ensure their effectiveness.

5. The composition of the Company's management and its responsibilities

The Company's management comprises 1 president and 6 vice presidents. The president is accountable to the Board. The responsibilities of the management are to lead the Company's production, operation and management; to organise resources to implement the Board's resolutions and the Company's annual operational plans and investment plans; to draw up the proposals regarding the structure of the Company's internal management and the basic management system of the Company; to formulate the Company's basic rules and regulations; to propose the appointment or removal of the Company's vice presidents (managers); to appoint or remove the Company's management other than those who should be appointed or removed by the Board; and all other duties assigned by the Articles of Association and the Board.

6. 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. For the details, please refer to the Articles of Association. Senior management of the Company other than directors and supervisors of the Company are responsible for the Company's daily business operations and their duties are set out in the section headed "Directors, Supervisors and Senior Management" in this report.

7. Insurance Arrangement

Pursuant to Code A1.8 under the "Corporate Governance Code" and the "Corporate Governance Report", 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.

8. Remuneration Committee

The remuneration committee under the Board 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 procedure of the remuneration committee. The major responsibilities of the remuneration committee are to submit remuneration policies of the Company's directors and the senior management to the Board, to propose to the Board the remuneration of the directors and the senior management, and assess the performance of the senior management. The responsibilities of the remuneration committee comply with the relevant requirements of the Hong Kong Listing Rules. The remuneration committee is accountable to the Board.

In 2012, the remuneration committee held two onsite meetings which mainly considered the annual report for 2011 and its summary, the results announcement, the remuneration of directors and supervisors of the Company for 2012, the operational results performance evaluation for senior management for 2012, the revision of the "Work Manual of the Remuneration Committee" of the Board, the proposal for the payment of remuneration to senior management for 2011 and the proposal for the basic salary of 2012.

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, with independent non-executive director Ngai Wai Fung as committee chairman, and Vice Chairman and non-executive director Peng Yi and independent non-executive directors Zhang Ke and Zhao Pei as committee members.

Attendance details of the remuneration committee in 2012 (including attendance by written proxy) are as follows:

Member of the Committee	Attendance in person	Attendance by proxy	Attendance rate (%)
Ngai Wai Fung (Chairman of the remuneration committee)	2	0	100
Peng Yi	2	0	100
Zhang Ke	2	0	100
Zhao Pei	1	1	50

9. Nomination Committee

The nomination committee 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 procedure 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 the Hong Kong Listing Rules. The nomination committee is accountable to the Board.

The nomination committee under the second session of the Board of the Company consists of independent non-executive Director Zhang Jiaren as chairman and Wang An and Wu Rongkang as committee members.

In 2012, the nomination committee held two onsite meetings which mainly considered the annual report for 2011 and its summary, the results announcement, the revision of the "Work Manual of the Nomination Committee" of the Board, the election of two new directors for the second session of the Board.

Attendance details of the nomination committee in 2012 (including attendance by written proxy) are as follows:

Member of the Committee	Attendance in person	Attendance by proxy	Attendance rate %
Zhang Jiaren (Chairman of the nomination committee)	2	0	100
Wang An	2	0	100
Wu Rongkang	2	0	100

10. 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 of the Board" clearly defines the status, composition, terms of reference, decision-making procedures as well as rules of procedure 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 the Hong Kong Listing Rules. The audit committee is accountable to the Board.

In 2012, the audit committee held six meetings which mainly considered the amendments to "Work Manual of the Audit Committee of the Board", the annual report for 2011 and its summary, the 2011 results announcement, the 2011 financial report, the proposed profit distribution plan for 2011, the 2012 capital expenditure plan, the engagement of accounting firms for reviewing the interim financial report and auditing the annual financial report for 2012, the self-assessment report regarding internal control for 2011, the acquisition of 80% equity interest in Tang Shan Gou Company, the acquisition of 100% equity interest in Sales and Transportation Company, the provision of guarantee for Taiyuan Coal Gasification Longquan Energy Development Company Limited, the change of the financing body and the warrantee of the Wangjialing Coal Mine Project, the provision of guarantee for the loans of Huajin Coking Coal Company regarding resources integration, mergers and acquisitions, the provision of guarantee for the loans regarding phase II of Gas Power Plant Project of Huajin Coking Coal Company, the first quarterly report of 2012, the interim report for 2012, the joint capital contribution by the Company and China Coal Group for establishing Finance Company, the provision of bank guarantee by China Coal and Coke to China Coal and Coke Xuyang China Coal Group based on its shareholding, the provision of guarantee by Mengda Chemical Company to Neimenggu Boyuan Joint Chemical Company Limited based on its shareholding were considered. The audit status of the 2011 financial report of the Company, the review status of the 2012 interim financial report, the audit plan for 2012, the completion status of the audit for 2011 and work arrangement for 2012, and the status regarding the Company's related parties reported by PricewaterhouseCoopers Zhong Tian 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. 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 and non-executive Director Peng Yi and independent non-executive Directors Zhao Pei and Ngai Wai Fung.

Attendance details of the audit committee in 2012 (including attendance by written proxy) are as follows:

Member of the Committee	Attendance in person	Attendance by proxy	Attendance rate %
Zhang Ke (Chairman of the audit committee)	6	0	100
Peng Yi	6	0	100
Zhao Pei	4	2	67
Ngai Wai Fung	5	1	83

11. Strategic Planning Committee

The strategic planning committee under the Board 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 the Hong Kong Listing Rules. The strategic planning committee is accountable to the Board.

In 2012, the strategic planning committee held one meeting which mainly considered the annual report for 2011 and its summary, the results announcement, the 2012 capital expenditure plan and the investment in the construction of the Ordos Engineering Plastics Project.

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. 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-Chairman and non-executive Director Peng Yi, executive Director and 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 2012 (including attendance by written proxy) are as follows:

Member of the Committee	Attendance in person	Attendance by proxy	Attendance rate %
Wang An (Chairman of the strategic planning committee)	1	0	100
Peng Yi	1	0	100
Yang Lieke	1	0	100
Wu Rongkang	1	0	100
Zhang Jiaren	1	0	100
Zhao Pei	0	1	0

12. 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 procedure 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 2012, the safety, health and environmental protection committee held one meeting, at which the annual report of the Company for 2012, the 2012 results announcement and the social responsibility report for 2012 were considered.

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 and President Yang Lieke and non-executive Director Li Yanmeng.

Attendance details of the safety, health and environmental protection committee in 2012 (including attendance by written proxy) are as follows:

Member of the Committee	Attendance in person	Attendance by proxy	Attendance rate%
Wu Rongkang (Chairman of the safety, health and environmental protection committee)	1	0	100
Yang Lieke	1	0	100
Li Yanmeng	1	0	100

13. Performance of Duties by Independent Directors

During the reporting period, there were 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, Hong Kong 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 accounting firms and other duties to the Board.

During the reporting period, the independent Directors of the Company strictly complied with all relevant laws and regulations including the Company Law 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 2012, investigated thoroughly in the Company's 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 corporate 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 2012, the Company convened a total of seven meetings of independent Directors at which the following resolutions were considered: the annual report for 2011 and its summary, the 2011 results announcement, the 2011 financial report, the proposed profit distribution plan for 2011, the engagement of accounting firms for reviewing the interim financial report and auditing the annual financial report for 2012, the self-assessment report regarding internal control for 2011, the acquisition of 80% equity interest in Tang Shan Gou Company, the acquisition of 100% equity interest in Sales and Transportation Company, the provision of guarantee for Taiyuan Coal Gasification Longquan Energy Development Company Limited, the change of the financing body and the warrantee of the Wangjialing Coal Mine Project, the provision of guarantee for the loans of Huajin Coking Coal Company regarding resources integration, mergers and acquisitions, the provision of guarantee for the loans regarding phase II of Gas Power Plant Project of Huajin Coking Coal Company, the revision of the "Work System of Independent Directors" of the Company, the first quarterly report of 2012, the interim report for 2012, the joint capital contribution by the Company and China Coal Group for establishing Finance Company, the provision of bank guarantee by China Coal and Coke to China

Coal and Coke Xuyang China Coal Group based on its shareholding, the provision of guarantee by Mengda Chemical Company to Neimenggu Boyuan Joint Chemical Company Limited based on its shareholding, the proposal for the payment of remuneration to senior management of the Company for 2011 and the proposal for the basic salary of 2012. The independent Directors also considered the audit status of the 2011 financial report of the Company, the review status of the 2012 interim financial report, the audit plan for 2012, the completion status of the audit for 2011 and work arrangement for 2012, and the status regarding the Company's related parties reported by PricewaterhouseCoopers Zhong Tian.

Attendance details of the meetings of independent directors in 2012 (including attendance by written proxy) are as follows:

Member of the Committee	Attendance in person	Attendance by proxy	Attendance rate%
Zhang Ke	7	0	100
Wu Rongkang	7	0	100
Zhang Jiaren	6	1	86
Zhao Pei	5	2	71
Ngai Wai Fung	6	1	86

14. Remuneration of Auditors

In 2012, the Company's international auditor was PricewaterhouseCoopers, and the domestic auditor was PricewaterhouseCoopers Zhong Tian. The Company's annual audit fees for the year ended 31 December 2012 were RMB11,500,000 in aggregate, of which audit fees for internal control amounted to RMB1,200,000. In 2012, PricewaterhouseCoopers Zhong Tian also issued an independent assurance report on the CSR Report of the Company with a service fee of RMB198,000. Apart from such fee, the Company did not incur any non-audit fees.

15. 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. Pursuant to the Articles of Association, an extraordinary general meeting shall be convened within two months upon request in writing by Shareholders holding independently or jointly 10% or above of the outstanding shares of the Company conferring a right to vote. The relevant documents must state the objective of the meeting and be served to all Shareholders. The Shareholders may raise questions to the Board and may raise their opinions at the general meeting. The contact information of the Company is set out in the section headed "Company Profile" in this report.

During the reporting period, two shareholders' general meetings were held, including the 2011 annual general meeting and one extraordinary general meeting.

(I) At the 2011 annual general meeting, twelve resolutions were considered: Resolution on Directors' Report of the Company for 2011, Resolution on Report of Supervisory Committee of the Company for 2011, Resolution on Financial Report of the Company for 2011, Resolution on Proposed Profit Distribution Plan of the Company for 2011, Resolution on Capital Expenditure Plans of the Company for 2012, Resolution on Remuneration of Directors and the Supervisors of the Company for 2012, Resolution on Engaging Auditors to Review Interim Financial Report and Audit Annual Report for 2012, Resolution on the Guarantee Provided for the Loans of Huajin

Coking Coal Company Regarding Resources Integration, Mergers and Acquisitions, Resolution on the Guarantee Provided for the Loans Regarding Phase II of Gas Power Plant Project of Huajin Coking Coal Company; Resolution on Amendments to the Articles of Association, Resolution on Amendments to the Rules of Procedure for the General Meeting; and Resolution on Amendments to the Rules of Procedure for the Board.

(II) At the first extraordinary general meeting for 2012, two resolutions were considered: "Resolution on the Guarantee Provided by China Coal and Coke to China Coal and Coke Xuyang China Coal Group Based on Its Shareholding" and "Resolution on Amendments to the Articles of Association".

16. Supervisors and Supervisory Committee

The Supervisory Committee of the Company comprises three supervisors, including two Shareholder representatives and one employee representative. The Supervisory Committee is accountable to the shareholders' general meeting and reports its work to the general meeting. The principal duties of the Supervisory Committee are to supervise, inspect and assess the Company's operation in accordance with the laws, the financial affairs of the Company and whether the Directors and senior management of the Company have performed their duties lawfully.

Member of the Supervisory Committee	
Wang Xi	Chairman of the Supervisory Committee
Zhou Litao	Supervisor
Zhang Shaoping	Employee Representative Supervisor

Number of meetings of Supervisory Committee during the reporting period: 4 meetings

	Attendance in person	**Attendance by proxy**	**Attendance rate%**
Wang Xi	4	0	100
Zhou Litao	4	0	100
Zhang Shaoping	4	0	100

17. Establishment and Implementation of Ancillary Mechanisms

(I) Management of Connected Transactions

Over the years, the Company managed and regulated connected transactions with reference to actual needs and by strictly adhering to the provisions of the listing rules of places where the Company is listed, "Connected Transaction Guidelines for Listed Companies", "Management Measures on Connected Transactions" and the "Detailed Rules for the Implementation of the Management Measures for Connected Transactions" of the Company. Necessary connected transactions were carried out reasonably in accordance with the continuing connected transactions and their caps considered and passed at the board meeting and shareholders' general meeting of the Company. The pricing of connected transactions is determined according to the principle set out in the framework agreement. The price so determined will be fair, reasonable and in the best interest of the shareholders as a whole.

With an aim to fully implement the Company's management system for connected transactions and to ensure the routine connected transactions of the Company's subsidiaries comply with laws and regulations, the connected transaction management team visited the subsidiaries to conduct examination, the list of connected persons was updated timely, the amount for connected transactions was calculated accurately, problems that existed in the process of connected transaction management of relevant entities were analysed and studied to formulate remedial measures, the relevant entities were also instructed and urged to locate hidden problems to raise the management standard on connected transactions.

In order to keep track of the actual monthly amount for continuing connected transactions timely and accurately so as to ensure the continuing connected transactions do not exceed the annual exemption limit, and to ensure that non-continuing connected transactions are reported to the connected transaction management team of the Company before taking place in various units, the Company used the electronic statistic software for connected transactions in 2012, covering connected transaction budget management, monthly monitoring, limit alert and regular discussions, further strengthening the dynamic management of connected transactions.

The standard on management and control of connected transactions of the Company is further enhanced with the continued improvement and consolidation of the connected transaction management system, as well as the implementation of various measures. The standard ensured that the connected transactions during the reporting period were in compliance with the laws and regulations and regulatory requirements.

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.

(II) Establishment of Internal Control System and Internal Control Audit

The Company established a standardised corporate governance structure of legal entities, constituting an internal control mechanism of connecting each position discharging its respective duties to be under mutual control. The system ensured the separation of decision making, execution and supervision as well as maintained its effective check and balance, ensuring the effectiveness of the implementation and plan of the internal control mechanism.

The Company conscientiously implemented the requirements under the "Basic Standard for Enterprise Internal Control" and its guidelines jointly promulgated by the five ministries including the Ministry of Finance. In pursuit of decision-making based on scientific methods, efficient execution and effective supervision, the Company continued to strengthen and improve the construction of its internal control system, strived to lower operational risks and enhance the standard regarding the enterprise's management and control. The Company prepared the "Internal Control Management Manual" and the "Internal Control Assessment Manual" and strived to increase its management efficiency through improving the systems and work process in respect of strategic planning, investment decision-making, safe production, infrastructure management, budget management, financial management, human resources management, procurement and sales management, and the development of information technology. The "Control and Regulations on the Process of Preparing Financial Reports" prepared by the Company can ensure the content of the financial reports to be true and fair in a reasonable manner and has a reasonable effect on the prevention of material risk management failure and serious management fraud. Pursuant to Rule C.2.1 of the "Corporate Governance Code" and "Corporate Governance Report" set out in Appendix 14 of Hong Kong Listing Rules, the Directors conducted a review regarding the effectiveness of the internal control systems of the Company and its subsidiaries, which covered the control over finance, operation, compliance, and risk management. The current internal control system of the Company has complied with the relevant laws and regulations of the State and the requirements of the securities regulatory authorities, and can accommodate the needs in relation to the management of the Company. PricewaterhouseCoopers Zhong Tian, has audited the effectiveness of the Company's internal control system in relation to the financial reports and issued audit report with a standard unqualified opinion.

Human Resources Report

1. The overall situation of human resources management

In 2012, Human resources management conscientiously implemented the Company's principal requirement of "seeking progress in stability and keeping simmering to prosper" by adopting the Company's development strategy as a guidance, closely focused on enterprise reform to develop its central task, actively implemented the talent-based enterprise strategy, incessantly formulated innovative work concepts, gradually improved the workflow system, vigorously implemented projects to introduce and cultivate talents at various levels, and diligently built a high-quality workforce that could adapt to the rapid development of the Company so as to safeguard the provision of adequate human resources for the Company to develop scientifically, safely and healthily.

Focusing on core activities and serving central tasks to build a high calibre management team. Adhering to the Company's development target, the Company further improved the selection of management teams for its subsidiaries, strengthened the building up of a younger workforce and actively implemented a system for recommendation and selection of backup talents. By upholding the talent-based and practicality-first orientations and applying strict standards in the selection and recruitment processes, and through various means such as introducing, cultivating, exchanging and training talents, the Company established a management team which was characterised by a sensible age structure, comprehensive professional composition, good professional ethics, outstanding management capabilities, and broad international vision, substantially raising the overall capabilities of the scientific development of the Company. The Company continued its process of recommending and selecting backup talents in accordance with its work targets of emphasis on both ability and virtue, and having a sufficient number of talents with a reasonable structure, thus establishing a corporate backup talent pool that could meet the development needs of the Company. The Company also ceaselessly enhanced the vitality and competitiveness of its management team and provided human resources reserves and intellectual support for building the Company into a world-class energy company.

Adopting the human resources plan as a guide and improving staff composition to control the total workforce. Using the Company's human resources plan as a master guidance, the Company guided its subsidiaries to develop their "Twelfth Five-Year" human resources plans so as to deploy various types of human resources scientifically. Newly-established subsidiaries built their workforce in accordance with the principle of "simplicity and effectiveness", and developed their organisational structures and staff establishments by making reference to benchmarks of leading companies in the industry. Various measures were implemented to introduce talents that were in short supply and urgently needed so as to build a high calibre workforce right from the start. Well-established subsidiaries focused on optimising their workforce structure in accordance with the principle of "reducing the workforce while raising efficiency", and strictly controlled the number of additional new staff. On the basis of natural attrition and through redeployment training and preferential policies, these subsidiaries actively redeployed their employees to the core production departments in an orderly, reasonable way, gradually reducing the workforce and continuously improving productivity.

Establishing a unique training system through systematic management and categorised training. With an aim to turn itself into an organisation with a focus on learning and innovation, the Company improved the overall quality of its staff members by promoting continuous learning among employees. The Company further diversified its training methods, enhanced staff training, created a learning environment and strived to build a talented team that could adapt to the rapid development of the Company. The Company increased investment in in-house classes, actively developed high-quality educational resources platforms and partnered with universities, famous training institutions and enterprises. Adhering to the principle of "providing training relevant to an employee's work and on the knowledge he lacks of", the Company studied the needs of each training subject, arranged classes scientifically and provided training that catered to the specific needs of each training subject. The Company accelerated the construction of training bases by setting up the China Coal Vocational and Technical College and developing the constructing plan for the Pingshuo Company Training Base so as to build up a comprehensive training framework. The Company also strengthened the systematic guidance and inspection on training at subsidiary level and improved basic management such as system and workflow building so as to meet the needs arising from its rapid growth and the restructuring of the industry.

Adopting a performance-oriented system, lowering costs and enhancing efficiency to strengthen the control of labour costs. On the basis of having taken full account of its capability to sustain labour costs, the Company finalised its labour costs control plan in a reasonable way in accordance with the allocation concept of "allocation based on efficiency", enhanced its process control, and established a labour costs information monitoring and warning system. In accordance with the "lean and efficient" principle, the Company actively promoted salary allocation system reforms in its subsidiaries so as to establish a more scientific, reasonable and effective salary allocation system. The Company continued to improve the salary growth mechanism for frontline employees and carried out favourable allocation for employees dedicated in demanding, contaminating, tiring and dangerous positions, thus using salary allocation as a leverage to encourage staff members to work on the frontline.

2. The Company's core technological team or key technical staff

As at the end of December 2012, the Company had 54,964 current employees in total, with 1,991 holding senior titles or above, accounting for 3.6% of the total number of current employees, thus effectively promoting the continued scientific development of the Company. In future, the Company will focus on core technological talents in areas such as coal, coal chemicals and electricity based on its business development needs. Various measures will be put in place to introduce and cultivate talents to meet business competition demands in the years ahead.

3. Staff of the Company and major subsidiaries

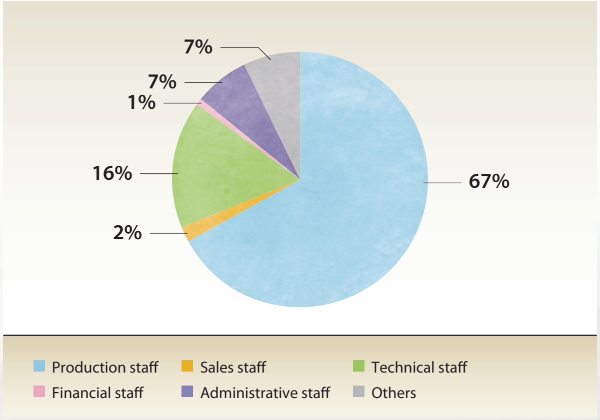
1. Staff

Number of current employees in the Company	341
Number of current employees in major subsidiaries	32,205
Total number of current employees	54,964
Number of staff who have resigned or retired, for whom the Company and major subsidiaries are required to bear the relevant costs	0

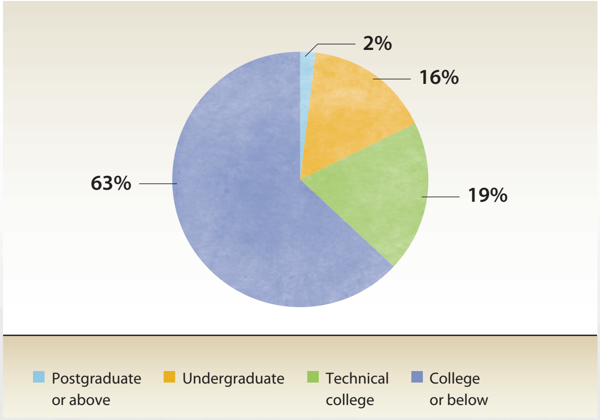
Professional composition by type	Headcount in the professional composition
Production staff	36,664
Sales staff	945
Technical staff	8,967
Financial staff	797
Administrative staff	3,996
Other staff	3,595
Total	54,964

Education level by type	Number (headcount)
Postgraduate or above	832
Undergraduate	9,034
Technical college	10,379
College or below	34,719
Total	54,964

2. Professional composition statistical chart



3. Education level statistical chart



4. Outsourcing

Total number of working hours outsourced (hours)	32,828,391
Total amount of remuneration paid for outsourcing (in thousands)	677,132

羅兵咸永道

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 109 to 232, which comprise the consolidated and company balance sheets as at 31 December 2012, 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 information.

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.

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.

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羅兵咸永道

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

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 2012, 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, 15 March 2013

Balance Sheets

As at 31 December 2012
(All Amounts in RMB unless otherwise stated)

		Group		Company	
		As at 31 December 2012	As at 31 December 2011 Restated	**As at 31 December 2012**	As at 31 December 2011
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	7	**85,510,277**	60,823,320	**357,184**	53,537
Investment properties		**45,973**	29,912	**—**	—
Land use rights	8	**3,528,506**	2,818,890	**—**	—
Mining and exploration rights	9	**32,478,629**	28,972,583	**—**	—
Intangible assets		**126,677**	110,402	**75,143**	63,222
Investments in subsidiaries	10	**—**	—	**58,173,388**	52,131,885
Investments in associates	11	**8,484,033**	7,058,652	**6,784,945**	5,576,259
Investments in jointly controlled entities	12	**378,506**	578,015	**33,433**	33,433
Available-for-sale financial assets	14	**1,687,917**	1,221,995	**1,570,500**	1,130,000
Deferred income tax assets	26	**377,626**	202,046	**18,117**	17,362
Loans to subsidiaries	15	**—**	—	**24,861,100**	11,661,094
Long-term receivables	16	**137,304**	114,713	**—**	—
Other non-current assets	17	**3,550,900**	3,048,458	**426,300**	426,300
		136,306,348	104,978,986	**92,300,110**	71,093,092
Current assets					
Inventories	18	**6,697,169**	7,315,478	**224,092**	167,584
Trade and notes receivables	19	**11,393,750**	8,013,544	**4,087,370**	2,019,327
Prepayments and other receivables	20	**6,366,984**	6,468,265	**11,209,778**	9,995,263
Restricted bank deposits	21	**2,229,495**	3,173,248	**—**	—
Term deposits with initial terms of over three months	21	**9,471,440**	11,295,045	**8,497,977**	10,870,045
Cash and cash equivalents	21	**13,222,515**	20,907,330	**8,297,231**	15,588,888
		49,381,353	57,172,910	**32,316,448**	38,641,107
TOTAL ASSETS		**185,687,701**	162,151,896	**124,616,558**	109,734,199

Balance Sheets

As at 31 December 2012
(All Amounts in RMB unless otherwise stated)

	Note	Group: As at 31 December 2012 RMB'000	Group: As at 31 December 2011 Restated RMB'000	Company: As at 31 December 2012 RMB'000	Company: As at 31 December 2011 RMB'000
EQUITY					
Equity attributable to the equity holders of the Company					
Share capital	22	**13,258,663**	13,258,663	**13,258,663**	13,258,663
Reserves	23	**43,316,190**	44,615,826	**42,355,517**	41,256,500
Retained earnings	23				
– Dividends proposed after the balance sheet date	36	**2,785,296**	2,851,145	**2,785,296**	2,851,145
– Others		**27,366,244**	21,799,499	**18,316,526**	11,343,817
		86,726,393	82,525,133	**76,716,002**	68,710,125
Non-controlling interests		**14,694,025**	14,348,509	**—**	—
Total equity		**101,420,418**	96,873,642	**76,716,002**	68,710,125
LIABILITIES					
Non-current liabilities					
Long-term borrowings	24	**20,170,908**	11,456,013	**6,166,000**	4,746,000
Long-term bonds	25	**19,906,414**	14,955,000	**19,906,414**	14,955,000
Deferred income tax liabilities	26	**7,444,881**	7,151,497	**—**	—
Deferred revenue		**392,987**	349,309	**—**	—
Provision for employee benefits		**144,692**	169,376	**—**	—
Provision for close down, restoration and environmental costs	29	**1,137,265**	1,086,384	**—**	—
Other long-term liabilities	30	**944,028**	286,470	**—**	—
		50,141,175	35,454,049	**26,072,414**	19,701,000

Balance Sheets

As at 31 December 2012
(All Amounts in RMB unless otherwise stated)

	Note	Group As at 31 December 2012 RMB'000	Group As at 31 December 2011 Restated RMB'000	Company As at 31 December 2012 RMB'000	Company As at 31 December 2011 RMB'000
Current liabilities					
Trade and notes payables	27	**16,101,537**	11,002,988	**1,967,464**	1,428,884
Accruals, advances and other payables	28	**9,261,601**	12,052,529	**19,661,692**	18,557,274
Taxes payable		**2,184,553**	3,678,850	**118,986**	156,916
Short-term borrowings	24	**5,130,346**	2,254,696	**—**	1,100,000
Current portion of long-term borrowings	24	**1,411,010**	806,879	**80,000**	80,000
Current portion of provision for close down, restoration and environmental costs	29	**37,061**	28,263	**—**	—
		34,126,108	29,824,205	**21,828,142**	21,323,074
Total liabilities		**84,267,283**	65,278,254	**47,900,556**	41,024,074
TOTAL EQUITY AND LIABILITIES		**185,687,701**	162,151,896	**124,616,558**	109,734,199
NET CURRENT ASSETS		**15,255,245**	27,348,705	**10,488,306**	17,318,033
TOTAL ASSETS LESS CURRENT LIABILITIES		**151,561,593**	132,327,691	**102,788,416**	88,411,125

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

These financial statements have been approved for issue by the Board of Directors on 15 March 2013.

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 2012
(All Amounts in RMB unless otherwise stated)

	Note	Year ended 31 December 2012 RMB'000	2011 Restated RMB'000
Revenue	6	**87,291,670**	90,864,746
Cost of sales			
Materials		**(37,265,549)**	(41,320,446)
Staff costs		**(4,453,430)**	(4,116,931)
Depreciation and amortisation		**(4,260,274)**	(4,131,466)
Repairs and maintenance		**(1,081,403)**	(1,118,832)
Transportation costs		**(11,445,668)**	(9,716,470)
Sales taxes and surcharges		**(1,371,631)**	(1,375,731)
Others		**(10,110,690)**	(10,271,758)
Cost of sales		**(69,988,645)**	(72,051,634)
Gross profit		**17,303,025**	18,813,112
Selling, general and administrative expenses		**(4,586,423)**	(4,756,699)
Other (loss)/income		**(31,680)**	10,684
Other gains, net		**122,304**	151,675
Profit from operations		**12,807,226**	14,218,772
Finance income	32	**806,638**	622,451
Finance costs	32	**(1,060,642)**	(820,150)
Share of profits of associates and jointly controlled entities		**235,865**	294,280
Profit before income tax		**12,789,087**	14,315,353
Income tax expense	34	**(3,214,363)**	(3,461,548)
Profit for the year		**9,574,724**	10,853,805
Profit attributable to:			
Equity holders of the Company		**8,842,210**	9,955,333
Non-controlling interests		**732,514**	898,472
		9,574,724	10,853,805
Basic and diluted earnings per share for the profit attributable to the equity holders of the Company (RMB)	35	**0.67**	0.75
Dividends distributed	36	**2,851,145**	2,072,693
Dividends proposed after the balance sheet date attributable to all shareholders of the Company	36	**2,785,296**	2,851,145

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012
(All Amounts in RMB unless otherwise stated)

	Year ended 31 December	
	2012	2011
		Restated
	RMB'000	RMB'000
Profit for the year	**9,574,724**	10,853,805
Other comprehensive income/(loss):		
Fair value changes on available-for-sale financial assets, net of tax	**1,114**	(1,215)
Currency translation differences	**3,211**	(6,647)
Other comprehensive income/(loss) for the year, net of tax	**4,325**	(7,862)
Total comprehensive income for the year	**9,579,049**	10,845,943
Total comprehensive income attributable to:		
Equity holders of the Company	**8,846,535**	9,947,471
Non-controlling interests	**732,514**	898,472
	9,579,049	10,845,943

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012
(All Amounts in RMB unless otherwise stated)

	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 2011 (as previously reported)	13,258,663	42,817,681	17,972,222	74,048,566	12,289,979	86,338,545
Acquisition of subsidiaries under common control (Note 2(a)&(b))	—	678,446	149,336	827,782	140,895	968,677
Balance at 1 January 2011 (restated)	13,258,663	43,496,127	18,121,558	74,876,348	12,430,874	87,307,222
Profit for the year	—	—	9,955,333	9,955,333	898,472	10,853,805
Other comprehensive loss	—	(7,862)	—	(7,862)	—	(7,862)
Appropriations (Note 23)	—	1,091,555	(1,091,555)	—	—	—
Acquisition of a subsidiary	—	—	—	—	1,777,058	1,777,058
Share of change in reserves of associates and jointly controlled entities	—	(3,271)	—	(3,271)	6,751	3,480
Contributions	—	—	—	—	361,980	361,980
Dividends (Note 36)	—	—	(2,072,693)	(2,072,693)	(105,407)	(2,178,100)
Profit distributed to original shareholder prior to common control acquisition	—	—	(212,435)	(212,435)	(53,109)	(265,544)
Attributable to change of a subsidiary to associate (Note 2(e))	—	49,564	(49,564)	—	(964,348)	(964,348)
Restructure of a subsidiary prior to common control acquisition	—	10,953	—	10,953	—	10,953
Others	—	(21,240)	—	(21,240)	(3,762)	(25,002)
Balance at 31 December 2011 (restated)	**13,258,663**	**44,615,826**	**24,650,644**	**82,525,133**	**14,348,509**	**96,873,642**
Profit for the year	**—**	**—**	**8,842,210**	**8,842,210**	**732,514**	**9,574,724**
Other comprehensive income	**—**	**4,325**	**—**	**4,325**	**—**	**4,325**
Appropriations (Note 23)	**—**	**190,127**	**(190,127)**	**—**	**—**	**—**
Acquisition of subsidiaries under common control (Note 2(a)&(b))	**—**	**(1,246,896)**	**(72,294)**	**(1,319,190)**	**—**	**(1,319,190)**
– Including: a subsidiary's transfer of retained earnings to share capital	**—**	**72,294**	**(72,294)**	**—**	**—**	**—**
Purchase of equity from non-controlling shareholders (Note 42)	**—**	**(363,123)**	**—**	**(363,123)**	**(681,866)**	**(1,044,989)**
Share of change in reserves of associates and jointly controlled entities	**—**	**103,185**	**(116,193)**	**(13,008)**	**736**	**(12,272)**
Attributable to change of a jointly controlled entity to a subsidiary	**—**	**—**	**—**	**—**	**446,971**	**446,971**
Contributions	**—**	**12,746**	**—**	**12,746**	**240,292**	**253,038**
Dividends (Note 36)	**—**	**—**	**(2,851,145)**	**(2,851,145)**	**(306,230)**	**(3,157,375)**
Profit distributed to original shareholder prior to common control acquisition	**—**	**—**	**(111,555)**	**(111,555)**	**(26,901)**	**(138,456)**
Disposal of a subsidiary	**—**	**—**	**—**	**—**	**(60,000)**	**(60,000)**
Balance at 31 December 2012	**13,258,663**	**43,316,190**	**30,151,540**	**86,726,393**	**14,694,025**	**101,420,418**

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

Consolidated Cash Flow Statement

For the year ended 31 December 2012
(All Amounts in RMB unless otherwise stated)

	Note	Year ended 31 December 2012 RMB'000	2011 Restated RMB'000
Cash flows from operating activities			
Cash generated from operations	38(a)	**15,688,088**	18,200,776
Interest paid		**(2,200,805)**	(715,407)
Interest income received		**902,739**	352,676
Income tax paid		**(3,502,451)**	(3,291,323)
Net cash generated from operating activities		**10,887,571**	14,546,722
Cash flows from investing activities			
Purchases of property, plant and equipment		**(24,933,967)**	(19,155,535)
Proceeds from disposals of property, plant and equipment		**317,753**	44,496
Purchases of land use rights, mining rights and intangible assets		**(2,625,722)**	(863,635)
Proceeds from disposals of land use rights, mining right and intangible assets		**61,043**	—
Purchases of available-for-sale financial assets		**(467,824)**	(345,000)
Proceeds from disposals of available-for-sale financial assets		**590**	1,622
Increase in prepayments for investments		**(897,132)**	(501,670)
Acquisitions of subsidiaries		**(1,319,190)**	(3,893,178)
Payment of prior year's acquisition consideration		**(2,997,099)**	—
Attributable to change of a jointly controlled entity to a subsidiary		**127,252**	—
Attributable to change of a subsidiary to an associate		**—**	(576,535)
Disposal of a subsidiary		**(33,325)**	—
Increase in investments in associates		**(1,233,825)**	(1,838,965)
Dividends received		**88,552**	67,788
Increase in investments in jointly controlled entities		**—**	(50,499)
Repayments of loan receivables from a jointly controlled entity		**400,000**	—
Increase in loan receivables		**(200,000)**	(1,500,000)
Decrease/(increase) in placement of term deposits with initial terms of over three months		**1,823,605**	(6,671,519)
Net cash used in investing activities		**(31,889,289)**	(35,282,630)

Consolidated Cash Flow Statement

For the year ended 31 December 2012
(All Amounts in RMB unless otherwise stated)

		Year ended 31 December	
		2012	2011
			Restated
	Note	**RMB'000**	RMB'000
Cash flows from financing activities			
Proceeds from short-term borrowings		**5,283,710**	2,639,000
Repayments of short-term borrowings		**(2,408,060)**	(860,500)
Proceeds from long-term borrowings		**10,388,488**	4,506,800
Repayments of long-term borrowings		**(992,021)**	(814,233)
Contributions from the Company's shareholders		**12,746**	—
Contributions from non-controlling shareholders		**240,292**	361,980
Dividends paid to the Company's shareholders		**(2,962,700)**	(2,072,693)
Dividends paid to non-controlling shareholders		**(194,421)**	(122,345)
Purchase of non-controlling interest of subsidiaries		**(1,044,989)**	—
Net proceeds from issuance of long-term bonds		**4,988,000**	14,955,000
Net cash generated from financing activities		**13,311,045**	18,593,009
Net decrease in cash and cash equivalents		**(7,690,673)**	(2,142,899)
Cash and cash equivalents, at beginning of the year		**20,907,330**	23,056,886
Net foreign exchange gains/(losses)		**5,858**	(6,657)
Cash and cash equivalents at end of the year		**13,222,515**	20,907,330

The accompanying notes are an integral part of these consolidated 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 China Coal Sales and Transportation Company Limited ("China Coal Sales and Transportation Company") in 2012

In order to further enhance coal sales networks of the Group, on 27 March 2012, the Company entered into a share purchase agreement with China Coal Group, pursuant to which 100% equity interest in China Coal Sales and Transportation Company, was transferred to the Company for a consideration of RMB206,581,200. The acquisition date of this transaction is 30 June 2012, when the consideration was paid and control was obtained. China Coal Sales and Transportation Company is principally engaged in the trading of coal product in China.

As China Coal Group is the ultimate holding company of both the Company and China Coal Sales and Transportation Company, this acquisition is a transaction under common control, and the Group had accounted for it in a manner similar to a uniting of interests. Comparative information has been restated as if the operations of China Coal Sales and Transportation Company had been under the control of the Company since the beginning of the earliest period presented.

2 BASIS OF PRESENTATION (Continued)

(a) Acquisition of China Coal Sales and Transportation Company Limited ("China Coal Sales and Transportation Company") in 2012 (Continued)

The carrying value of the assets, liabilities, operating results and the cash flows of China Coal Sales and Transportation Company at the date of acquisition and for the period/year then ended, are as follows:

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Cash and cash equivalents	**116,163**	7,362
Trade and other receivables	**587,597**	780,131
Investments in associates	**8,766**	8,766
Available-for-sale financial assets	**1,204**	1,204
Property, plant and equipment	**24,062**	24,070
Intangible assets	**86**	103
Short-term borrowings	**(320,000)**	(430,000)
Trade and other payables	**(208,030)**	(183,781)
Deferred income tax liabilities	**(3,500)**	(3,533)
Net assets	**206,348**	204,322

	Period between 1 January 2012 and 30 June 2012 RMB'000	Year ended 31 December 2011 RMB'000
Revenue	**536,079**	1,862,844
Profit/(loss) for the period/year	**5,976**	(17,845)
Net cash inflow/(outflow) from operating activities	**190,577**	(185,033)
Total net cash inflow/(outflow)	**108,801**	(98,264)

2 BASIS OF PRESENTATION (Continued)

(b) Acquisition of Shanxi Zhongxin Tangshangou Coal Industry Company Limited ("Tangshangou") in 2012

In order to increase the Group's coal resources, on 27 March 2012, the Company entered into a share purchase agreement with China Coal Group, pursuant to which 80% equity interest in Tangshangou, was transferred to the Company for a consideration of RMB1,112,609,000. The acquisition date of this transaction is 31 December 2012, when the consideration was fully paid and control was obtained. Tangshangou is principally engaged in the coal mining activities in China.

As China Coal Group is the ultimate holding company of both the Company and Tangshangou, this acquisition is a transaction under common control, and the Group had accounted for it in a manner similar to a uniting of interests. Comparative information has been restated as if the operations of Tangshangou had been under the control of the Company since the beginning of the earliest period presented.

The carrying value of the assets, liabilities, operating results and the cash flows of Tangshangou at the date of acquisition and for the year then ended, are as follows:

	As at 31 December 2012 RMB'000	As at 31 December 2011 RMB'000
Cash and cash equivalents	**661**	21,446
Trade and other receivables	**141,988**	299,138
Inventories	**20,676**	24,591
Property, plant and equipment	**642,882**	575,229
Land use rights	**4,717**	3,620
Mining rights	**541,017**	553,012
Other long-term liabilities	**(17,691)**	(71,738)
Deferred income tax liabilities	**(158,498)**	(178,900)
Provision for employee benefits	**(6,218)**	(9,305)
Trade and notes payable	**(87,879)**	(32,932)
Accruals and other payables	**(364,978)**	(358,311)
Taxes payable	**(42,067)**	(114,097)
Current portion of long-term borrowings	**(8,430)**	(8,430)
Net assets	**666,180**	703,323

2 BASIS OF PRESENTATION (Continued)

(b) Acquisition of Shanxi Zhongxin Tangshangou Coal Industry Company Limited ("Tangshangou") in 2012 (Continued)

	Year ended 31 December 2012 RMB'000	Year ended 31 December 2011 RMB'000
Revenue	**598,136**	660,433
Profit for the year	**97,361**	202,639
Net cash inflow from operating activities	**159,778**	115,967
Total net cash outflow	**(20,785)**	(7,419)

(c) Acquisition of Ordos Yinhe Hongtai Coal Power Company Limited in 2011

In order to increase the Group's coal resources, from 23 June 2011 to 30 December 2011, the Company entered into a series of share purchase agreements with Baotou Hongtai Economics Technology Consulting Company Limited, Ordos Rongcheng Energy Chemical Company Limited, China Datang Group Coal Industry Company Limited and Datang Group Company Limited, which are all third-party companies, pursuant to which 78.84% equity interests in Ordos Yinhe Hongtai Coal Power Company Limited ("Yinhe Hongtai") were transferred to the Company for a total consideration of RMB6,621,137,000. The acquisition was completed on 31 December 2011, when the Company paid over 50% of the total consideration and obtained the control of Yinhe Hongtai.

As a result of the acquisition, the Group is expected to increase its share of the coal resources in the Inner Mongolia region, which is an area rich of coal resources in China.

Consideration:	RMB'000
Cash paid for the acquisition	3,654,931
Cash unpaid for the acquisition	2,966,206
Total consideration	6,621,137
Less: Share of fair value of identifiable net assets acquired	(6,621,137)
	—

2 BASIS OF PRESENTATION (Continued)

(c) Acquisition of Ordos Yinhe Hongtai Coal Power Company Limited in 2011 (Continued)

Recognised amounts of identifiable assets acquired and liabilities assumed at the acquisition date, 31 December 2011:	RMB'000
Cash and cash equivalents	71,739
Trade and other receivables	2,535
Property, plant and equipments	69,741
Exploration rights	11,006,166
Trade and other payables	(444)
Deferred income tax liabilities	(2,751,542)
Total identifiable net assets	8,398,195
Attributable to the equity holders of the Company	6,621,137
Attributable to non-controlling interests	1,777,058
	8,398,195
Cash paid for the acquisition	3,654,931
Cash and cash equivalents acquired from the acquisition	(71,739)
Net cash outflow from the acquisition	3,583,192

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

2 BASIS OF PRESENTATION (Continued)

(d) Acquisition of Shanxi Pinglu Xindu Coal Mining Group Company Limited in 2011

In order to increase the Group's coal resources, in January 2011, the Company's subsidiary, China Coal Pingshuo Coal Industry Company Limited ("Pingshuo Coal"), entered into a share purchase agreement with two unrelated individuals, pursuant to which 100% equity interest in Shanxi Pinglu Xindu Coal Mining Group Company Limited ("Xindu Mining"), was transferred to Pingshuo Coal for a total consideration of RMB332,293,000.

Xindu Mining is principally engaged in coal mining activities.

Consideration:	RMB'000
Cash paid for the acquisition	309,986
Cash unpaid for the acquisition	22,307
Total consideration	332,293
Less: Share of fair value of identifiable net assets acquired	(332,293)
	—

2 BASIS OF PRESENTATION (Continued)

(d) Acquisition of Shanxi Pinglu Xindu Coal Mining Group Company Limited in 2011 (Continued)

Recognised amounts of identifiable assets acquired and liabilities assumed at the acquisition date, 20 January 2011:	RMB'000
Property, plant and equipments	229,511
Inventories	9,350
Mining rights	85,613
Land use rights	7,819
Total identifiable net assets	332,293
Attributable to the equity holders of the Company	332,293
Attributable to non-controlling interests	—
	332,293
Cash paid for the acquisition	309,986
Cash and cash equivalents acquired from the acquisition	—
Net cash outflow from the acquisition	309,986

For the year ended 31 December 2011	RMB'000
Revenue	—
Loss for the period	—
Net cash outflow from operating activities	—
Net increase of cash and cash equivalents	10,348

2 BASIS OF PRESENTATION (Continued)

(e) Loss of control in Huajin Coking Coal Company Limited in 2011

Prior to August 2011, Huajin Coking Coal Company Limited ("Huajin Coking Coal") was a subsidiary of the Company, in which the Company owned 50% interest and the other shareholder Shanxi Coking Coal Group Co. Ltd. ("Shanxi Coking Coal") owned the other 50% interest.

In August 2011, the Company entered into an agreement with Shanxi Coking Coal (the "Split"), pursuant to which China Coal Huajin Company Limited ("China Coal Huajin") was established and certain assets and liabilities of Huajin Coking Coal was transferred to China Coal Huajin based on the book values on 31 August 2011. Upon the Split, the Company and Shanxi Coking Coal each still own 50% interest in each of Huajin Coking Coal and China Coal Huajin; however, the Company lost control over Huajin Coking Coal and gains control over China Coal Huajin.

Effective from the date of the Split, 31 August 2011, Huajin Coking Coal was derecognised as a subsidiary of the Company and excluded from the scope of the consolidation, and was accounted for as an associate using equity accounting in the Group's consolidated financial statements.

No gain or loss was generated from the Split as the share of interest remains unchanged for both of the Company and Shanxi Coking Coal, the fair value of Huajin Coking Coal approximates its book value at the date of the Split, and there was no consideration relating to the Split.

The carrying value of the assets and liabilities and operating results of Huajin Coking Coal, at the date of the Split and for the period then ended, are as follows:

	As at 31 August 2011 RMB'000
Restricted bank deposits	97,218
Cash and cash equivalents	576,535
Trade and other receivables	2,485,163
Inventories	164,111
Long-term receivables	160,000
Property, plant and equipment	2,518,754
Mining rights	934,153
Land use rights	148,261
Intangible assets	549
Available-for-sale financial assets	338,070
Long-term borrowings	(2,739,010)
Deferred income tax liabilities	(366,495)
Short-term borrowings	(200,000)
Current portion of long-term borrowings	(441,000)
Trade and other payables	(1,604,629)
Tax payables	(103,444)
Net assets	1,968,236

2 BASIS OF PRESENTATION (Continued)

(e) Loss of control in Huajin Coking Coal Company Limited in 2011 (Continued)

	For the period ended 31 August 2011 RMB'000
Revenue	2,917,726
Operating profit	408,822
Net profit	177,612
Cash paid/received from the split	—
Cash and cash equivalents excluded from consolidation	576,535
Net cash outflow from the Split	576,535

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of presentation

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of presentation (Continued)

3.1.1 *Changes in accounting policy and disclosures*

(a) New and amended standards adopted by the Group

(i) The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2012.

- IFRS 7 (Amendment) 'Disclosures – Transfers of financial assets'

  The amendment introduces new disclosure requirement on transfers of financial assets. Disclosure is required by class of asset of the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. The gain or loss on the transferred assets and any retained interest in those assets must be given. In addition, other disclosures must enable users to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. The disclosures must be presented by type of ongoing involvement. For example, the retained exposure could be presented by type of financial instrument (such as guarantees, call or put options), or by type of transfer (such as factoring of receivables, securitisations or securities lending). The amendment is applicable to annual periods beginning on or after 1 July 2011 with early adoption permitted.

  The Group has adopted this amendment from 1 January 2012 and the adoption does not have an material impact on the Group's financial statements.

(ii) The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2012, but are not currently relevant for the Group.

- IFRS 1 (Amendment) 'First time adoption, on hyperinflation and fixed dates'

- IAS 12 (Amendment), 'Income tax, on deferred tax'

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of presentation (Continued)

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

(b) New and amended relevant standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted

The Group's and parent entity's assessment of the impact of these new and amended standards is set out below.

- Amendment to IFRS 7, 'Financial instruments: Disclosures' on asset and liability offsetting. The amendment requires new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. The amendment is effective for annual periods beginning on or after 1 January 2013.

- IFRS 9, 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. IFRS 9 is applicable to annual periods beginning on or after 1 January 2015.

- IFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 is applicable to annual periods beginning on or after 1 January 2013. Based on the Group's assessment, IFRS 10 is not expected to have a significant effect on the consolidated financial statements of the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of presentation (Continued)

3.1.1 Changes in accounting policy and disclosures (Continued)

(b) New and amended relevant standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted (Continued)

- IFRS 11 'Joint arrangements', changes the definitions to reduce the types of joint arrangements to two, joint operations and joint ventures. The jointly controlled assets classification in IAS 31, 'Interests in Joint Ventures', has been merged into joint operations, as both types of arrangements generally result in the same accounting outcome.

  A joint operation is a joint arrangement that gives parties to the arrangement direct rights to the assets and obligations for the liabilities. A joint operator will recognise its interest based on its involvement in the joint operation (that is, based on its direct rights and obligations) rather than on the participation interest it has in the joint arrangement.

  A joint venture, in contrast, gives the parties rights to the net assets or outcome of the arrangement. A joint venturer does not have rights to individual assets or obligations for individual liabilities of the joint venture. Instead, joint venturers share the net assets and, in turn, the outcome (profit or loss) of the activity undertaken by the joint venture. Joint ventures are accounted for using the equity method in accordance with IAS 28, 'Investments in associates and joint ventures'. Entities can no longer account for an interest in a joint venture using the proportionate consolidation method. IFRS 11 is applicable retrospectively to annual periods beginning on or after 1 January 2013.

- IFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. IFRS 12 is applicable to annual periods beginning on or after 1 January 2013.

- IFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. IFRS 13 is applicable to annual periods beginning on or after 1 January 2013.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of presentation (Continued)

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

(b) New and amended relevant standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted (Continued)

- IAS 1 (Amendment) 'Presentation of financial statements', issued in June 2011. The amendment changes the disclosure of items presented in other comprehensive income in the statement of comprehensive income. The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present other comprehensive income items before tax will be required to show the amount of tax related to the two groups separately. The title used by IAS 1 for the statement of comprehensive income has changed to 'statement of profit or loss and other comprehensive income'. However IAS 1 still permits entities to use other titles. The amendment is applicable to annual periods beginning on or after 1 July 2012.

- IAS 19 'Employee benefits' was revised in June 2011. The revised standard eliminates the corridor approach and calculates finance costs on a net funding basis and is applicable to annual periods beginning on or after 1 January 2013.

- IAS 27 (revised 2011) 'Separate financial statements' includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10, and is effective for annual periods beginning on or after 1 January 2013.

- IAS 28 (revised 2011) 'Investments in associates and joint ventures' includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11 and is effective for annual periods beginning on or after 1 January 2013.

- Amendment to IAS 32 'Financial instruments: Presentation' on asset and liability offsetting. These amendments are to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment is effective for annual periods beginning on or after 1 January 2014.

- IFRIC 20, 'Stripping costs in the production phase of a surface mine', sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. The interpretation may require mining entities reporting under IFRS to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body. IFRIC 20 is applicable to annual periods beginning on or after 1 January 2013.

The Group is in the process of assessing the impact of the above new standards and amendments.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Subsidiaries

3.2.1 *Consolidation*

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. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

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.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(a) Business combinations

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Subsidiaries (Continued)

3.2.1 *Consolidation (Continued)*

(a) Business combinations (Continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(b) Combinations under common control

For combinations under common control, the Group accounts for them in a manner similar to a uniting of interests. The consolidated financial statements are prepared as if common control combinations occur from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. The difference between the consideration paid and the net assets acquired is recorded in equity.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined since the beginning of the earliest period presented or when they first came under common control, whichever is shorter.

Acquisition-related costs are expensed as incurred.

(c) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of 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 Subsidiaries (Continued)

3.2.1 *Consolidation (Continued)*

(d) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3.2.2 *Separate financial statements*

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. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3.3 Investments in associates and jointly controlled entities

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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 is reclassified to profit or loss where appropriate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Investments in associates and jointly controlled entities (Continued)

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to 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 legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates and jointly controlled entities' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are 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.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

The Company uses the equity method to account for its investments in jointly controlled entities in the consolidated financial statements.

3.4 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.

3.5 Foreign currency translation

(a) 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Foreign currency translation (Continued)

(b) 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, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange 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 (losses)/gains – net'.

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

(c) Group companies

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

a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

b) 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 rate on the dates of the transactions); and

c) all resulting exchange differences are recognised in other comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Foreign currency translation (Continued)

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

3.6 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 capitalised and transferred to property, plant and equipment if the project proceeds. If a project does not prove viable, all irrecoverable costs associated with the project are expensed in the income statement.

3.7 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Property, plant and equipment (Continued)

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.

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 3.14).

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

3.8 Deferred Stripping costs

In the mining of open-pit mines, stripping activities are necessary to remove rocks and soil above the coal body. Actual stripping costs incurred for each accounting period may vary based on the geological condition and the production plan. In the accounting for stripping costs, the portion of stripping costs that are incurred for the coal body to be mined in future years (those that will generate future economic benefits) are capitalised in property, plant and equipment, and are amortised to production cost in the period when the relevant coal ores are mined; and the rest of the stripping costs are recorded in production cost when incurred.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 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.

3.10 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.

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 47 years.

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

3.11 Land use rights

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

3.12 Mining rights and exploration 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.

Exploration rights are stated at cost less impairment losses. Cost of the exploration rights are transferred to mining rights upon the government's approval of the mining license and the commencement of the mining activities.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Intangible assets

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

3.14 Impairment of non-financial assets

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

3.15 Financial assets

3.15.1 *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 2011 and 2012, the Group does not have any held to maturity financial assets or financial assets at fair value through profit or loss.

(a) 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 cash and banks, "trade and notes receivables", "prepayments and other receivables", "loans to subsidiaries" and "long-term receivables" in the balance sheet.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial assets (Continued)

3.15.1 *Classification (Continued)*

(b) 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. Available-for-sale financial assets are principally measured at fair value. Where investments in equity instruments do not have a quoted market price in an active market and the fair value cannot be measured reliably, such investments are measured at cost.

3.15.2 *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.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

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 in "other gains, net".

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial assets (Continued)

3.15.3 *Impairment of financial assets*

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial assets (Continued)

3.15.3 *Impairment of financial assets (Continued)*

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets 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 profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

3.16 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 materials, 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.

3.17 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Cash and cash equivalents

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

3.19 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.

3.20 Payables

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

Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

3.21 Borrowings and bonds payable

Borrowings and bonds are recognised initially at fair value, net of transaction costs incurred. Borrowings and bonds 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 and bonds are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.22 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 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 in other comprehensive income or directly in equity. In this case, the tax is also recognised directly in equity, respectively.

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Current and deferred income tax (Continued)

(c) Offsetting

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 tax assets and liabilities relate to income tax 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.

3.24 Employee benefits

(a) 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.

In addition, as approved by the government, the Group makes contribution to a supplemental defined contribution pension plan for its employees. The fund is managed by a qualified fund manager and the Group has no further obligation for post-retirement benefits beyond the contributions made.

Contributions to these plans are expensed as incurred.

(b) 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.

(c) 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.25 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.

3.26 Provisions for close down, restoration and environmental costs

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.27 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.

(a) 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.

(b) 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.

(c) Rental income

Rental income from properties is recognised in the income statement on a straight-line basis over the term of the lease.

3.28 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.29 Dividend income

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

3.30 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.

3.31 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.

3.32 Dividend distributions

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company'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.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(a) Market risk

(i) Price risk

– *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 the 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.

(ii) Foreign exchange risk

The Group's operations (such as export sales, imports of machinery and equipment, foreign currency deposits (Note 21(c)), and trade and notes receivables (Note 19(c)) and borrowings (Note 24(f)) 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 approximately RMB41,827,000 in 2012 (2011: RMB69,623,000), 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 by approximately RMB17,074,000 in 2012 (2011: RMB37,986,000), 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, bank borrowings and long-term bonds, 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.

If interest rates on RMB-denominated borrowings had been 0.5% higher/lower with all other variables held constant, post-tax profit for 2012 would have been approximately RMB74,614,000 (2011: RMB41,695,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents, term deposits with initial terms of over three months, restricted bank deposits, trade and notes receivables, other receivables except for prepayments in the consolidated balance sheet, and also financial guarantees provided to the associates and a jointly controlled entity of the Group, represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at 31 December 2012, the Group holds approximately 62% (2011: 69%) of bank deposits in state-owned banks and the rest of deposits are placed with other financial institutions located mainly in the PRC and 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.

The Group manages the credit risk arising from the financial guarantees provided to its associates and a jointly controlled entity by its regular supervision of the operation and financial condition of those companies.

(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 24(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, long-term bonds and the net proceeds from the initial public offering.

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility (Note 24(i)) and cash and cash equivalents (Note 21)) on the basis of expected cash flow.

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.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	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	Total
Group					
At 31 December 2012					
Bank borrowings	8,126,363	4,324,122	9,292,668	12,652,702	34,395,855
Long-term bonds	1,160,500	1,160,500	17,544,000	5,524,000	25,389,000
Trade and other payables	25,417,371	—	—	—	25,417,371
Other long-term liabilities	—	142,577	398,877	521,428	1,062,882
At 31 December 2011 (Restated)					
Bank borrowings	3,876,179	1,635,484	6,178,570	7,179,732	18,869,965
Long-term bonds	892,500	892,500	17,632,500	—	19,417,500
Trade and other payables	24,177,238	—	—	—	24,177,238
Other long-term liabilities	—	118,384	99,936	57,208	275,528
Company					
At 31 December 2012					
Bank borrowings	477,965	1,722,934	3,169,240	2,754,975	8,125,114
Long-term bonds	1,160,500	1,160,500	17,544,000	5,524,000	25,389,000
Trade and other payables	21,480,237	—	—	—	21,480,237
At 31 December 2011					
Bank borrowings	1,555,830	382,885	2,734,165	3,345,840	8,018,720
Long-term bonds	892,500	892,500	17,632,500	—	19,417,500
Trade and other payables	19,655,222	—	—	—	19,655,222

For information relating to the Group's financial guarantee contracts, please refer to Note 43(c).

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 2012 and 2011 were as follows:

	2012	2011
		Restated
	RMB'000	RMB'000
Total borrowings and long-term bonds	**46,618,678**	29,472,588
Total equity	**101,420,418**	96,873,642
Total capital	**148,039,096**	126,346,230
Gearing ratio	**31.49%**	23.33%

The change in the gearing ratio during 2012 resulted primarily from the issuing of long-term bonds and the increase in borrowings in 2012. The Group has no further plan to use special measures to adjust its gearing ratio in the foreseeable future.

4.3 Fair value estimation

The 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).

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

As at 31 December 2012, the Group has the following assets which we defined as level 1 and level 2:

	As at 31 December 2012 RMB'000	As at 31 December 2011 RMB'000
Available-for-sale financial assets		
– Equity securities (level 1)	**15,948**	14,463
– Debt instruments (level 2)	**20,000**	—
	35,948	14,463

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.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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.

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

(a) Carrying value of non-current assets

Non-current assets, including property, plant and equipment, land use rights, mining and exploration 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.

(b) 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.

(c) 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:

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

(c) Reserve estimates (Continued)

- Carrying values of assets 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.

(d) 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.

(e) 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 deferred 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.

(f) 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.

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

(g) 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 policies to ensure the investees' assets and liabilities stated at the Group's consolidated financial statements represented their fair value upon acquisition.

(h) Deferred stripping costs

The accounting for stripping costs of open-pit mines is based on management's estimate of whether there are future benefits associated with the stripping activities incurred. The estimate may be influenced by changes of actual geological conditions, coal reserves and management's future production plans. Management's assessment of such accounting estimate will impact the financial position and operating results of the Group, and the accounting of stripping costs may be subject to revision in future periods.

6 SEGMENT INFORMATION

6.1 General information

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

The CODM has been identified as the President Office (總裁辦公會).

The Group's reportable segments are entities or group of entities that offer different products and services. The following reportable segments are presented in a manner consistent with the way in which information is reported internally to the Group's CODM for the purpose of resource allocation and performance assessment. 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)

6.1 General information (Continued)

(b) Reportable segments

The Group's reportable segments are coal, coke and coal-chemical product and mining machinery:

- 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.

6.2 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.

Segment assets and liabilities are those operating assets and liabilities that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets and liabilities exclude deferred income tax assets or deferred income tax liabilities.

6 SEGMENT INFORMATION (Continued)

6.2 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 2012						
	Coal	Coke and coal-chemical product	Machinery	Others (note (a))	Non operating segment	Inter-segment Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue							
Total Revenue	71,995,226	4,184,830	8,918,899	3,928,746	—	(1,736,031)	87,291,670
Inter-segment revenue	(212,010)	—	(1,034,239)	(489,782)	—	1,736,031	—
Revenue from external customers	71,783,216	4,184,830	7,884,660	3,438,964	—	—	87,291,670
Profit/(Loss) from operations	12,796,817	(353,424)	667,375	(16,871)	(235,421)	(51,250)	12,807,226
Profit/(Loss) before income tax	12,649,540	(446,713)	653,202	(66,343)	50,651	(51,250)	12,789,087
Interest income	233,169	63,449	10,587	5,774	962,055	(468,396)	806,638
Interest expense	(493,030)	(155,734)	(33,224)	(54,105)	(851,122)	468,396	(1,118,819)
Depreciation and amortisation	(3,958,471)	(173,509)	(143,881)	(405,162)	(16,171)	—	(4,697,194)
Share of profits/(losses) of associates and jointly controlled entities	47,125	(4,283)	10,954	—	182,069	—	235,865
Income tax (expense)/credit	(3,055,150)	665	(108,265)	(48,021)	(3,592)	—	(3,214,363)
Other material non-cash items							
Provision for impairment of property, plant and equipment	(30,104)	(43,000)	—	—	—	—	(73,104)
Provision for impairment of other assets	(52,574)	(2,628)	(39,534)	(66,128)	—	—	(160,864)
Segment assets and liabilities							
Total assets	89,980,877	24,014,970	13,958,356	8,004,666	53,685,199	(3,956,367)	185,687,701
Include: investment in associates and jointly controlled entities	414,034	581,432	78,316	—	7,788,757	—	8,862,539
Expenditures for non-current assets	18,633,417	12,112,439	1,376,956	451,864	333,608	—	32,908,284
Total liabilities	29,963,400	7,357,638	5,440,008	4,751,442	39,959,442	(3,204,647)	84,267,283

6 SEGMENT INFORMATION (Continued)

6.2 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 2011 (Restated)						
	Coal	Coke and coal-chemical product	Machinery	Others (note (a))	Non operating segment	Inter-segment Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue							
Total Revenue	74,374,330	5,300,770	8,788,100	4,511,129	—	(2,109,583)	90,864,746
Inter-segment revenue	(336,040)	—	(1,055,130)	(718,413)	—	2,109,583	—
Revenue from external customers	74,038,290	5,300,770	7,732,970	3,792,716	—	—	90,864,746
Profit/(Loss) from operations	14,008,760	(74,634)	584,964	6,944	(194,847)	(112,415)	14,218,772
Profit/(Loss) before income tax	13,880,676	(79,096)	533,401	(80,602)	173,389	(112,415)	14,315,353
Interest income	86,483	65,651	8,961	4,873	886,631	(430,148)	622,451
Interest expense	(288,087)	(122,949)	(69,615)	(54,410)	(662,275)	430,148	(767,188)
Depreciation and amortisation	(4,057,755)	(188,876)	(141,578)	(341,843)	(8,716)	—	(4,738,768)
Share of profits of associates and jointly controlled entities	94,793	40,389	12,046	—	147,052	—	294,280
Income tax (expense)/credit	(3,359,483)	7,681	(87,711)	(21,293)	(742)	—	(3,461,548)
Other material non-cash items							
Provision for impairment of property, plant and equipment	(37,343)	(972)	—	—	—	—	(38,315)
Provision for impairment of other assets	(44,621)	(43)	(1,452)	(18,112)	(14,924)	—	(79,152)
Segment assets and liabilities							
Total assets	79,936,007	11,340,490	11,284,526	6,235,177	56,856,157	(3,500,461)	162,151,896
Include: investment in associates and jointly controlled entities	543,204	599,299	63,954	—	6,430,210	—	7,636,667
Expenditures for non-current assets	12,522,850	5,087,513	1,490,498	908,312	10,035	—	20,019,208
Total liabilities	17,531,414	1,023,838	4,646,256	4,397,768	40,933,133	(3,254,155)	65,278,254

Note:

(a) Others segment comprises of the five operating segments of the Group with the revenue below the quantitative thresholds. Those segments include two aluminium factories, three power generating plants, an equipment purchase agency, a tendering service provider and four manufacturing enterprises. None of those segments has ever met any of the quantitative thresholds for determining reportable segments.

6 SEGMENT INFORMATION (Continued)

6.3 Geographical information

Analysis of revenue

	Year ended 31 December	
	2012	2011
		Restated
	RMB'000	RMB'000
Domestic markets	**86,639,419**	89,858,284
Asia Pacific markets	**652,251**	1,000,903
Other overseas markets	**—**	5,559
	87,291,670	90,864,746

Note:

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

Analysis of non-current assets

	31 December	31 December
	2012	2011
		Restated
	RMB'000	RMB'000
Domestic markets	**134,087,597**	103,397,212
Asia Pacific markets	**—**	4,964
Other overseas markets	**15,904**	38,056
	134,103,501	103,440,232

Note:

The non-current assets above exclude financial instruments and deferred income tax assets.

6.4 Information about major customers

Revenue from the top five customers of the Group for the year ended 31 December 2012 represents approximately 20% of the Group's total revenue (2011: 17%).

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 2011 (as previously reported)	8,576,502	5,454,742	15,592,550	452,563	777,420	15,564,120	46,417,897
Acquisition of subsidiaries under common control (Note 2(a)&(b))	102,648	170,117	191,140	—	27,987	26,066	517,958
At 1 January 2011 (restated)	8,679,150	5,624,859	15,783,690	452,563	805,407	15,590,186	46,935,855
At 1 January 2011 (restated)							
Cost	10,969,875	8,517,411	27,011,643	747,337	1,547,179	15,590,186	64,383,631
Accumulated depreciation	(2,277,700)	(2,891,382)	(11,076,606)	(294,774)	(674,117)	—	(17,214,579)
Impairment provision	(13,025)	(1,170)	(151,347)	—	(67,655)	—	(233,197)
Net book amount	8,679,150	5,624,859	15,783,690	452,563	805,407	15,590,186	46,935,855
Year ended 31 December 2011 (restated)							
Opening net book amount	8,679,150	5,624,859	15,783,690	452,563	805,407	15,590,186	46,935,855
Acquisition of subsidiaries (Note 2(c)&(d))	59,060	76,784	92,321	—	3,071	68,016	299,252
Attributable to change of a subsidiary to an associate (Note 2(e))	(765,462)	(600,564)	(481,410)	—	(75,978)	(595,340)	(2,518,754)
Additions	69,169	798,195	1,377,140	6,154	350,105	17,846,485	20,447,248
Transfer upon completion	1,678,818	205,032	2,227,019	2,951	74,049	(4,187,869)	—
Disposals	(9,115)	—	(14,402)	—	(18,790)	—	(42,307)
Depreciation charge (Note 31)	(435,857)	(1,496,875)	(2,177,903)	(20,666)	(128,358)	—	(4,259,659)
Provision for impairment	(26,644)	—	(11,671)	—	—	—	(38,315)
Closing net book amount	9,249,119	4,607,431	16,794,784	441,002	1,009,506	28,721,478	60,823,320
At 31 December 2011 (restated)							
Cost	11,554,940	7,690,368	28,875,943	756,442	1,696,689	28,721,478	79,295,860
Accumulated depreciation	(2,296,946)	(3,081,767)	(11,958,842)	(315,440)	(619,906)	—	(18,272,901)
Impairment provision	(8,875)	(1,170)	(122,317)	—	(67,277)	—	(199,639)
Net book amount	9,249,119	4,607,431	16,794,784	441,002	1,009,506	28,721,478	60,823,320
Year ended 31 December 2012							
Opening net book amount	9,249,119	4,607,431	16,794,784	441,002	1,009,506	28,721,478	60,823,320
Attributable to change of a jointly controlled entity to a subsidiary	92,233	76,631	93,957	—	11,831	16,873	291,525
Additions	472,428	2,249,240	2,746,511	—	224,766	24,812,350	30,505,295
Transfer upon completion	2,483,083	4,028,596	2,793,146	—	37,148	(9,341,973)	—
Transfer to mining rights and other intangible assets	—	—	—	—	—	(1,441,503)	(1,441,503)
Disposals	(139,942)	—	(169,564)	—	(17,122)	—	(326,628)
Depreciation charge (Note 31)	(616,593)	(783,827)	(2,653,319)	(17,382)	(197,507)	—	(4,268,628)
Provision for impairment	(20,635)	—	(52,440)	—	(29)	—	(73,104)
Closing net book amount	11,519,693	10,178,071	19,553,075	423,620	1,068,593	42,767,225	85,510,277
At 31 December 2012							
Cost	14,421,173	14,106,102	33,941,948	756,442	1,933,597	42,767,225	107,926,487
Accumulated depreciation	(2,874,985)	(3,926,861)	(14,257,886)	(332,822)	(797,698)	—	(22,190,252)
Impairment provision	(26,495)	(1,170)	(130,987)	—	(67,306)	—	(225,958)
Net book amount	11,519,693	10,178,071	19,553,075	423,620	1,068,593	42,767,225	85,510,277

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Buildings	Plant, machinery and equipment	Motor vehicles and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011					
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
Year ended 31 December 2011					
Opening net book amount	—	720	32,469	104,671	137,860
Additions	—	174	25,393	2,521	28,088
Transfer to a subsidiary	—	—	(3,747)	(101,887)	(105,634)
Depreciation charge	—	(417)	(6,360)	—	(6,777)
Closing net book amount	—	477	47,755	5,305	53,537
At 31 December 2011					
Cost	—	2,198	67,146	5,305	74,649
Accumulated depreciation	—	(1,721)	(19,391)	—	(21,112)
Net book amount	—	477	47,755	5,305	53,537
Year ended 31 December 2012					
Opening net book amount	—	477	47,755	5,305	53,537
Additions	301,512	15	12,904	—	314,431
Depreciation charge	—	(94)	(10,690)	—	(10,784)
Closing net book amount	301,512	398	49,969	5,305	357,184
At 31 December 2012					
Cost	301,512	2,213	80,050	5,305	389,080
Accumulated depreciation	—	(1,815)	(30,081)	—	(31,896)
Net book amount	301,512	398	49,969	5,305	357,184

During the year ended 31 December 2012, the depreciation charges of the Group were recorded in cost of sales with an amount of RMB4,000,717,000 (2011: RMB3,953,322,000), selling, general and administrative expenses with an amount of RMB240,026,000 (2011: RMB233,691,000), and cost of inventories which remained unsold as at year end with an amount of RMB27,885,000 (2011: RMB72,646,000) respectively.

8 LAND USE RIGHTS

	Group
	RMB'000
At 1 January 2011 (as previously reported)	2,563,782
Acquisition of a subsidiary under common control	3,689
At 1 January 2011 (restated)	2,567,471
Balance at 1 January 2011 (restated)	
Cost	2,863,053
Accumulated amortisation	(294,113)
Provision charge	(1,469)
Net book amount	2,567,471
Year ended 31 December 2011(restated)	
Opening net book amount	2,567,471
Acquisition of a subsidiary (Note 2(d))	7,819
Attributable to change of a subsidiary to an associate (Note 2(e))	(148,261)
Additions	457,004
Amortisation charge	(65,143)
Closing net book amount	2,818,890
At 31 December 2011 (restated)	
Cost	3,179,615
Accumulated amortisation	(359,256)
Provision charge	(1,469)
Net book amount	2,818,890
Year ended 31 December 2012	
Opening net book amount	2,818,890
Additions	843,062
Disposals	(64,807)
Amortisation charge	(68,639)
Closing net book amount	3,528,506
At 31 December 2012	
Cost	3,952,404
Accumulated amortisation	(422,701)
Provision charge	(1,197)
Net book amount	3,528,506

8 LAND USE RIGHTS (Continued)

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 RMB35,374,000 (2011: RMB39,435,000) and selling, general and administrative expenses with an amount of RMB33,265,000 (2011: RMB25,708,000).

9 MINING AND EXPLORATION RIGHTS

	Mining rights RMB'000	Exploration Rights RMB'000	Total RMB'000
At 1 January 2011 (as previously reported)	6,879,289	11,731,881	18,611,170
Acquisition of a subsidiary under the common control	571,769	—	571,769
At 1 January 2011 (restated)	7,451,058	11,731,881	19,182,939
Balance at 1 January 2011 (restated)			
Cost	9,009,568	11,731,881	20,741,449
Accumulated amortisation	(1,558,510)	—	(1,558,510)
Net book amount	7,451,058	11,731,881	19,182,939
Year ended 31 December 2011 (restated)			
Opening net book amount	7,451,058	11,731,881	19,182,939
Acquisition of subsidiaries (Note 2(c)&(d))	85,613	11,006,166	11,091,779
Attributable to change of a subsidiary to an associate (Note 2(e))	(934,153)	—	(934,153)
Additions	105,786	—	105,786
Amortisation charge	(473,768)	—	(473,768)
Closing net book amount	6,234,536	22,738,047	28,972,583
At 31 December 2011 (restated)			
Cost	8,150,476	22,738,047	30,888,523
Accumulated amortisation	(1,915,940)	—	(1,915,940)
Net book amount	6,234,536	22,738,047	28,972,583
Year ended 31 December 2012			
Opening net book amount	6,234,536	22,738,047	28,972,583
Additions	3,371,216	506,896	3,878,112
Amortisation charge	(372,066)	—	(372,066)
Closing net book amount	9,233,686	23,244,943	32,478,629
At 31 December 2012			
Cost	11,521,692	23,244,943	34,766,635
Accumulated amortisation	(2,288,006)	—	(2,288,006)
Net book amount	9,233,686	23,244,943	32,478,629

The amortisation charge was recorded in cost of sales for the years ended 31 December 2012 and 2011.

10 INVESTMENTS IN SUBSIDIARIES

	Company	
	31 December 2012 RMB'000	31 December 2011 RMB'000
Investments, at cost:		
Shares listed in the PRC	**2,197,058**	2,197,058
Unlisted shares	**55,976,330**	49,934,827
	58,173,388	52,131,885
Market value of listed shares	**7,259,669**	8,450,814

Particulars of principal subsidiaries as at 31 December 2012 are set out in Note 44(a).

11 INVESTMENTS IN ASSOCIATES

	Group		Company	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Beginning of the year	**7,058,652**	3,994,877	**5,576,259**	3,464,886
Additions	**1,233,825**	1,944,440	**1,208,686**	1,890,555
Change from a subsidiary to an associate (Note 2(e))	**—**	1,003,888	**—**	220,818
Share of profits	**286,790**	174,754	**—**	—
Share of change in reserves	**(12,272)**	(4,935)	**—**	—
Dividends	**(82,962)**	(54,372)	**—**	—
End of the year	**8,484,033**	7,058,652	**6,784,945**	5,576,259

11 INVESTMENTS IN ASSOCIATES (Continued)

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

	Group	
	31 December 2012 RMB'000	31 December 2011 RMB'000
Total assets	**18,138,990**	12,572,456
Total liabilities	**(9,654,957)**	(5,513,804)
	8,484,033	7,058,652
Revenue	**4,508,466**	3,819,896
Net profit	**286,790**	174,754

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

12 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Beginning of the year	**578,015**	426,516	**33,433**	8,433
Additions	**—**	50,499	**—**	25,000
Change from a jointly controlled entity to a subsidiary	**(149,005)**	(25,000)	**—**	—
Share of reserve	**—**	8,415	**—**	—
Share of (loss)/profit	**(50,925)**	119,526	**—**	—
Others	**421**	(1,941)	**—**	—
End of the year	**378,506**	578,015	**33,433**	33,433

12 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 2012 RMB'000	31 December 2011 RMB'000
Current assets	**674,037**	1,060,583
Non-current assets	**806,608**	1,018,883
	1,480,645	2,079,466
Current liabilities	**(964,470)**	(1,149,869)
Non-current liabilities	**(137,669)**	(351,582)
	(1,102,139)	(1,501,451)
Net assets	**378,506**	578,015
Revenue	**2,645,142**	3,676,235
Expenses	**(2,696,067)**	(3,556,709)
Net (loss)/profit	**(50,925)**	119,526

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 2012 are set out in Note 44(b).

13 FINANCIAL INSTRUMENTS

Group – 31 December 2012

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Assets as per balance sheet			
Available-for-sale financial assets	—	1,687,917	1,687,917
Trade and other receivables excluding prepayments	14,950,534	—	14,950,534
Long-term receivables	137,304	—	137,304
Restricted bank deposits and term deposits	11,700,935	—	11,700,935
Cash and cash equivalents	13,222,515	—	13,222,515
Total	40,011,288	1,687,917	41,699,205

	Other financial liabilities at amortised cost RMB'000
Liabilities as per balance sheet	
Borrowings	26,712,264
Trade and other payables	25,417,371
Other long-term liabilities	716,883
Long-term bonds	19,906,414
Total	72,752,932

13 FINANCIAL INSTRUMENTS (Continued)

Company – 31 December 2012

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Assets as per balance sheet			
Available-for-sale financial assets	—	1,570,500	1,570,500
Trade and other receivables excluding prepayments	14,937,744	—	14,937,744
Cash and cash equivalents	8,297,231	—	8,297,231
Term deposits	8,497,977	—	8,497,977
Loans to subsidiaries	24,861,100	—	24,861,100
Total	56,594,052	1,570,500	58,164,552

	Other financial liabilities at amortised cost RMB'000
Liabilities as per balance sheet	
Borrowings	6,246,000
Long-term bonds	19,906,414
Trade and other payables	21,480,237
Total	47,632,651

13 FINANCIAL INSTRUMENTS (Continued)

Group – 31 December 2011

	Loans and receivables Restated RMB'000	Available-for-sale financial assets Restated RMB'000	Total Restated RMB'000
Assets as per balance sheet			
Available-for-sale financial assets	—	1,221,995	1,221,995
Trade and other receivables excluding prepayments	11,852,819	—	11,852,819
Long-term receivables	114,713	—	114,713
Restricted bank deposits and term deposits	14,468,293	—	14,468,293
Cash and cash equivalents	20,907,330	—	20,907,330
Total	47,343,155	1,221,995	48,565,150

	Other financial liabilities at amortised cost Restated RMB'000
Liabilities as per balance sheet	
Borrowings	14,517,588
Trade and other payables	24,177,238
Other long-term liabilities	244,464
Long-term bonds	14,955,000
Total	53,894,290

13 FINANCIAL INSTRUMENTS (Continued)

Company – 31 December 2011

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Assets as per balance sheet			
Available-for-sale financial assets	—	1,130,000	1,130,000
Trade and other receivables excluding prepayments	11,345,015	—	11,345,015
Cash and cash equivalents	15,588,888	—	15,588,888
Term deposits	10,870,045	—	10,870,045
Loan to subsidiaries	11,661,094	—	11,661,094
Total	49,465,042	1,130,000	50,595,042

	Other financial liabilities at amortised cost RMB'000
Liabilities as per balance sheet	
Borrowings	5,926,000
Long-term bonds	14,955,000
Trade and other payables	19,655,222
Total	40,536,222

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2012	2011 Restated	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Beginning of the year (as previously reported)	**1,221,995**	1,220,765	**1,130,000**	785,000
Acquisition of a subsidiary under common control (Note 2(a))	**—**	1,204	**—**	—
Beginning of the year (restated)	**1,221,995**	1,221,969	**1,130,000**	785,000
Additions	**467,824**	345,000	**440,500**	345,000
Provision for impairment	**(2,797)**	(2,383)	**—**	—
Disposal	**(590)**	(2,901)	**—**	—
Attributable to change of a subsidiary to an associate (Note 2(e))	**—**	(338,070)	**—**	—
Increase/(decrease) in fair value charged to other comprehensive income	**1,485**	(1,620)	**—**	—
End of the year	**1,687,917**	1,221,995	**1,570,500**	1,130,000

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Available-for-sale financial assets include the following:

	Group		Company	
	31 December 2012	31 December 2011 Restated	**31 December 2012**	31 December 2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Listed securities, at fair value				
– equity securities, listed in the PRC	**15,948**	14,463	**—**	—
Unlisted securities				
– equity securities, at cost	**1,651,969**	1,207,532	**1,570,500**	1,130,000
– debt instruments	**20,000**	—	**—**	—
	1,687,917	1,221,995	**1,570,500**	1,130,000

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 RMB5,073,000 in 2012 (2011: RMB6,634,000).

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

15 LOANS TO SUBSIDIARIES

The Company borrowed bank loans from PRC banks and on-lent such loans to its subsidiaries at interest rates ranging from 6.35% to 7.22% (2011: from 5.53% to 7.22%) per annum with maturities up to 6 years (2011: from 3 years to 6 years). The loans are neither past due nor impaired as at 31 December 2012 and 2011. Such loan balances and the related interest income have been eliminated in the consolidated balance sheet and income statement.

The carrying amounts of loans to subsidiaries approximate their fair values.

16 LONG-TERM RECEIVABLES

	Group	
	2012	2011
	RMB'000	RMB'000
Entrusted loans to a jointly controlled entity	**102,000**	114,713
Others	**35,304**	—
Total	**137,304**	114,713

Long-term receivables of the Group mainly include entrusted loans of RMB102,000,000 (2011: RMB114,713,025) to a jointly controlled entity via Bank of Communications. These amounts bear interest rates 7.47% per annum during the year (2011: 7.47%) and are repayable in 2 years.

The receivables are neither past due nor impaired as at 31 December 2012 and 2011. The carrying amounts of long-term receivables approximate their fair values.

17 OTHER NON-CURRENT ASSETS

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments for long-term investments (Note)	**2,834,509**	2,020,817	**426,300**	426,300
Prepayments for mining rights	**497,595**	969,540	**—**	—
Others	**218,796**	58,101	**—**	—
Total	**3,550,900**	3,048,458	**426,300**	426,300

Note:
In line with Shanxi Provincial Government's policy of restructuring local coal mines and the Group's strategy of expanding its coal resources, the Group has entered into a series of agreements for the acquisitions and restructuring of several local coal mines. In this regard, as at 31 December 2012, the Group has paid RMB2,834,509,000 (31 December 2011: RMB2,020,817,000) according to the signed agreements. As the relevant legal procedures are still in process, such balances are recorded as other non-current assets.

18 INVENTORIES

	Group		Company	
	2012	2011	**2012**	2011
		Restated		
	RMB'000	RMB'000	**RMB'000**	RMB'000
Coal	**622,403**	1,229,487	**224,092**	167,584
Coke	**82,237**	173,505	**—**	—
Machinery for sale	**2,394,930**	2,538,144	**—**	—
Auxiliary materials, spare parts and tools	**3,597,599**	3,374,342	**—**	—
	6,697,169	7,315,478	**224,092**	167,584

The provisions for impairment of inventories of the Group amounted to RMB141,321,609 as at 31 December 2012 (2011: RMB16,946,869).

19 TRADE AND NOTES RECEIVABLES

	Group		Company	
	31 December 2012 RMB'000	31 December 2011 Restated RMB'000	**31 December 2012 RMB'000**	31 December 2011 RMB'000
Trade receivables, net (note (a))	**8,174,843**	5,585,231	**3,776,405**	1,789,267
Notes receivables (note (b))	**3,218,907**	2,428,313	**310,965**	230,060
	11,393,750	8,013,544	**4,087,370**	2,019,327

Notes:

(a) Trade receivables are analysed as follows:

	Group		Company	
	31 December 2012 RMB'000	31 December 2011 Restated RMB'000	**31 December 2012 RMB'000**	31 December 2011 RMB'000
Trade receivables				
– Subsidiaries	**—**	—	**450,233**	79,105
– Associates	**61,852**	34,072	**51,400**	22,405
– Jointly controlled entities	**26,959**	19,143	**—**	—
– Fellow subsidiaries	**455,081**	198,080	**—**	—
– Third parties	**7,630,951**	5,333,936	**3,274,772**	1,687,757
Trade receivables, net	**8,174,843**	5,585,231	**3,776,405**	1,789,267

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

	Group		Company	
	31 December 2012 RMB'000	31 December 2011 Restated RMB'000	**31 December 2012 RMB'000**	31 December 2011 RMB'000
Within 6 months	**7,025,354**	4,700,288	**3,775,100**	1,787,962
6 months – 1 year	**735,979**	528,726	**—**	—
1 – 2 years	**388,223**	274,415	**—**	1,305
2 – 3 years	**116,579**	158,945	**1,305**	—
Over 3 years	**242,860**	220,140	**—**	—
Trade receivables, gross	**8,508,995**	5,882,514	**3,776,405**	1,789,267
Less: Impairment of receivables	**(334,152)**	(297,283)	**—**	—
Trade receivables, net	**8,174,843**	5,585,231	**3,776,405**	1,789,267

19 TRADE AND NOTES RECEIVABLES (Continued)

Notes (Continued):

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

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

	Group		Company	
	2012	2011	**2012**	2011
		Restated		
	RMB'000	RMB'000	**RMB'000**	RMB'000
Beginning of the year (as previously reported)	**297,283**	303,251	**—**	—
Acquisition of a subsidiary under common control (Note 2(b))	**—**	20,224	**—**	—
Beginning of the year (restated)	**297,283**	323,475	**—**	—
Provision for impairment of receivables	**45,773**	29,911	**—**	—
Reversal of provision for impairment of receivables	**(7,393)**	(31,246)	**—**	—
Receivables written off during the year as uncollectable	**(1,511)**	(22,265)	**—**	—
Attributable to change of a subsidiary to an associate (Note 2(e))	**—**	(2,592)	**—**	—
At the end of the year	**334,152**	297,283	**—**	—

Trade receivables for sale of coal, coking and other products are with credit terms of six months, while those for sale of machineries generally are with longer credit terms. There are no significant trade receivables that are past due but are not impaired.

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 on demand in accordance with the relevant contract entered into between the Group and the related parties.

(b) Notes receivables are principally bank accepted bills of exchange with maturity of less than one year (2011: less than one year).

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

	Group		Company	
	31 December 2012	31 December 2011	**31 December 2012**	31 December 2011
		Restated		
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**11,246,129**	7,943,257	**4,087,370**	2,019,327
USD	**147,621**	70,287	**—**	—
	11,393,750	8,013,544	**4,087,370**	2,019,327

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

20 PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	31 December 2012	31 December 2011 Restated	**31 December 2012**	31 December 2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advances to suppliers (note (a))	**2,838,411**	2,649,384	**359,404**	669,575
Loan receivables (note (b))	**1,824,894**	2,024,894	**—**	—
Interest receivable (note (c))	**232,983**	316,371	**853,956**	829,351
Dividends receivable	**28,094**	28,611	**9,203,484**	7,489,199
Other amounts due from related parties, gross (note (d))	**100,242**	337,092	**778,338**	816,588
Other amounts due from third parties, gross (note (e))	**1,630,822**	1,412,619	**76,688**	252,642
	6,655,446	6,768,971	**11,271,870**	10,057,355
Less: Impairment of other receivables (note (f))	**(288,462)**	(300,706)	**(62,092)**	(62,092)
Prepayments and other receivables, net (note (g))	**6,366,984**	6,468,265	**11,209,778**	9,995,263

20 PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Notes:

(a) Advances to suppliers are analysed as follows:

	Group		Company	
	31 December 2012	31 December 2011 Restated	**31 December 2012**	31 December 2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advances to suppliers				
– Subsidiaries	**—**	—	**63,285**	125,167
– Associates	**12,062**	783	**—**	—
– Fellow subsidiaries	**83,159**	215,429	**—**	—
– Third parties	**2,743,190**	2,433,172	**296,119**	544,408
	2,838,411	2,649,384	**359,404**	669,575

(b) Loan receivables are analysed as follows:

	Group		Company	
	31 December 2012	31 December 2011	**31 December 2012**	31 December 2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Loan receivables				
– Jointly controlled entity (note (i))	**124,894**	524,894	**—**	—
– Third party (note (ii))	**1,700,000**	1,500,000	**—**	—
	1,824,894	2,024,894	**—**	—

Notes:

(i) The balance represents an entrusted loan to a jointly controlled entity of the Group via Bank of Communications. The loan receivable is unsecured and repayable within 12 months from the balance sheet date, with an interest rate of 8.18% per annum (2011:8.18%).

(ii) The balance represents an entrusted loan to a third party via China Construction Bank and Bank of China. The loan receivable is unsecured and repayable within 12 months from the balance sheet date, with interest rates of 6.44% and 6.60% (2011: 6.10% and 6.71%) per annum.

None of the loan receivables is past due or impaired.

(c) The amount as at 31 December 2012 represents interest receivable from several term deposits with interest rates ranged from 2.60% to 3.50% (2011: from 2.25% to 3.50%) per annum.

20 PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Notes (Continued):

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

	Group		Company	
	31 December 2012 RMB'000	31 December 2011 Restated RMB'000	**31 December 2012 RMB'000**	31 December 2011 RMB'000
Amounts due from related parties, gross				
– Subsidiaries	**—**	—	**777,588**	815,953
– Associates	**40,788**	17,315	**472**	383
– Fellow subsidiaries	**59,454**	319,777	**278**	252
	100,242	337,092	**778,338**	816,588

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

(e) Aging analysis of other amounts due from third parties on each balance date is as follows:

	Group		Company	
	31 December 2012 RMB'000	31 December 2011 Restated RMB'000	**31 December 2012 RMB'000**	31 December 2011 RMB'000
Within 1 year	**1,231,288**	1,037,379	**4,977**	181,454
1 – 2 years	**92,963**	65,951	**523**	9,000
2 – 3 years	**19,471**	24,012	**9,000**	—
Over 3 years	**287,100**	285,277	**62,188**	62,188
Other amounts due from third parties, gross	**1,630,822**	1,412,619	**76,688**	252,642
Less: Impairment of receivables	**(252,275)**	(292,579)	**(62,092)**	(62,092)
Other amounts due from third parties, net	**1,378,547**	1,120,040	**14,596**	190,550

20 PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Notes (Continued):

(f) 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	
	31 December 2012 RMB'000	31 December 2011 Restated RMB'000	**31 December 2012 RMB'000**	31 December 2011 RMB'000
Beginning of the year (as previously reported)	**300,706**	383,576	**62,092**	47,168
Acquisition of a subsidiary under common control (Note 2(b))	**—**	23,045	**—**	—
Beginning of the year (restated)	**300,706**	406,621	**62,092**	47,168
Provision for impairment of receivables	**7,819**	72,301	**—**	14,924
Reversal of provision for impairment of receivables	**(20,063)**	(4,350)	**—**	—
Receivables written off during the year as uncollectible	**—**	(42,544)	**—**	—
Attributable to change of a subsidiary to an associate (Note 2(e))	**—**	(131,322)	**—**	—
At the end of the year	**288,462**	300,706	**62,092**	62,092

There are no significant amounts due from third parties and related parties that are past due but are not impaired.

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

(h) There are no collaterals for other receivables.

21 CASH AND BANK DEPOSITS

	Group		Company	
	31 December 2012 RMB'000	31 December 2011 Restated RMB'000	**31 December 2012 RMB'000**	31 December 2011 RMB'000
Restricted bank deposits (note (a))	**2,229,495**	3,173,248	**—**	—
Term deposits with initial terms of over three months	**9,471,440**	11,295,045	**8,497,977**	10,870,045
Cash and cash equivalents				
– Cash on hand	**1,577**	1,495	**35**	18
– Deposits with banks and other financial institutions	**13,220,938**	20,905,835	**8,297,196**	15,588,870
	24,923,450	35,375,623	**16,795,208**	26,458,933

Notes:

(a) Restricted bank deposits mainly include the deposits set aside for the transformation fund and the environmental restoration fund as required by related regulations (Note 23) and deposits pledged for issuance of notes payable.

(b) For the year ended 31 December 2012, the weighted average effective interest rates on deposits ranged from 0.35% to 3.87% (2011: 0.5% to 3.5%) per annum.

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

	Group		Company	
	31 December 2012 RMB'000	31 December 2011 Restated RMB'000	**31 December 2012 RMB'000**	31 December 2011 RMB'000
RMB	**24,616,028**	34,841,591	**16,788,869**	26,455,132
USD	**214,131**	515,864	**6,339**	3,801
EUR	**89,463**	11,846	**—**	—
Other currencies	**3,828**	6,322	**—**	—
	24,923,450	35,375,623	**16,795,208**	26,458,933

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.

22 SHARE CAPITAL

	2012		2011	
	Number of shares (thousands)	**Nominal Value RMB'000**	Number of shares (thousands)	Nominal Value RMB'000
Registered, issued and fully paid:				
Domestic shares of RMB1.00 each				
– held by China Coal Group	**7,538,833**	**7,538,833**	7,505,225	7,505,225
– held by other A share shareholders	**1,613,167**	**1,613,167**	1,646,775	1,646,775
H shares of RMB1.00 each				
– held by a wholly-owned subsidiary of China Coal Group	**125,351**	**125,351**	120,000	120,000
– held by other H share shareholders	**3,981,312**	**3,981,312**	3,986,663	3,986,663
	13,258,663	**13,258,663**	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 2011	7,481,644	1,670,356	120,000	3,986,663	13,258,663
Share transaction (note (b))	23,581	(23,581)	—	—	—
As at 31 December 2011	7,505,225	1,646,775	120,000	3,986,663	13,258,663
Share transactions (note (c))	33,608	(33,608)	5,351	(5,351)	—
As at 31 December 2012	7,538,833	1,613,167	125,351	3,981,312	13,258,663

22 SHARE CAPITAL (Continued)

Notes:

(a) The Domestic shares (A shares) rank pari passu, in all material respects, with the H shares. The China Coal Group has promised a lock-up period of 36 months for transfer of approximately 7,481,644,000 A shares, commencing on the date on which the A shares were listed on the Shanghai stock Exchange. These restricted shares held by China Coal Group became tradeable commencing from 1 February 2011.

As at 31 December 2012 and 2011, 145,023,000 A shares of the Company are still restricted for trading, which are held by the National Council for Social Security Fund and will be tradable commencing from 1 February 2014.

(b) In 2011, China Coal Group purchased 23,581,580 A shares via the Shanghai Stock Exchange, resulting in increase its shareholding to 56.61%.

(c) In 2012, China Coal Group purchased 33,607,993 A shares via the Shanghai Stock Exchange, resulting in increase its shareholding to 56.86%.

(d) As at 31 December 2012, China Coal Hong Kong Company Limited, a wholly-owned subsidiary of China Coal Group, held approximately 125,351,000 H Shares of the Company, representing 0.95% of the Company's total share capital.

23 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 2011 (as previously reported)	30,573,812	1,853,357	121,795	1,370,904	1,664,056	(27,687)	7,261,444	17,972,222	60,789,903
Acquisition of subsidiaries under common control (Note 2(a)&(b))	—	—	38,564	20,968	43,505	—	575,409	149,336	827,782
Balance at 1 January 2011 (restated)	30,573,812	1,853,357	160,359	1,391,872	1,707,561	(27,687)	7,836,853	18,121,558	61,617,685
Profit for the year	—	—	—	—	—	—	—	9,955,333	9,955,333
Other comprehensive loss	—	—	—	—	—	(6,647)	(1,215)	—	(7,862)
Appropriations	—	751,974	38,691	(380,345)	681,235	—	—	(1,091,555)	—
Share of change in reserves of associates and jointly controlled entities	—	—	—	—	—	—	(3,271)	—	(3,271)
Dividends (Note 36)	—	—	—	—	—	—	—	(2,072,693)	(2,072,693)
Profit distributed to original shareholder prior to common control acquisition	—	—	—	—	—	—	—	(212,435)	(212,435)
Attributable to change of a subsidiary to an associate (Note 2(e))	—	49,564	(10,182)	(100,039)	(48,609)	—	158,830	(49,564)	—
Restructure of a subsidiary due to acquisition under common control	—	10,953	—	—	—	—	—	—	10,953
Others	—	—	—	—	—	—	(21,240)	—	(21,240)
Balance at 31 December 2011 (restated)	30,573,812	2,665,848	188,868	911,488	2,340,187	(34,334)	7,969,957	24,650,644	69,266,470
Profit for the year	—	—	—	—	—	—	—	8,842,210	8,842,210
Other comprehensive income	—	—	—	—	—	3,211	1,114	—	4,325
Appropriations	—	1,087,617	(134,814)	(894,039)	131,363	—	—	(190,127)	—
Acquisition of subsidiaries under common control	—	—	—	—	—	—	(1,246,896)	(72,294)	(1,319,190)
– Including: the subsidiary's transfer of retained earnings to share capital	—	—	—	—	—	—	72,294	(72,294)	—
Purchase of equity from a non-controlling shareholder	—	—	—	—	—	—	(363,123)	—	(363,123)
Share of change in reserves of associates	—	—	—	—	—	—	103,185	(116,193)	(13,008)
Attributable to change of a jointly controlled entity to a subsidiary	—	—	93	2,018	2,526	—	(4,637)	—	—
Contributions	12,746	—	—	—	—	—	—	—	12,746
Dividends (Note 36)	—	—	—	—	—	—	—	(2,851,145)	(2,851,145)
Profit distributed to original shareholder prior to common control acquisition	—	—	—	—	—	—	—	(111,555)	(111,555)
Balance at 31 December 2012	30,586,558	3,753,465	54,147	19,467	2,474,076	(31,123)	6,459,600	30,151,540	73,467,730

23 RESERVES (Continued)

Company

	Capital reserve RMB'000	Statutory reserve funds RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2011	38,647,040	1,853,357	4,129	9,629,089	50,133,615
Profit for the year	—	—	—	7,390,540	7,390,540
Appropriations	—	751,974	—	(751,974)	—
Dividends (Note 36)	—	—	—	(2,072,693)	(2,072,693)
Balance at 31 December 2011	38,647,040	2,605,331	4,129	14,194,962	55,451,462
Profit for the year	—	—	—	10,845,622	10,845,622
Appropriations	—	1,087,617	—	(1,087,617)	—
Contributions	11,400	—	—	—	11,400
Dividends (Note 36)	—	—	—	(2,851,145)	(2,851,145)
Balance at 31 December 2012	38,658,440	3,692,948	4,129	21,101,822	63,457,339

23 RESERVES (Continued)

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 before reaching 50% threshold mentioned above. The statutory surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

For the year ended 31 December 2012, the Company appropriated RMB1,087,617,000 (2011: RMB751,974,000) to the statutory surplus reserve fund, representing 10% of the Company's profit after tax for the year ended 31 December 2012, as determined in accordance with the PRC GAAP.

(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 RMB15 (2011: 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 expenditures, an equivalent amount is transferred from future development fund to retained earnings.

(c) Safety fund

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety of the PRC, the coal enterprise of the group is required to set aside an amount to a safety fund at RMB6 to RMB30 per ton of raw coal mined. The manufacturing enterprise of the Group to set aside a certain percentage (less than RMB10 million: 2%, from RMB10 million to RMB100 million: 1%, from RMB100 million to RMB1 billion: 0.2%, from RMB1 billion to RMB5 billion: 0.1%, greater than RMB5 billion: 0.05%) of the previous year's operating revenue to a safety fund since 1 January 2012. 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 (2011: 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.

(e) Sustainable development fund

Pursuant to a regulation issued by Jiangsu Province Xuzhou municipal government on 20 October 2010, the Company's subsidiary in Xuzhou is required to set aside an amount to a sustainable development fund at RMB10 (2011: RMB10) per ton of raw coal mined. The fund will be used for the transformation costs of the mine, land restoration and environmental cost, and is not available for distribution to shareholders. Upon incurring qualifying expenditures, an equivalent amount is transferred from sustainable development fund to retained earnings.

24 BORROWINGS AND BANKING FACILITIES

	Group		Company	
	31 December 2012 RMB'000	31 December 2011 Restated RMB'000	**31 December 2012 RMB'000**	31 December 2011 RMB'000
Long-term borrowings				
Bank loans and loans from other financial institutions				
– Guaranteed (note (g))	**2,761,825**	1,770,000	**—**	—
– Unsecured	**18,804,093**	10,476,892	**6,246,000**	4,826,000
	21,565,918	12,246,892	**6,246,000**	4,826,000
Other unsecured loans from				
– Non-controlling shareholders of certain subsidiaries	**16,000**	16,000	**—**	—
	21,581,918	12,262,892	**6,246,000**	4,826,000
Less: Amount due within one year under current liabilities	**(1,411,010)**	(806,879)	**(80,000)**	(80,000)
	20,170,908	11,456,013	**6,166,000**	4,746,000
Short-term borrowings				
Bank loans and loans from other financial institutions				
– Secured (note (h))	**350,000**	4,000	**—**	—
– Unsecured	**4,779,746**	2,250,096	**—**	1,100,000
	5,129,746	2,254,096	**—**	1,100,000
Other unsecured loans from				
– Non-controlling shareholders of certain subsidiaries	**600**	600	**—**	—
	5,130,346	2,254,696	**—**	1,100,000

24 BORROWINGS AND BANKING FACILITIES (Continued)

Notes:

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

	Group		Company	
	2012	2011	**2012**	2011
		Restated		
	RMB'000	RMB'000	**RMB'000**	RMB'000
Wholly repayable within five years				
– Bank loans and loans from other financial institutions	**5,491,270**	2,321,205	**3,966,000**	800,000
– Loans from non-controlling shareholders of certain subsidiaries	**16,000**	16,000	**—**	—
	5,507,270	2,337,205	**3,966,000**	800,000
Not wholly repayable within five years				
– Bank loans and loans from other financial institutions	**16,074,648**	9,925,687	**2,280,000**	4,026,000
	21,581,918	12,262,892	**6,246,000**	4,826,000

(b) At 31 December 2012, the Group's long-term borrowings were repayable as follows:

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank loans and loans from other financial institutions				
– Within one year	**1,411,010**	806,879	**80,000**	80,000
– In the second year	**3,026,086**	908,949	**1,330,000**	80,000
– In the third to fifth year	**6,557,033**	4,490,843	**2,556,000**	1,966,000
– After the fifth year	**10,571,789**	6,040,221	**2,280,000**	2,700,000
	21,565,918	12,246,892	**6,246,000**	4,826,000
Loans from non-controlling shareholders of certain subsidiaries				
– In the second year	**16,000**	16,000	**—**	—
	21,581,918	12,262,892	**6,246,000**	4,826,000

24 BORROWINGS AND BANKING FACILITIES (Continued)

Notes (Continued):

(c) The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

	Group		Company	
	2012	2011 Restated	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
– Within one year	**25,526,297**	13,381,663	**6,146,000**	5,926,000
– In the second to fifth year	**978,867**	944,825	**100,000**	—
– After the fifth year	**207,100**	191,100	**—**	—
	26,712,264	14,517,588	**6,246,000**	5,926,000

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

	Group				Company			
	Carrying amount		Fair value		Carrying amount		Fair value	
	2012	2011 Restated	**2012**	2011	**2012**	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Borrowings	**20,170,908**	11,456,013	**20,166,534**	11,385,538	**6,166,000**	4,746,000	**6,166,000**	4,746,000

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 6.15% to 6.55% per annum as at 31 December 2012 (2011: 6.65% to 7.05% per annum).

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

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

	Group		Company	
	31 December 2012	31 December 2011 Restated	**31 December 2012**	31 December 2011
Bank loans and loans from other financial institutions				
– RMB loan	**5.04%-11.40%**	5.23%-7.05%	**5.76%-6.65%**	6.06%-6.65%
– JPY loan	**2.28%**	2.28%	**—**	—
– USD loan	**2.31%-2.32%**	—	**—**	—
– EURO loan	**2.15%**	—	**—**	—
Loans from non-controlling shareholders of certain subsidiaries				
– RMB loan	**5.60%**	5.60%	**—**	—

24 BORROWINGS AND BANKING FACILITIES (Continued)

Notes (Continued):

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

	Group		Company	
	31 December 2012 RMB'000	31 December 2011 Restated RMB'000	**31 December 2012 RMB'000**	31 December 2011 RMB'000
Long-term borrowings:				
RMB	**21,024,191**	11,334,067	**6,246,000**	4,826,000
JPY	**557,727**	928,825	**—**	—
	21,581,918	12,262,892	**6,246,000**	4,826,000
Short-term borrowings:				
RMB	**5,000,296**	2,254,696	**—**	1,100,000
USD (note (i))	**117,364**	—	**—**	—
EURO (note (i))	**12,686**	—	**—**	—
	5,130,346	2,254,696	**—**	1,100,000
	26,712,264	14,517,588	**6,246,000**	5,926,000

Note:

(i) Those loans are the advances by banks to the Group for the payment for imported equipment under letters of credit.

(g) The guaranteed borrowings are as follows:

	Group	
	31 December 2012 RMB'000	31 December 2011 RMB'000
Guaranteed by:		
– the Company and Shanxi Coking Coal	**2,761,825**	1,770,000

(h) The secured borrowings are as follows:

	Group	
	31 December 2012 RMB'000	31 December 2011 RMB'000
Secured by:		
– Notes receivables	**50,000**	4,000
– Trade receivables	**300,000**	—
Total	**350,000**	4,000

All the other borrowings of the Company are unsecured bank loans.

24 BORROWINGS AND BANKING FACILITIES (Continued)

Notes (Continued):

(i) As at 31 December 2012, the Group has the following undrawn borrowing facilities:

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Floating rates				
– Expiring within one year	**41,637,000**	5,000,000	**41,637,000**	5,000,000
– Expiring over one year	**153,775,000**	209,992,000	**153,775,000**	209,992,000
	195,412,000	214,992,000	**195,412,000**	214,992,000

25 LONG-TERM BONDS

	Group		Company	
	31 December 2012	31 December 2011	**31 December 2012**	31 December 2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bonds payable	**19,756,414**	14,820,000	**19,756,414**	14,820,000
Commission payable – non current	**150,000**	135,000	**150,000**	135,000
	19,906,414	14,955,000	**19,906,414**	14,955,000

25 LONG-TERM BONDS (Continued)

Notes:

(a) On 17 August 2011, the Company issued 150,000,000 corporate bonds with a par value of RMB100 each and received total proceeds of RMB15,000,000,000. The bonds are fully repayable on 18 August 2016 when they become due. These bonds carry a coupon rate of 5.65% per annum and the interest charge will be paid on 18 August annually in each of the following five years. The effective interest rate is 5.97% per annum.

In addition, the Company is obliged to pay RMB225,000,000 to the underwriter as the underwriting commission, which is payable in five instalments of RMB45,000,000 annually. First instalment of RMB45,000,000 was paid on 18 August 2011 when the transaction was completed.

(b) On 18 September 2012, the Company issued 50,000,000 corporate bonds with a par value of RMB100 each and received a total proceeds of RMB5,000,000,000. The bonds are fully repayable on 19 September 2019 when they become due. These bonds carry a coupon rate of 5.12% per annum and the interest charge will be paid on 19 September annually in each of the following seven years. The effective interest rate is 5.38% per annum.

In addition, the Company is obliged to pay RMB84,000,000 to the underwriter as the underwriting commission, which is payable in seven instalments of RMB12,000,000 annually. First instalment of RMB12,000,000 was paid on 19 September 2012 when the transaction was completed and the same amount is payable on 19 September in each of the following six years.

The bonds are initially recognised at the amount of the total proceeds net of the commission paid on the dates of issuance. The accrued interest and the current portion of commission payable are recorded in interest payable and accruals, advance and other payables as follows.

	Group		Company	
	31 December 2012 RMB'000	31 December 2011 RMB'000	**31 December 2012 RMB'000**	31 December 2011 RMB'000
Bonds interest payable	**383,553**	286,188	**383,553**	286,188
Commission payable – current	**57,000**	45,000	**57,000**	45,000
	440,553	331,188	**440,553**	331,188

The carrying amounts of long-term bonds approximate their fair values.

26 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 2012	31 December 2011 Restated	**31 December 2012**	31 December 2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred income tax assets:				
Deferred income tax assets to be recovered after more than 12 months	**120,773**	129,071	**18,117**	17,362
Deferred income tax assets to be recovered within 12 months	**256,853**	72,975	**—**	—
	377,626	202,046	**18,117**	17,362
Deferred income tax liabilities:				
Deferred income tax liabilities to be settled after more than 12 months	**(7,191,923)**	(7,119,835)	**—**	—
Deferred income tax liabilities to be settled within 12 months	**(252,958)**	(31,662)	**—**	—
	(7,444,881)	(7,151,497)	**—**	—
Deferred income tax (liabilities)/assets, net	**(7,067,255)**	(6,949,451)	**18,117**	17,362

26 DEFERRED INCOME TAX (Continued)

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

	Group		Company	
	2012	2011	**2012**	2011
		Restated		
	RMB'000	RMB'000	**RMB'000**	RMB'000
Beginning of the year	**(6,949,451)**	(5,103,813)	**17,362**	5,059
Acquisition of subsidiaries (Note 2(c))	**—**	(2,751,542)	**—**	—
Attributable to change of a jointly controlled entities to a subsidiary	**6,341**	—	**—**	—
Attributable to change of a subsidiary to an associate (Note 2(e))	**—**	366,495	**—**	—
(Debited)/credited to income statement (Note 34)	**(123,774)**	534,756	**755**	12,303
(Debited)/credited to other comprehensive income	**(371)**	405	**—**	—
Credited directly to equity	**—**	4,248	**—**	—
End of the year	**(7,067,255)**	(6,949,451)	**18,117**	17,362

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 RMB486,848,000 (2011: RMB355,128,000), in respect of certain subsidiaries' accumulated tax losses of RMB1,947,393,000 (2011: RMB1,420,511,000) as at 31 December 2012, that can be carried forward against future taxable income and will expire between 2013 and 2017. 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.

26 DEFERRED INCOME TAX (Continued)

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

	Group	
	2012	2011
	RMB'000	RMB'000
2012	**—**	114,794
2013	**158,509**	158,509
2014	**207,286**	207,286
2015	**597,434**	597,434
2016	**342,488**	342,488
2017	**641,676**	—
	1,947,393	1,420,511

26 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

	Trial production	Revaluation surplus	Tax losses	Provision for employee benefits	Impairment of assets	Accrued expenses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	53,345	43,749	8,969	60,693	73,096	55,311	237,509	532,672
Credited/(charged) to income statement	54,988	(5,566)	12,790	(2,797)	4,318	95,200	29,660	188,593
At 31 December 2011 (restated)	108,333	38,183	21,759	57,896	77,414	150,511	267,169	721,265
Credited/(charged) to income statement	56,454	(5,177)	33,944	(10,856)	44,973	(123,525)	41,841	37,654
Attributable to change of a jointly controlled entities to a subsidiary	—	—	—	—	—	—	6,341	6,341
At 31 December 2012	164,787	33,006	55,703	47,040	122,387	26,986	315,351	765,260

26 DEFERRED INCOME TAX (Continued)

Deferred tax liabilities:

Group

	Depreciation RMB'000	Mining funds (note (a)) RMB'000	Revaluation surplus RMB'000	Fair value adjustments RMB'000	Deferred stripping costs RMB'000	Others RMB'000	Total RMB'000
At 1 January 2011 (as previously reported)	(103,277)	(1,413,027)	(3,830,721)	(3,123)	(92,853)	(204)	(5,443,205)
Acquisition of subsidiaries under common control (Note 2(a) & (b))	—	(34,613)	(158,667)	—	—	—	(193,280)
At 1 January 2011 (restated)	(103,277)	(1,447,640)	(3,989,388)	(3,123)	(92,853)	(204)	(5,636,485)
At 1 January 2011 (restated)	(103,277)	(1,447,640)	(3,989,388)	(3,123)	(92,853)	(204)	(5,636,485)
Acquisition of subsidiaries (Note 2(c))	—	—	(2,751,542)	—	—	—	(2,751,542)
Attributable to change of a subsidiary to an associate (Note 2(e))	—	78,534	287,961	—	—	—	366,495
Credited to income statement	22,016	202,684	28,536	—	92,853	74	346,163
Credited to other comprehensive income	—	—	—	405	—	—	405
Credited directly to equity	—	—	4,248	—	—	—	4,248
At 31 December 2011 (restated)	(81,261)	(1,166,422)	(6,420,185)	(2,718)	—	(130)	(7,670,716)
Credited/(Charged) to income statement	16,919	13,751	29,467	—	(221,565)	—	(161,428)
Charged to other comprehensive income	—	—	—	(371)	—	—	(371)
At 31 December 2012	(64,342)	(1,152,671)	(6,390,718)	(3,089)	(221,565)	(130)	(7,832,515)

Note:

(a) Pursuant to certain regulations of the PRC government, the Group is required to set aside amounts for the future development funds (Note 23 (b)), safety fund (Note 23 (c)), coal mine industry transformation environmental restoration fund (Note 23(d)) and sustainable development fund (Note 23(e)), collectively the "mining funds". Before 30 April 2011, for those amounts that are deductible for tax purposes when they are set aside but are expensed when they are utilised for accounting purpose, a deferred tax liability is recorded for the temporary differences in respect of excess funds set aside for tax purposes.

According to a new PRC tax regulation effective from 1 May 2011, future development funds and safety funds are no longer tax deductible when they are set side but only tax deductible when they are utilised. As such, no additional deferred tax liability will be generated for these mining funds from 1 May 2011 onwards.

26 DEFERRED INCOME TAX (Continued)

Deferred tax assets:

Company

	Impairment of asset	Provision for employee benefits	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2011	4,289	770	5,059
Credited to income statement	11,233	1,070	12,303
At 31 December 2011	15,522	1,840	17,362
Credited to income statement	—	755	755
At 31 December 2012	15,522	2,595	18,117

27 TRADE AND NOTES PAYABLES

	Group		Company	
	31 December 2012	31 December 2011 Restated	**31 December 2012**	31 December 2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables (note (a))	**14,628,126**	10,242,270	**1,967,464**	1,428,884
Notes payable	**1,473,411**	760,718	**—**	—
	16,101,537	11,002,988	**1,967,464**	1,428,884

27 TRADE AND NOTES PAYABLES (Continued)

Notes:

(a) Trade payables are analysed as follows:

	Group		Company	
	31 December 2012	31 December 2011 Restated	**31 December 2012**	31 December 2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables				
– Subsidiaries	**—**	—	**1,696,723**	1,009,530
– Fellow subsidiaries	**2,360,172**	1,686,542	**4,419**	22,627
– Jointly controlled entities	**65**	3,488	**—**	—
– Associates	**23,543**	9,649	**—**	—
– Third parties	**12,244,346**	8,542,591	**266,322**	396,727
	14,628,126	10,242,270	**1,967,464**	1,428,884

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

	Group		Company	
	31 December 2012	31 December 2011 Restated	**31 December 2012**	31 December 2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Less than 1 year	**13,003,636**	9,292,277	**1,956,013**	1,428,884
1 – 2 years	**1,126,700**	673,096	**11,451**	—
2 – 3 years	**333,837**	155,168	**—**	—
Over 3 years	**163,953**	121,729	**—**	—
	14,628,126	10,242,270	**1,967,464**	1,428,884

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

	Group		Company	
	31 December 2012	31 December 2011 Restated	**31 December 2012**	31 December 2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**16,084,805**	10,923,319	**1,959,994**	1,349,215
USD	**16,732**	79,669	**7,470**	79,669
	16,101,537	11,002,988	**1,967,464**	1,428,884

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

28 ACCRUALS, ADVANCES AND OTHER PAYABLES

	Group		Company	
	31 December 2012 RMB'000	31 December 2011 Restated RMB'000	**31 December 2012 RMB'000**	31 December 2011 RMB'000
Customer deposits and receipts in advance (note (a))	**2,130,320**	2,557,129	**267,905**	487,852
Payables for acquisition of subsidiaries	**1,311,379**	4,405,988	**1,193,843**	3,803,531
Payable for compensation for local mining companies	**592,325**	759,915	**—**	—
Dividends payable	**383,037**	244,327	**—**	—
Payables for site restoration	**265,336**	165,751	**—**	—
Mineral resource compensation payable	**162,727**	106,920	**—**	—
Salaries and staff welfare payable	**570,443**	650,800	**12,143**	13,612
Interest payable	**424,779**	362,310	**383,553**	331,188
Payables for mining rights	**471,764**	597,459	**—**	—
Advance from a minority shareholder of a subsidiary	**150,000**	—	**—**	—
Other amounts due to related parties (note (b))	**604,837**	661,289	**17,627,531**	13,770,406
Other amounts due to third parties	**2,194,654**	1,540,641	**176,717**	150,685
	9,261,601	12,052,529	**19,661,692**	18,557,274

28 ACCRUALS, ADVANCES AND OTHER PAYABLES (Continued)

Notes:

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

	Group		Company	
	31 December 2012 RMB'000	31 December 2011 Restated RMB'000	**31 December 2012 RMB'000**	31 December 2011 RMB'000
Customer deposits and receipts in advances				
– Fellow subsidiaries	**171,167**	123,700	**—**	222
– Jointly controlled entities	**—**	2,532	**—**	—
– Associates	**25**	25	**—**	—
– Third parties	**1,959,128**	2,430,872	**267,905**	487,630
	2,130,320	2,557,129	**267,905**	487,852

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	
	31 December 2012 RMB'000	31 December 2011 RMB'000	**31 December 2012 RMB'000**	31 December 2011 RMB'000
Amounts due to related parties, gross				
– Subsidiaries	**—**	—	**17,625,559**	13,768,684
– Parent Company	**133,578**	6,845	**1,488**	1,238
– Fellow subsidiaries	**200,591**	96,699	**484**	484
– Associate	**270,668**	532,105	**—**	—
– Jointly controlled entities	**—**	25,640	**—**	—
	604,837	661,289	**17,627,531**	13,770,406

The amount due to the associate as at 31 December 2011 represents the payable by China Coal Huajin to Huajin Coking Coal as a result of the Split (Note 2(e)).

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

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

29 PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	Group	
	2012	2011
	RMB'000	RMB'000
Beginning of the year	**1,114,647**	888,318
Interest charge on unwinding of discounts	**38,048**	39,099
Provision	**134,992**	268,156
Payments	**(113,361)**	(80,926)
End of the year	**1,174,326**	1,114,647
Less: current portion	**(37,061)**	(28,263)
	1,137,265	1,086,384

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.

30 OTHER LONG-TERM LIABILITIES

	Group	
	2012	2011
		Restated
	RMB'000	RMB'000
Payables for mining rights	**705,987**	71,738
Others	**238,041**	214,732
Total	**944,028**	286,470

Note:

The payables for mining rights are mainly the unpaid balances of the consideration for mining right purchases. According to relevant purchase agreements, considerations should be paid in stages up to 2014. The current portion of the payables is included in other payables (Note 28).

31 EXPENSE BY NATURE

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

	2012 RMB'000	2011 Restated RMB'000
Depreciation (note (a))	**4,241,989**	4,187,013
Amortisation (note (b))	**455,205**	551,755
Cost of inventories sold	**37,265,549**	41,320,446
Transportation costs	**11,445,668**	9,716,470
Sales tax and surcharges	**1,371,631**	1,375,731
Auditors' remuneration	**12,000**	12,000
Losses/(gains) on disposal of property, plant and equipment and intangible assets	**12,639**	(2,188)
Repairs and maintenance	**1,132,088**	1,201,470
Operating lease rentals	**160,746**	153,317
Provision for impairment of receivables	**26,136**	66,616
Provision for impairment of inventories	**131,931**	10,153
Provision for impairment of available-for-sale financial assets	**2,797**	2,383
Provision for impairment of property, plant and equipment	**73,104**	38,315
Employee benefit expense (including directors' emoluments) (note (c), Note 33)	**6,584,578**	6,219,086
Mineral resource compensation fees (note (d))	**588,659**	582,311
Sustainable development charges (note (e))	**2,162,184**	1,944,560
Other expenses	**8,908,164**	9,428,895
Total cost of sales, selling, general and administrative expenses	**74,575,068**	76,808,333

31 EXPENSE BY NATURE (Continued)

Notes:

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

	2012 RMB'000	2011 Restated RMB'000
Depreciation for the year (Note 7)	**4,269,874**	4,259,659
Less: Allocated to inventories which remained unsold as at year end	**(27,885)**	(72,646)
Amount charged to income statement	**4,241,989**	4,187,013

Charged to:

	2012 RMB'000	2011 Restated RMB'000
Expenses		
– Cost of sales	**4,001,963**	3,953,322
– Selling, general and administrative expenses	**240,026**	233,691
	4,241,989	4,187,013

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

	2012 RMB'000	2011 Restated RMB'000
Land use rights (Note 8)	**68,639**	65,143
Mining rights (Note 9)	**372,066**	473,768
Intangible assets	**14,500**	12,844
	455,205	551,755

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

	2012 RMB'000	2011 Restated RMB'000
Charged to:		
Cost of sales	**4,453,430**	4,116,931
Selling, general and administrative expenses	**2,131,148**	2,102,155
	6,584,578	6,219,086

(d) The mineral resource compensation fees represent amounts will be 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 (2011: RMB13 to RMB20) per tonne.

32 FINANCE INCOME AND COSTS

	2012 RMB'000	2011 Restated RMB'000
Interest expense:		
– bank borrowings	1,261,409	744,214
– provisions: unwinding of discount	44,474	50,969
– long-term bonds	965,279	331,188
Other incidental borrowing costs and charges	13,272	7,394
Net foreign exchange (gains)/losses	(71,449)	45,568
Finance costs	2,212,985	1,179,333
Less: amounts capitalised on qualifying assets	(1,152,343)	(359,183)
Total finance costs	1,060,642	820,150
Finance income:		
– interest income on bank deposits	767,622	571,811
– interest income on loans receivable	39,016	50,640
Total finance income	806,638	622,451
Finance costs, net	254,004	197,699

Note:

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

	2012	2011
Capitalisation rate used to determine the amount of finance costs eligible for capitalisation	5.77%-6.79%	4.16%-6.98%

33 EMPLOYEE BENEFIT EXPENSE

	2012 RMB'000	2011 Restated RMB'000
Wages, salaries and allowances	**4,510,405**	4,239,168
Housing subsidies (note (a))	**423,734**	356,641
Contributions to pension plans (note (b))	**832,748**	718,338
Early retirement benefits (note (c))	**17,462**	78,580
Welfare and other expenses	**800,229**	826,359
	6,584,578	6,219,086

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. Effective from 1 January 2011, the Group also makes monthly defined contributions to a supplemental pension plan for the qualified employees.

(c) Certain employees of the Group were required to retire early during the years ended 31 December 2012 and 2011. 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.

34 INCOME TAX EXPENSE

	2012 RMB'000	2011 Restated RMB'000
Current income tax		
– PRC enterprise income tax (note (a))	**3,090,589**	3,996,304
Deferred income tax (Note 26)	**123,774**	(534,756)
	3,214,363	3,461,548

34 INCOME TAX EXPENSE (Continued)

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 2012 and 2011 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 15% 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:

	2012 **RMB'000**	2011 Restated RMB'000
Profit before income tax	**12,789,087**	14,315,353
Tax calculated at applicable tax rates	**3,197,272**	3,578,838
Preferential tax rates on the income of certain subsidiaries	**(60,403)**	(69,352)
Income not subject to taxation	**(74,173)**	(81,213)
Expenses not deductible for taxation purposes	**83,050**	46,109
Utilisation of previously unrecognised tax losses	**(437)**	(374)
Tax losses for which no deferred income tax asset has been recognised	**160,419**	85,622
Additional expenses allowable for tax deduction	**(91,365)**	(98,082)
Income tax expense	**3,214,363**	3,461,548

34 INCOME TAX EXPENSE (Continued)

Notes: (Continued)

(c) The tax (charge)/credit relating to components of other comprehensive income are as follows:

	2012			2011		
	Before tax	**Tax charge**	**After tax**	Before tax	Tax credit	After tax
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Fair value (gains)/losses:						
Available-for-sale financial assets	**(1,485)**	**371**	**(1,114)**	1,620	(405)	1,215
Currency translation differences	**(3,211)**	**—**	**(3,211)**	6,647	—	6,647
Other comprehensive income	**(4,696)**	**371**	**(4,325)**	8,267	(405)	7,862
Current tax		**—**			—	
Deferred tax		**371**			(405)	
		371			(405)	

The income tax charged/(credited) directly to other comprehensive income during the year is as follows:

	2012	2011
	RMB'000	RMB'000
Deferred tax:	**371**	(405)

35 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the number of 13,258,663,000 ordinary shares in issue during the year.

	2012	2011
		Restated
	RMB'000	RMB'000
Profit attributable to equity holders of the Company	**8,842,210**	9,955,333
Number of ordinary shares in issue (thousands)	**13,258,663**	13,258,663
Basic earnings per share (RMB per share)	**0.67**	0.75

As the Company had no dilutive instruments for the years ended 31 December 2012 and 2011, diluted earnings per share are presented equals to basic earnings per share.

36 DIVIDENDS

	2012 RMB'000	2011 RMB'000
Dividends recorded:		
– final dividends for 2010, paid (note (a))	—	2,072,693
– final dividends for 2011, paid (note (b))	**2,851,145**	—

	2012 RMB'000	2011 RMB'000
Dividends proposed after the balance sheet date:		
– final dividend for 2011 (note (b))	—	2,851,145
– final dividend for 2012 (note (c))	**2,785,296**	—

Notes:

(a) 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 RMB2,072,693,000 (RMB0.156 per share), based on total number of shares which are in issue as at 31 December 2010. Such dividend distribution was approved by the shareholders' meeting held on 27 May 2011 and had been fully paid to shareholders in June 2011.

(b) The Board of Directors, in a meeting held on 27 March 2012, proposed to distribute a final dividend for 2011 to equity holders of the Company of RMB2,851,145,000 (RMB0.215 per share), based on total number of shares which are in issue as at 31 December 2011.Such dividend distribution was approved by the shareholders' meeting held on 25 May 2012 and has been fully paid to shareholders in June and July 2012.

(c) The Board of Directors, in a meeting held on 15 March 2013, proposed to distribute a final dividend for 2012 to equity holders of the Company of RMB2,785,296,000 (RMB0.210 per share), based on total number of shares which are in issue as at 31 December 2012.Such dividend distribution is subject to the approval of shareholders' meeting, and is not reflected in these financial statements.

37 EMOLUMENTS OF DIRECTORS AND SUPERVISORS

(a) The emoluments of directors and supervisors for the year ended 31 December 2012 and 2011 are set out below:

	2012					
Name	Fees RMB'000	Salary RMB'000	Bonus RMB'000	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	—	—	—	—	—	—
Executive director:						
Mr. YANG Lieke	—	230	340	39	59	668
Non-executive director						
Mr. LI Yanmeng	29	—	—	—	—	29
	29	230	340	39	59	697
Independent non-executive directors						
Mr. ZHANG Ke	—	300	—	—	—	300
Mr. WU Rongkang	—	300	—	—	—	300
Mr. ZHANG Jiaren	—	300	—	—	—	300
Mr. ZHAO Pei	—	300	—	—	—	300
Mr. WEI Weifeng	—	300	—	—	—	300
	—	1,500	—	—	—	1,500
Supervisors:						
Mr. WANG Xi	—	—	—	—	—	—
Mr. ZHOU Litao	—	—	—	—	—	—
Mr. ZHANG Shaoping	—	135	330	39	47	551
	—	135	330	39	47	551
	29	1,865	670	78	106	2,748

37 EMOLUMENTS OF DIRECTORS AND SUPERVISORS (Continued)

(a) The emoluments of directors and supervisors for the year ended 31 December 2012 and 2011 are set out below: (Continued)

	2011					
Name	Fees	Salary	Bonus	Other benefits	Contribution to pension scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman, executive director						
Mr. WANG An	—	—	—	—	—	—
Vice Chairman, non-executive director						
Mr. PENG Yi	—	—	—	—	—	—
Executive director:						
Mr. YANG Lieke	—	250	325	36	30	641
Non-executive director						
Mr. LI Yanmeng	24	—	—	—	—	24
	24	250	325	36	30	665
Independent non-executive directors						
Mr. ZHANG Ke	—	300	—	—	—	300
Mr. WU Rongkang	—	300	—	—	—	300
Mr. ZHANG Jiaren	—	300	—	—	—	300
Mr. ZHAO Pei	—	300	—	—	—	300
Mr. WEI Weifeng	—	300	—	—	—	300
	—	1,500	—	—	—	1,500
Supervisors:						
Mr. WANG Xi	—	—	—	—	—	—
Mr. ZHOU Litao	—	—	—	—	—	—
Mr. ZHANG Shaoping	—	130	382	36	30	578
	—	130	382	36	30	578
	24	1,880	707	72	60	2,743

37 EMOLUMENTS OF DIRECTORS AND SUPERVISORS (Continued)

(a) The emoluments of directors and supervisors for the year ended 31 December 2012 and 2011 are set out below: (Continued)

Mr. Wang An, Mr. Peng Yi, Mr. Wang Xi and Mr Zhou Litao, 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.

During the year, the emoluments paid to each of the directors did not exceed HK$1,000,000 (equivalent to RMB810,900).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year are as follows:

	2012	2011
Director	**—**	—
Non-director individuals	**5**	5
	5	5

Details of emoluments paid to the non-director individuals are as follows:

	2012 **RMB'000**	2011 RMB'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**1,085**	969
Contributions to pension schemes	**240**	312
Discretionary bonuses	**2,838**	3,062
	4,163	4,343

During the year ended 31 December 2012, the emoluments paid to each of the highest paid non-director individuals are in the range of RMB780,840 and RMB904,793 (2011: RMB827,125 and RMB897,832).

(c) During the year ended 31 December 2012, 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.

38 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

(a) Reconciliation of profit before income tax to net cash inflows generated from operations

	2012 RMB'000	2011 Restated RMB'000
Profit before income tax	12,789,087	14,315,353
Adjustments for:		
Property, plant and equipment		
– depreciation charge	4,241,989	4,187,013
– net losses/(gains) on disposals	8,875	(2,188)
Land use rights, mining rights and intangible assets		
– amortisation charge	455,205	551,755
– losses on disposals	3,764	—
Provision for impairment of property, plant and equipment	73,104	38,315
Provision for impairment of receivables	26,136	66,616
Provision for impairment of inventories	131,931	10,153
Provision for impairment of available-for-sale financial assets	2,797	2,383
Share of profits of associates and jointly controlled entities	(235,865)	(294,280)
Net foreign exchange (gains)/losses	(71,449)	45,568
Losses/(gains) on disposal of investments	37,202	(4,049)
Interest income	(806,638)	(622,451)
Interest expense	1,118,819	767,188
Dividend income	(5,073)	(6,634)
Changes in working capital:		
Inventories	519,374	(1,174,181)
Trade receivables	(3,383,427)	(1,850,750)
Prepayments and other receivables	(649,553)	(1,353,038)
Trade payables	1,580,626	1,578,122
Accruals, advances and other payables	(1,083,090)	2,651,939
Restricted bank deposits	943,753	(775,650)
Decrease in provision for employee benefits	(31,110)	(117,638)
Increase in provision for close down, restoration, and environmental costs	21,631	187,230
Cash generated from operations	**15,688,088**	18,200,776

39 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 RMB10,845,622,000 (2011: RMB7,390,540,000).

40 CONTINGENT LIABILITIES

The Group is a defendant in certain lawsuits arising in the ordinary course of business. While the outcomes of such lawsuits 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.

41 COMMITMENTS

(a) Capital commitments

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

	Group	
	2012	2011
		Restated
	RMB'000	RMB'000
Property, plant and equipment	**18,725,052**	10,816,030
Others	**379,316**	253,350
	19,104,368	11,069,380

41 COMMITMENTS (Continued)

(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:

	Group	
	2012	2011
	RMB'000	RMB'000
Land and buildings:		
– Within 1 year	**126,211**	76,727
– From 1 year to 5 years	**314,828**	199,683
– Over 5 years	**862,680**	87,032
	1,303,719	363,442

(c) Investment commitments

The Company and China Coal Group signed an investment agreement on 21 August 2012 and agreed to jointly set up China Coal Energy Finance Company Limited, subject to the approval of China Banking Regulatory Commission. As of 31 December 2012, the Company is committed to invest RMB2,730 million in this company.

The Company and China Railway Investment Corporation along with other 14 companies signed a founders' agreement on 16 August 2012 and agreed to jointly set up Mengxi-Huazhong Railway Company Limited. Up to 31 December 2012, the Company has paid the first investment instalment of RMB100 million and is committed to further invest RMB5,300 million in this company in future years.

42 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Prior to 30 May 2012, the Company had 65% equity interest in Inner Mongolia China Coal Mengda New Energy Chemical Company Limited ("Mengda New Energy"). On 30 May 2012, the Company acquired an additional 10% of the equity interest of Mengda New Energy from a minority shareholder for a purchase consideration of RMB130,342,000. Thereafter, Mengda New Energy became a 75% owned subsidiary of the Company. The carrying amount of the proportionate share of non-controlling interests in Mengda New Energy acquired on the date of the transaction was RMB126,330,000. The Group recognised a decrease in non-controlling interests of RMB126,330,000 and a decrease in equity attributable to owners of the parent of RMB4,012,000.

The effect of this transaction on the Group's equity attributable to owners of the Company at the transaction date is as follows:

	As at 30 May 2012
	RMB'000
Carrying amount of non-controlling interests acquired	126,330
Consideration paid to non-controlling interests	130,342
Excess of consideration paid recognised in equity	4,012

(b) Prior to 30 May 2012, the Company had 51% equity interest in Wushenqi Mengda Mining Company Limited ("Mengda Mining"). On 30 May 2012, the Company acquired an additional 15% of the equity interest of Mengda Mining from a minority shareholder for a purchase consideration of RMB914,647,000. Thereafter, Mengda Mining became a 66% owned subsidiary of the Company. The carrying amount of the proportionate share of non-controlling interests in Mengda Mining acquired on the date of the transaction was RMB541,617,000. The Group recognised a decrease in non-controlling interests of RMB541,617,000 and a decrease in equity attributable to owners of the parent of RMB373,030,000.

The effect of this transaction on the Group's equity attributable to owners of the Company at the transaction date is as follows:

	As at 30 May 2012
	RMB'000
Carrying amount of non-controlling interests acquired	541,617
Consideration paid to non-controlling interests	914,647
Excess of consideration paid recognised in equity	373,030

43 SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group has extensive transactions with its parent company, China Coal Group. 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 in the years ended 31 December 2012 and 2011.

(a) Related party transactions

	2012	2011
		Restated
	RMB'000	RMB'000
Transactions with the Parent Company and fellow subsidiaries		
Coal Export and Sales (i)		
Charges paid for agency services of coal export	**3,889**	4,792
Integrated Material and Services Mutual Provision (ii)		
Charges paid for production materials and ancillary services	**2,436,449**	2,325,081
Charges paid for social and support services	**78,078**	62,930
Revenue received from supply of production materials and ancillary services	**607,073**	825,230
Revenue received from provision of coal export-related services	**35,749**	50,795
Mine Construction, Design and General Contracting Service (iii)		
Charges paid for construction services	**4,648,793**	3,755,926
Property Leasing (iv)		
Rental charge paid	**92,471**	70,677
Land Use Right Leasing (v)		
Rental charge paid	**61,620**	22,089
Coal Supplies (vi)		
Charges paid for coal supplies	**428,261**	788,768

43 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) Related party transactions (Continued)

(i) Under relevant PRC laws 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 31 December 2008. The Company renews the agreement with China Coal Group, extending the term of validity to 31 December 2014 after its expiry date of 31 December 2011.

(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. The Company renews the agreement with China Coal Group, extending the term of validity to 31 December 2014 after its expiry date of 31 December 2011.

43 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) Related party transactions (Continued)

(iii) The Company and China Coal Group entered into Mine Construction and Design Framework Agreement" on 5 September 2006, followed with contract renewal under the name of Mine Construction, Mine Design and General Contracting Service Framework Agreement upon its expiry date of 31 December 2008. Subsequently, the Company and China Coal Group extend this contract and change its name to Project Design, Construction and General Contracting Framework Agreement when the contract is due on 31 December 2011. The deal mainly includes:

- China Coal Group provides the Company with engineering design, construction and general contracting;
- China Coal Group undertakes projects which the Company subcontracts;
- For engineering design, construction and general contracting, services providers and pricing would be determined in the form of public bidding;
- The agreement is valid up to 31 December 2014.

(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. This agreement is valid for 10 years, taking effect from 22 August 2006.

(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. This agreement is valid for 20 years, taking effect from 22 August 2006.

(vi) 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. The Company renewed the agreement with China Coal Group, extending the term of validity to 31 December 2014 after its expiry date of 31 December 2011.

43 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) Related party transactions (Continued)

	2012 RMB'000	2011 Restated RMB'000
Transactions with jointly controlled entities		
Sales and interests		
Revenue received from sales of coal	**82,692**	100,451
Interest income on loan receivables	**39,016**	50,640
Purchases of goods and services:		
Purchases of materials and spare parts	**1,118**	30,237
Transactions with associates:		
Sales and services provided:		
Revenue received from sales of machinery and equipment	**27,143**	22,742
Operating income from property, plant and equipment	**156,316**	128,283
Revenue received from sales of coal	**340,121**	—
Purchases of goods and services:		
Purchases of materials and spare parts	**32,001**	36,968
Transportation services	**442,894**	413,709

43 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) Related party transactions (Continued)

	2012 RMB'000	2011 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	**2,642**	2,683
– Other key management	**4,440**	3,511
Pension costs-defined contribution plans		
– Directors and supervisors	**106**	60
– Other key management	**320**	178

Transactions with other government related entities in PRC

Apart from transactions with China Coal Group, its subsidiaries, associates and jointly controlled entities, the Group has extensive transactions with other government related entities.

During the years ended 31 December 2011 and 2012, majority of the following Group's activities are conducted with other state-controlled entities:

- Sales of coal;
- Sales of machinery and equipment;
- Purchases of coal;
- Purchases of materials and spare parts;
- Purchases of transportation services; and
- Bank balances and borrowings.

43 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) Related party transactions (Continued)

Transactions with other government related entities in PRC (Continued)

In addition to the above mentioned, transactions with other state-controlled entities also include but not limited to the following:

- Lease of assets

These transactions are conducted in accordance with the contracts the Group entered into based on market prices.

(b) Commitments to related parties

	2012 RMB'000	2011 RMB'000
With the parent company and fellow subsidiaries		
– Purchases of goods	**27,514**	1,387
– Purchases of services	**1,668,932**	1,010,004
– Leasing	**1,302,803**	344,605
Total	**2,999,249**	1,355,996

(c) Loan guarantees to related parties

	2012 RMB'000	2011 RMB'000
Loan guarantees to related parties		
– Associates	**1,523,566**	1,370,066
– Jointly controlled entities	**171,000**	—
Total	**1,694,566**	1,370,066

44 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

As at 31 December 2012, 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 2012 or formed a substantial portion of the Group at the balance sheet date:

(a) 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 Pingshuo Group Company Limited (中煤平朔集團有限公司)	Shuozhou, the PRC 25 August 2008	RMB17,733,434,843	100%	100%	Coal mining, manufacture and processing of coal and other related services	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	RMB6,594,623,022	100%	100%	Design, manufacture and sale of machinery and equipment for coal industry	Limited liability company
China Coal and Coke Holdings Limited (中煤焦化控股有限責任公司)	Beijing, the PRC 15 August 2003	RMB1,048,813,800	100%	100%	Manufacture and sale of coke	Limited liability company
Shanxi China Coal Huajin Energy Company Limited (山西中煤華晉能源有限責任公司)	Taiyuan, the PRC 8 September 2011	RMB1,656,418,367	51%	51%	Coal mining	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	RMB100,000,000	100%	100%	Sale of mining equipment	Limited liability company

44 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(a) 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 Tendering Company Limited (中煤招標有限責任公司)	Beijing, the PRC 28 December 2001	RMB45,353,020	100%	100%	Tendering services	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
China Coal Xing'an Energy Chemical Engineering Company Limited (中煤興安能源化工有限公司)	Ulanhot, the PRC 16 August 2011	RMB500,000,000	100%	100%	Coal chemical engineering	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	RMB40,902,985	78.43%	100%	Warehousing and freight forwarding of coal	Limited liability company
China Coal Ordos Energy Chemical Company Limited (中煤鄂爾多斯能源化工有限公司)	Ordos, the PRC 27 April 2011	RMB2,432,670,000	100%	100%	Coal chemical engineering	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	RMB16,500,000	100%	100%	Sale of coal products and other related 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	RMB100,000,000	100%	100%	Sale of machinery, mineral and chemical products	Limited liability company

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012
(All Amounts in RMB unless otherwise stated)

44 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(a) 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, trading of coal and coke	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
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
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	RMB232,190,000	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	RMB245,930,000	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
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	RMB800,000,000	100%	100%	Coal chemical engineering	Limited liability company
Shanxi China Coal Dongpo Coal Industry Company Limited (山西中煤東坡煤業有限公司)	Shuozhou, the PRC 1 November 2002	RMB1,111,488,600	100%	100%	Coal mining	Limited liability company

44 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(a) 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 Xinjiang Coal Electricity Company Limited (中煤能源新疆煤電化有限公司)	Shihezi, the PRC 9 April 2009	RMB800,000,000	60%	60%	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)	Hami, the PRC 13 July 2009	RMB304,766,400	100%	100%	Coal mining	Limited liability company
China Coal Yili Coal Electricity Company Limited (中煤能源伊犁煤電化有限公司)	Yining, the PRC 22 July 2009	RMB100,000,000	100%	100%	Coal chemical engineering	Limited liability company
China Coal Inner Mongolia Mengda New Energy Chemical Company Limited (內蒙古中煤蒙大新能源化工有限公司)	Ordos, the PRC 9 November 2005	RMB1,231,000,000	75%	75%	Methanol production	Limited liability company
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	66%	66%	Coal mining and manufacture and sale of chemical 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
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

44 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(a) 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	RMB3,365,560,000	100%	100%	Manufacture and processing of coal	Limited liability company
Ordos Yinhe Hongtai Coal Power Company Limited (鄂爾多斯市銀河鴻泰煤電有限公司)	Ordos, the PRC 10 May 2006	RMB117,221,100	79%	79%	Coal mining	Limited liability company
China Coal Shanxi Puxian Jinchang Mining Company Limited (山西蒲縣中煤晉昶礦業有限責任公司)	Linfen, the PRC 12 March 2012	RMB50,000,000	51%	51%	Manufacture and processing of coal	Limited liability company
China Coal Sales and Transportation Company Limited (中國煤炭銷售運輸有限責任公司)	Beijing, the PRC 29 March 1983	RMB302,468,379	100%	100%	Sale of coal products and other related products	Limited liability company
Shanxi Zhongxin Tangshangou Coal Industry Company Limited (山西中新唐山溝煤業有限責任公司)	Datong, the PRC 18 November 1981	RMB16,350,000	80%	80%	Coal mining	Limited liability company

Notes:

(a) 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.

44 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(b) 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 (b))	Manufacture and processing of coal	Sino-foreign joint venture
China Coal and Coke Xuyang China Coal Group (河北中煤旭陽焦化有限公司)	Xingtai, the PRC 21 November 2003	RMB100,000,000	—	45% (note (b))	Manufacture and sale of coal and other related products	Limited liability company
Gansu China Coal Tianda Energy Company Limited (甘肅中煤天大能源有限公司)	Qingyang, the PRC 14 October 2011	RMB25,000,000	50% (note (b))	50% (note (b))	Coal and coal chemical engineering	Limited liability company

Notes:

(b) As neither the venturers of these entities are in a 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.

44 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(c) 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 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	24.50%	24.50%	Port logistics	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	RMB1,013,516,600	21%	21%	Coal quay construction	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
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	RMB1,514,000,000	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)	Ordos, the PRC 24 October 2007	RMB7,933,850,680	38.75%	38.75%	Coal chemical engineering	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
Shanxi Pingshuo Gangue-fired Power Generation Co., Ltd. (山西平朔煤矸石發電有限責任公司)	Shuozhou, the PRC 10 December 2002	RMB714,250,000	—	33%	Power generation and related products	Limited liability company

44 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(c) 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
Shuozhou Pingshuo Luda Railway Transportation Company Limited (朔州平朔路達鐵路運輸有限公司)	Shuozhou, the PRC 19 May 2004	RMB10,000,000	—	37.5%	Railway transportation	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)	Shuozhou, the PRC 31 July 1996	RMB137,018,257	—	29.71%	Sale of fertilizer and other chemical products	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
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	RMB31,700,000	—	25.86%	Manufacture and sale of environmental friendly equipments	Limited liability company
Neimenggu Tianlong Mining Machinery Maintenance Company Limited (內蒙古天隆煤機維修有限責任公司)	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 (內蒙古蘇裡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
China Power Shentou Co., Ltd (中電神頭發電有限責任公司)	Shuozhou, the PRC 20 February 2012	RMB830,254,157	20%	20%	Power generation and related products	Limited liability company

44 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (Continued)

(c) 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
Datong Coal Mining Group Electrical Machinery and Equipment (Fushun) Co., Ltd (大同煤礦集團機電裝備撫順電機有限公司)	Datong, the PRC 20 March 2012	RMB60,000,000	—	30%	Manufacture and sale of methanol related products	Limited liability company
Shuozhou Fumin Water Supply Investment Construction Company Limited (朔州市富民供水投資建設公司)	Ordos, the PRC 9 June 2009	RMB153,000	—	51% (note (c))	Water supply	Limited liability company
Huajin Coking Coal Company Limited (華晉焦煤有限責任公司)	Liulin, the PRC 23 February 2001	RMB530,486,236	49%	49%	Coal mining	Limited liability company

Notes:

(c) As the strategic, financial and operating decisions relating to the company is controlled by the other shareholders, they are accounted for as associates of the Group.

The English names of certain subsidiaries, jointly controlled entities and associated companies referred to herein represent management's best effort at translating the Chinese names of these companies as no English names have been registered.

45 ULTIMATE HOLDING COMPANY

The Company's directors regard China Coal Group, a company established in the PRC, as the ultimate holding company of the Company.

Financial Summary for Recent Five Years

	2008 Annual Report	2009 Annual Report	2010 Annual Report	2011 Annual Report (Restated)	**2012 Annual Report**
Revenue and Profit					
Revenue	50,992,807	53,187,027	70,302,637	90,864,746	**87,291,670**
Profit before income tax	10,511,824	10,315,570	10,998,895	14,315,353	**12,789,087**
Income tax	(2,491,651)	(2,395,399)	(2,847,876)	(3,461,548)	**(3,214,363)**
Profit for the year	8,020,173	7,920,171	8,151,019	10,853,805	**9,574,724**
Attributable to:					
Equity holders of the Company	7,140,836	7,409,336	7,466,357	9,955,333	**8,842,210**
Non-controlling interests	879,337	510,835	684,662	898,472	**732,514**
Dividends	825,484	2,043,559	1,986,651	2,072,693	**2,851,145**
Earnings per share attributable to the equity holders of the Company (RMB/share)	0.54	0.56	0.56	0.75	**0.67**
Assets and Liabilities					
Non-current assets	37,132,046	60,226,564	74,236,219	104,978,986	**136,306,348**
Current assets	51,052,121	50,873,086	48,699,970	57,172,910	**49,381,353**
Current liabilities	12,744,105	15,519,185	19,390,780	29,824,205	**34,126,108**
Net current assets/(liabilities)	38,308,016	35,353,901	29,309,190	27,348,705	**15,255,245**
Total assets less current liabilities	75,440,062	95,580,465	103,545,409	132,327,691	**151,561,593**
Non-current liabilities	12,669,773	17,384,763	17,206,859	35,454,049	**50,141,175**
Net assets	62,770,289	78,195,702	86,338,550	96,873,642	**101,420,418**
Equity attributable to the equity holders of the Company	58,541,594	68,595,392	74,048,571	82,525,133	**86,726,393**
Non-controlling interests	4,228,695	9,600,310	12,289,979	14,348,509	**14,694,025**

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

Basic Information about the Company

Registerd Address and Office Address of the Company	No. 1 Huangsidajie, Chaoyang District, Beijing, PRC
Post Code	100120
Internet Website	http://www.chinacoalenergy.com
Email Address	IRD@chinacoal.com
Newspapers Designated for Information Disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
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

Company Profile

Brief information about shares of the Company

Type of shares	Stock Exchange for listing of share	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

Accounting firms of the Company

Domestic accounting firm of the Company	PricewaterhouseCoopers Zhong Tian CPAs Limited Company
Office address of the domestic accounting firm of the Company	11/F, PricewaterhouseCoopers Center, Building 2, Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai, PRC
International accounting firm of the Company	PricewaterhouseCoopers
Office address of the international accounting firm of the Company	22/F, Prince's Building, Central, Hong Kong

Company Profile

Legal Advisors of the Company	
Legal advisor as to PRC law	Beijing Jiayuan Law Firm
Contact address	R407 Ocean Plaza, 158 Fuxingmennei Avenue, Xicheng District, Beijing, China
Legal advisor as to Hong Kong law	DLA Piper Hong Kong
Contact address	17/F, Edinburgh Tower, The Landmark, 15 Queen's Road, 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, China
H Share Registrar	Computershare Hong Kong Investors Services Limited
Contact Address	Rooms 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:

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
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
Board of the Company/Board	the board of directors of China Coal Energy Company Limited
China Coal and Coke	China Coal and Coke Holdings Limited
China Coal Equipment Company	China National Coal Mining Equipment Company Limited
China Coal Group	China National Coal Group Corporation, the controlling shareholder of the Company
China Coal Huajin Company	Shanxi China Coal Huajin Energy Co., Ltd.
Company Website	www.chinacoalenergy.com
Company/China Coal Energy/ The Group/The Company	China Coal Energy Company Limited, unless otherwise indicated, also includes all of its subsidiaries
CSRC	China Securities Regulatory Commission
Datun Mining Area	the coal mining area in Jiangsu Province operated by Shanghai Energy Company, comprising the Yaoqiao, Kongzhuang, Xuzhuang and Longdong mines
Directors	the directors of the Company, including all the executive directors, non-executive directors and independent non-executive directors
Dongpo Company	Shanxi China Coal Dongpo Coal Industry Company Limited
Shuozhong Company	Shuozhou China Coal Pingshuo Energy Company Limited
Dazhong Company	Datong China Coal Export Base Development Company Limited

Definitions

Finance Company	China Coal Finance Co., Ltd
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
Heilongjiang Coal Chemical Group	China Coal Heilongjiang Coal Chemical Engineering (Group) Company Limited
HKSE	The Stock Exchange of Hong Kong Limited
HKSE Website	www.hkexnews.hk
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Huajin Coking Coal Company	Huajin Coking Coal Company Limited
Huaning Company	Shanxi Huaning Coking Coal Company Limited
Import and Export Company	China Coal Import and Export Company
Jinhaiyang Company	China Coal Group Shanxi Jinhaiyang Energy Co., Limited
Jinmei Group	Shanxi Jincheng Anthracite Mining Group Co., Ltd.
Mengda Chemical Company	Inner Mongolia China Coal Mengda New Energy Chemical Company Limited
Mengji Railway Company	Mengji Railway Company Limited
Mengxi-Huazhong Railway Company	Mengxi-Huazhong Railway Co., Ltd.
Ministry of Finance	the Ministry of Finance of the People's Republic of China
Nanliang Company	Shaanxi Nanliang Coal Company Limited
NDRC	the National Development and Reform Commission of the People's Republic of China
Pingshuo Company	China Coal Pingshuo Group Co., Ltd.

Definitions

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, the Jingdong Mine and Pingshuo East Open Pit Mine
PricewaterhouseCoopers	PricewaterhouseCoopers
PricewaterhouseCoopers Zhong Tian	PricewaterhouseCoopers Zhong Tian CPAs Limited Company
RMB	RMB yuan
SAIC	the State Administration for Industry and Commerce of the People's Republic of China
Sales and Transportation Company	China Coal Sales and Transportation Company Limited
SASAC	the State-owned Assets Supervision and Administration Commission of the State Council
SAWS	the State Administration of Work Safety of the People's Republic of China
Shaanxi Company	China Coal Shaanxi Yulin Energy Chemical Company Limited
Shanghai Energy Company	Shanghai Datun Energy Resources Company Limited
Shanghai Zendai	Shanghai Zendai Investment Management Company Limited
Shanxi Coking Coal Group	Shanxi Coking Coal Group Co., Ltd.,
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 Shares and holder(s) of H Shares
SSE	the Shanghai Stock Exchange
SSE Listing Rules	the Listing Rules of the Shanghai Stock Exchange
SSE Website	www.sse.com.cn

Definitions

Taiyuan Coal Gastification Group	Taiyuan Coal Gastification (Group) Co., Limited
Tang Shan Gou Company	Shanxi Zhongxin Tangshangou Coal Mine Company Limited
Sales and Transportation Company	China Coal Sales and Transportation Company Limited
Yilan Coal Mine No.3	an underground coal mine in Heilongjiang Province operated by China Coal Heilongjiang Coal Chemical Company Limited
Yinhe Hongtai Company	Ordos Yinhe Hongtai Coal Electricity Company Limited
Zhongtian Synergetic Company	Zhongtian Synergetic Energy Company Limited

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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

中煤能源2012年社会责任报告

CHINA COAL ENERGY CSR Report

2012

中国中煤能源股份有限公司

CHINA COAL ENERGY COMPANY LIMITED

Description for Preparation

Summary of the report

This report is the fourth CSR report published by China Coal Energy Company Limited. It reviews the opportunities and challenges the Company faced during the year 2012 and discloses the Company's philosophy, practices and results in performing its economic, environmental and social responsibilities.

Basis 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 "Guidelines 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 Research 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 2012 in this report refers to the period from 1 January 2012 to 31 December 2012. 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.

Assurance of the report

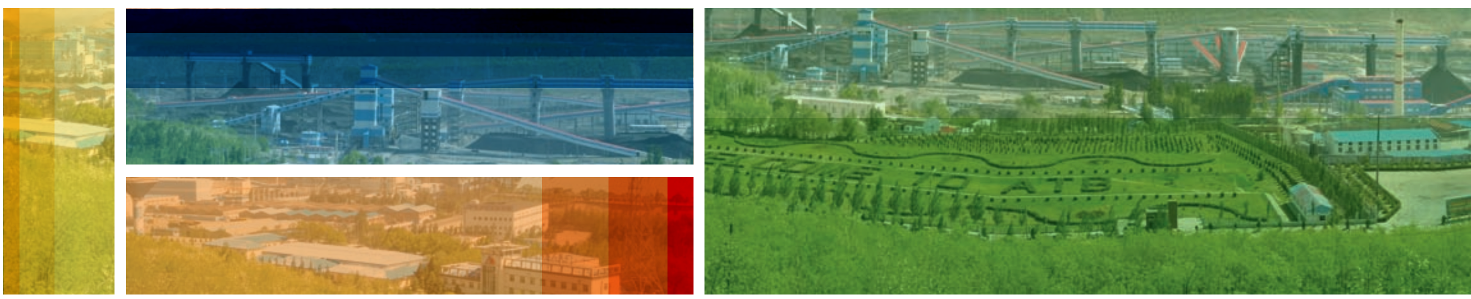
In order to ensure the accuracy and reliability of this report, this report has been submitted to PricewaterhouseCoopers Zhong Tian CPAs Limited Company to conduct limited assurance engagement on selected key data disclosed in this report in accordance with the International Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits and Reviews of Historical Financial Information" and to issue an independent assurance 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



In 2012, the world economy remained in the doldrums, with the sluggish growth of developed economies and the decrease in economic growth of emerging markets. The complex and volatile internal and external environment increased downside risks for China's economy, a slowdown of domestic economy, a weak growth of coal demand and enormous market pressure. In proactively responding to the drastic market impact, the Company took the initiative and managed to overcome arduous challenges including the complex conditions of the majority of its mines and the difficulties in coal production and sales, accelerated structural adjustment, promoted industrial upgrading, improved the mechanism of production and sales, and took vigorous measures to cut costs and increase efficiency. These efforts enabled the Company to achieve desirable operating results.

Capitalising on the advantage of economies of scale and responding to market challenges to maintain stable growth of operating results. Since the beginning of 2012, domestic coal price witnessed a sharp decline and the supply and demand relation reversed. In the face of the severe situation, the Company utilised its advantages of economies of scale and integrated operation. Through efficient production and the implementation of the "Quantity to compensate the low price, Quality to boost the sales" strategy, the Company achieved an annual raw coal production volume of 145 million tonnes, representing a year-on-year increase of 11.3%. The production volume of commercial coal reached 114 million tonnes, representing a year-on-year increase of 9.7%. Insisting on the general principle of "mega sales, mega logistics, mega network and mega coordination", the Company remained market-oriented and customer-centric, improved its structure and mechanisms, adjusted its product structure, strengthened coal quality control, enhanced production and sales coordination, actively secured railway transport capacity, improved customer service, advanced market development and sales service, and effectively responded to market challenges. The sales volume of coal for 2012 reached 149.54 million tonnes, representing a year-on-year increase of 7.9%.

Speeding up project construction and optimising layout to ensure sustainable development. The Company accelerated the construction of key projects and new bases. A new pattern featuring large scale, clusters and mega cycle was being formed in the Pingshuo Mining Area. Energy and chemical industry base with a capacity of 100 million tonnes in Inner Mongolia and Shaanxi was shaping into an embryonic form. The Pingshuo East Open Pit Mine was completed and put into operation, producing 7.63 million tonnes of raw coal in 2012. Wangjialing Coal Mine will be completed and put into operation in 2013 and Xiaohuigou Coal Mine obtained the mining license. Coal mining projects in Inner Mongolia and Shaanxi areas progressed on schedule and coal conversion projects progressed rapidly. The project that transferred coke oven gas into chemical fertiliser based in Lingshi, Shanxi successfully completed the commissioning test run at the end of 2012. Major equipment installation was completed at the Tuke Fertiliser project, which shall be expected to be undergoing commissioning test run at the end of 2013. Resources securing and project advancement laid a foundation for fulfilling the targets set out in the "Twelfth Five-Year Plan" and enhanced the Company's capacity to achieve sustainable development.

Remarkable results achieved in safe production through fulfilling safety responsibilities and strengthening safety management. The Company centred upon a three-year action plan to build a safe assurance enterprise, further promoted the concept of "environment, caliber and responsibility", standardised the safety fundamentals management, released a "Twelfth Five-Year Plan for Safe Production", continued to enhance its capability to ensure safety, and improved the technology management system, which further guaranteed mining safety. The Company further strengthened safety work by pushing forward safety quality standardisation and enhancing safety control. More than 60% of the operating mines were named "National Safety Quality Standardised Coal Mines". The Company made steady progress in safe production and continued to maintain in the world's leading position.

Strengthening the innovation-driven strategy, enhancing the steering function and leading the technological development of the industry. The Company implemented the integrated leading technological innovation strategy and led industrial technological advancement that supported enterprises to transform their mode of development. The Company strengthened the construction of a new system characterising the dynamic integration of production, education, research and application, tackled a series of key technological obstacles and achieved a number of high-level technological innovation outcomes, which supported the advancement of technologies for core businesses and productivity. The Company undertook 17 major national technology schemes and projects, and carried out 43 company-based key technology projects. A national collaborative innovation centre was co-founded by the Company and China University of Mining and Technology, bringing the level and quality of cooperation among production, education and research to a new level. The Company won 1 national award and 14 provincial or ministry-level awards for technological advancement and was granted 186 patents, demonstrating the Company's enhanced capability in technological innovation.

Progressing towards a green China Coal Energy through system perfection so as to speed up the Company's "Green Development". The Company proposed the core concept of "A green China Coal Energy to benefit the nature" and positioned green development as a major constituent of its development strategy. The Company set out the general principle, the targets and major tasks of green development, energy conservation and environmental protection during the "Twelfth Five-Year Plan", and pushed forward the construction of "A green China Coal Energy" by improving the construction system and establishing green standards and evaluation system for coal and coal mining equipment, which achieved satisfactory results. The subsidiary Pingshuo Company has received various awards, including the China Baosteel Environmental-Friendly Prize, and was named the National Advanced Collective in Energy-Saving and the National Advanced Entity in Circular Economy.

Becoming an outstanding corporate citizen that promotes the economy and benefits people's livelihood. We are dedicated to establishing harmonious relationship with employees, benefiting our staffs with the fruits of our development achievements and realising mutual growth for the Company and its staff through sharing the Company's results with all staff members as well as improving labour protection and staff benefits and solving their difficulties. Adhering to the philosophy of "co-operation for mutual benefits of the locality and enterprise", the Company increased the investment to speed up the construction of its five production bases, which effectively boosted the local economy development and employment. In 2012, RMB35.347 billion was invested and taxes of RMB16.546 billion were paid. We extended our active presence in local charity causes such as supporting impoverished areas and caring for low-income groups. We donated RMB15.64 million for charity in 2012. Amid its fast paces forward, the Company also looked into itself under a long-term plan to incorporate corporate value into the society, and made valuable contributions to the stability of local community and its economic growth.

China Coal Energy, as a large energy enterprise with special historical mission, not only needs to create profit and value for its own development, but also undertakes strategic mission for national economic development to realise the common goal of society. China Coal Energy will aim at a revolution of the management mode sought to inspire and unite stakeholders to pool their potential and unity to create social value and effectively manage the impact on the society and the environment arising from its own operation through making fundamental changes in the mode of management, thereby maximising the integrated value of economy, social and environment of enterprise development, and optimising the allocation of social resources and better protecting the national supply of resources while promoting industrial development. In 2013, domestic and international economic situation shall continue to witness arduous challenges. The uncertainty and instability of economic recovery in developed economies will further slow down the economic growth in developing countries and the whole world. Chinese economy is undergoing a crucial stage of structural adjustment and development mode change. Control on total energy consumption, energy saving and environmental protection will exert a far-reaching impact on the trend of energy consumption. China Coal Energy will further grasp market movements, reinforce foundation management and accelerate structural adjustment. Through injecting the genes of social responsibility management into the whole process of business management, China Coal Energy will create greater overall benefits and harmonious value, and offer the community with cleaner and greener energy products and services.

Wang An
March 15 2013

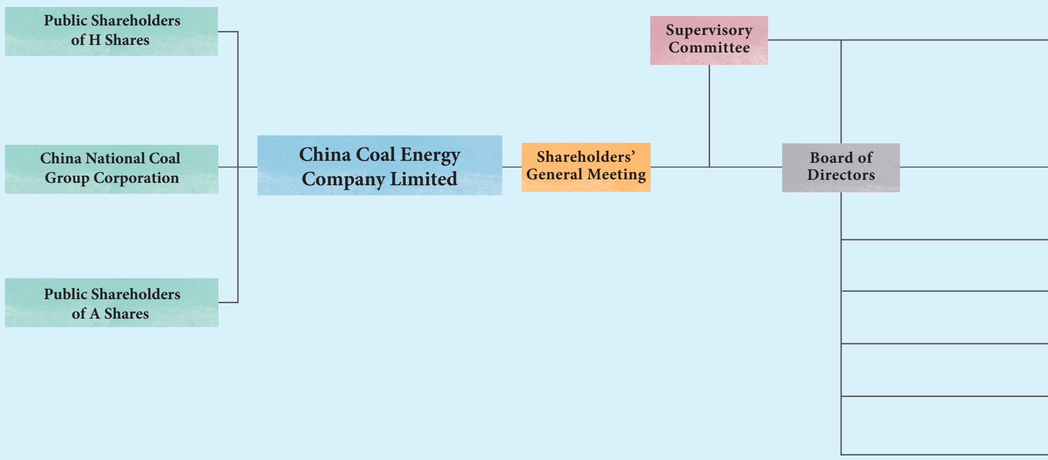
Company Overview

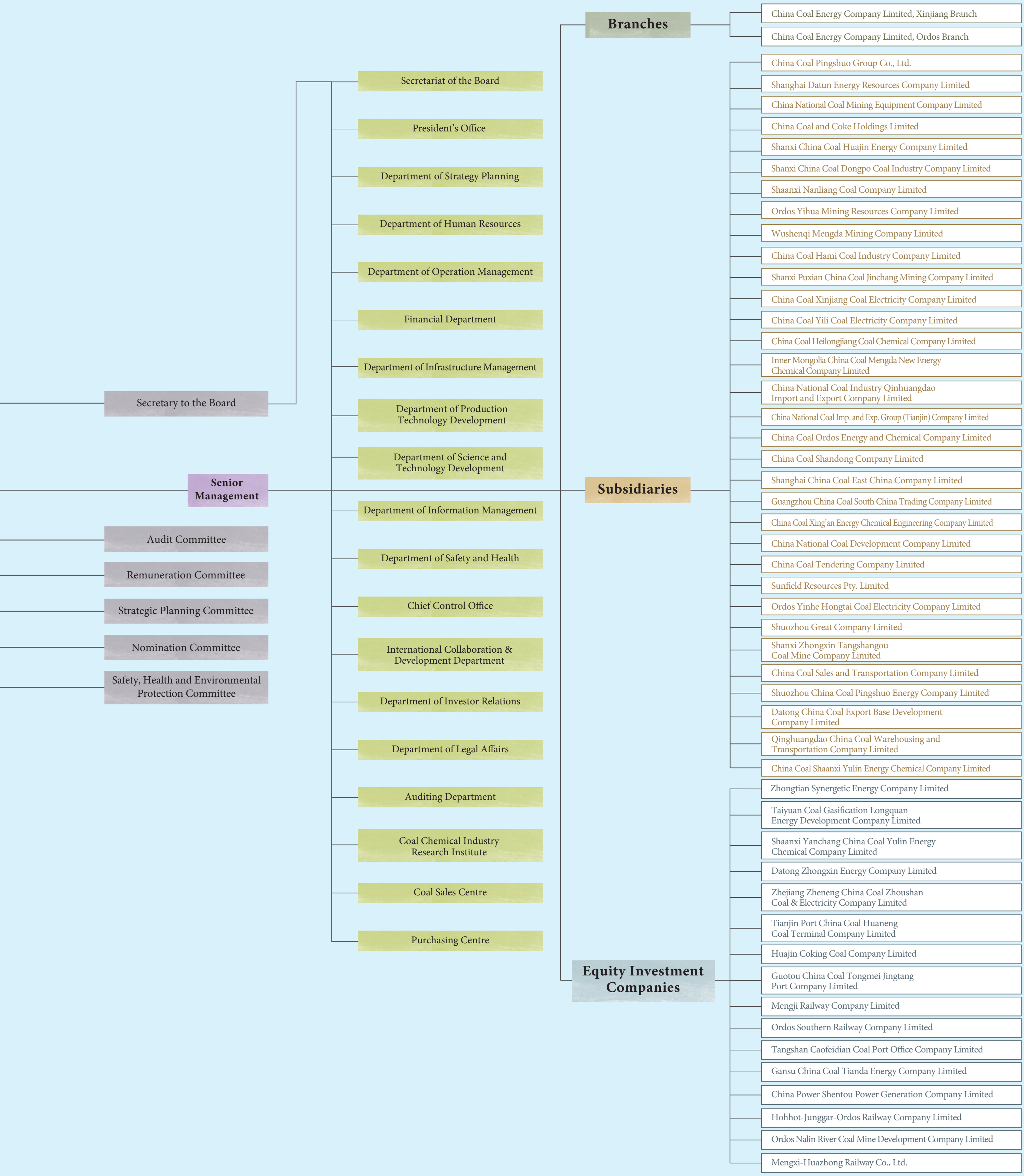
China Coal Energy Company Limited was solely established as a joint stock company by China National Coal Group Corporation on 22 August 2006. The shares of the Company have been successfully listed in Hong Kong since December 2006, while its A shares were issued in February 2008. The headquarter of the 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 engineering, power generation and coal mining equipment manufacture. With ample coal resources, the Company has been ranked the fifth and the second among all listed coal companies in terms of coal reserves in the world and in the PRC respectively. In 2012, the volume of coal production of the Company was 145 million tonnes, and the Company was the second 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 manufacture of a comprehensive range of mining and drilling equipment.

The Company boasts strong resource advantages, comprehensive business structure, advanced skills in mining and processing of coal, solid sales and customer service network, experienced management team and reputable brand name.

Company Organisation Chart of CHINA COAL ENERGY COMPANY LIMITED




Branches
China Coal Energy Company Limited, Xinjiang Branch
China Coal Energy Company Limited, Ordos Branch
Secretariat of the Board
President's Office
Department of Strategy Planning
Department of Human Resources
Department of Operation Management
Financial Department
Department of Infrastructure Management
Department of Production Technology Development
Department of Science and Technology Development
Department of Information Management
Department of Safety and Health
Chief Control Office
International Collaboration & Development Department
Department of Investor Relations
Department of Legal Affairs
Auditing Department
Coal Chemical Industry Research Institute
Coal Sales Centre
Purchasing Centre
Secretary to the Board
Senior Management
Audit Committee
Remuneration Committee
Strategic Planning Committee
Nomination Committee
Safety, Health and Environmental Protection Committee
Subsidiaries
China Coal Pingshuo Group Co., Ltd.
Shanghai Datun Energy Resources Company Limited
China National Coal Mining Equipment Company Limited
China Coal and Coke Holdings Limited
Shanxi China Coal Huajin Energy Company Limited
Shanxi China Coal Dongpo Coal Industry Company Limited
Shaanxi Nanliang Coal Company Limited
Ordos Yihua Mining Resources Company Limited
Wushenqi Mengda Mining Company Limited
China Coal Hami Coal Industry Company Limited
Shanxi Puxian China Coal Jinchang Mining Company Limited
China Coal Xinjiang Coal Electricity Company Limited
China Coal Yili Coal Electricity Company Limited
China Coal Heilongjiang Coal Chemical Company Limited
Inner Mongolia China Coal Mengda New Energy Chemical Company Limited
China National Coal Industry Qinhuangdao Import and Export Company Limited
China National Coal Imp. and Exp. Group (Tianjin) Company Limited
China Coal Ordos Energy and Chemical Company Limited
China Coal Shandong Company Limited
Shanghai China Coal East China Company Limited
Guangzhou China Coal South China Trading Company Limited
China Coal Xing'an Energy Chemical Engineering Company Limited
China National Coal Development Company Limited
China Coal Tendering Company Limited
Sunfield Resources Pty. Limited
Ordos Yinhe Hongtai Coal Electricity Company Limited
Shuozhou Great Company Limited
Shanxi Zhongxin Tangshangou Coal Mine Company Limited
China Coal Sales and Transportation Company Limited
Shuozhou China Coal Pingshuo Energy Company Limited
Datong China Coal Export Base Development Company Limited
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Zhongtian Synergetic Energy Company Limited
Taiyuan Coal Gasification Longquan Energy Development Company Limited
Shaanxi Yanchang China Coal Yulin Energy Chemical Company Limited
Datong Zhongxin Energy Company Limited
Zhejiang Zheneng China Coal Zhoushan Coal & Electricity Company Limited
Tianjin Port China Coal Huaneng Coal Terminal Company Limited
Huajin Coking Coal Company Limited
Guotou China Coal Tongmei Jingtang Port Company Limited
Mengji Railway Company Limited
Ordos Southern Railway Company Limited
Tangshan Caofeidian Coal Port Office Company Limited
Gansu China Coal Tianda Energy Company Limited
China Power Shentou Power Generation Company Limited
Hohhot-Junggar-Ordos Railway Company Limited
Ordos Nalin River Coal Mine Development Company Limited
Mengxi-Huazhong Railway Co., Ltd.

Strategies of the Company

Map of the Five Major Bases of China Coal Energy

Shanxi Base

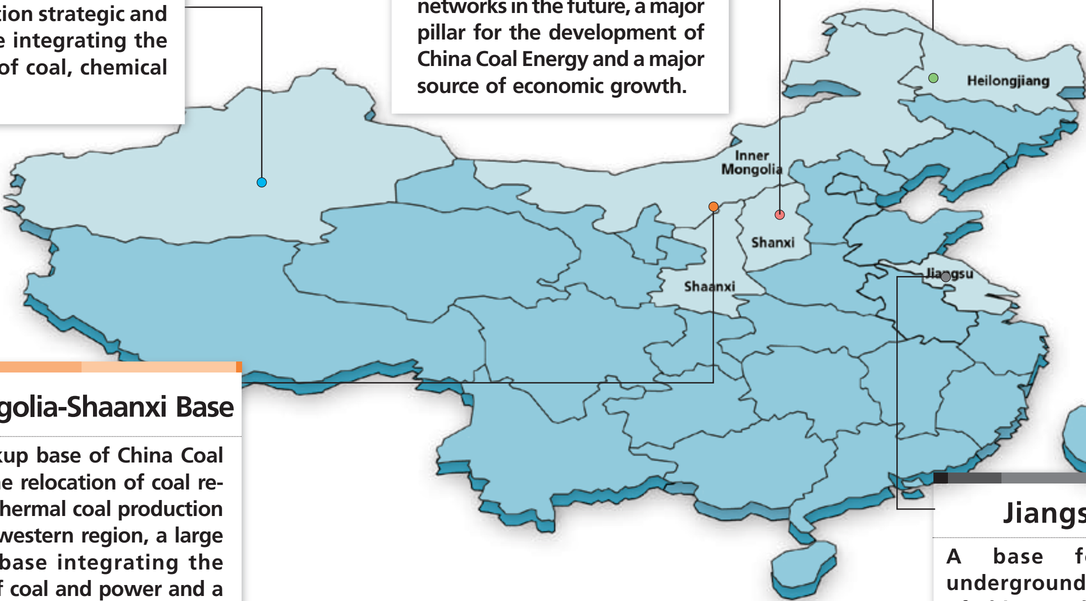
A major coal production base of China Coal Energy, a major base for coke production, a major base for the power generation, and deployment of coal-based natural gas transmission terminal pipe networks in the future, a major pillar for the development of China Coal Energy and a major source of economic growth.

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 of coal chemical professionals.

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 western 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-tonne ultra-large coal base in Inner Mongolia-Shaanxi, the core coal industry, coal chemical and power generation-related businesses, while also emphasising 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 of doubling the economic volumes by the end of the "Twelfth Five-Year Plan" period.

The guidelines for the development of the Company of the "Twelfth Five-Year Plan" are as follow: 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, insisting on 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-years plan" are as follow: the Company will achieve over 200 million tonnes in raw coal production to form an industrial layout with four pillar industries of coal, coal chemicals, 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 tonnes 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 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 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 recruiting 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 investment in safety, integrates advanced technology and equipment and raises the standards of 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.

Corporate Governance

Standardised operation

In 2012, the Company endeavoured to pursue standardised operations, improve the corporate governance system, accelerate the development of information systems, improve the comprehensive risk management system and internal control system as well as enhance management efficiency and corporate governance.

The Company has established a corporate governance structure comprising the general meeting, the Board, the supervisory committee and the management in accordance with the provisions of the relevant laws and regulations as Company Law, Securities Law so as to establish a check-and-balance mechanism with clear delineation of rights and responsibilities and standardised operation among the executive, decision-making and supervisory bodies and operation team. The Company has formulated a series of rules and regulations such as "Articles of Associations", "Rules of Procedures of Shareholder's General Meetings" and "Rules of Procedures of the Board of Directors". In 2012, the Company revised the rules and regulations such as "Articles of Associations", "Rules of Procedures of Shareholder's General Meetings", "Rules of Procedures of the Board of Directors", "Work Manual of the Remuneration Committee", "Work Manual of the Audit Committee", "Work Manual of the Nomination Committee". "Work System of Independent Directors" and "The Registration System on Company Insiders" in compliance with the latest requirements of the laws and regulations, the listing rules and regulatory rules on the exchanges where the Company's shares were listed. Therefore the corporate governance system has become more sophisticated.

The Company valued the roles of the special committees set up under the Board, especially the opinions and suggestions put forward by the independent directors. The Company has established a system that requires relevant departments to report to the various special committees on a regular basis. Material decisions shall be discussed by special committees before submitted to the Board for consideration. Suggestions proposed by directors, especially the independent directors with diversified professional backgrounds, were highly valued during the discussion. Directors were diligent and demonstrated high commitment to their responsibility and put forward constructive opinions and suggestions for the Company's reform and development by utilising their extensive experience in business management and their expertise and strength in corporate production and operation management, corporate governance, standardised operation, internal control and material decision-making on investment and financing. Opinions and suggestions put forward by directors regarding the optimisation of asset structure, diversified financing methods, cost reduction and efficiency enhancement, inventory reduction and the acceleration of the construction of major projects were actively implemented by the Company.

Board Meeting

Corporate Governance Awards

Internal Control

With scientific decision-making, efficient execution and effective supervision as the targets, the Company continued to promote the construction of internal control through system and process improvement in the areas of strategic planning, investment decision-making, production safety, infrastructure management, risk management, budget management, financial management, human resources management, procurement and sales management, and information technology construction. Through these efforts, the Company strove to improve management efficiency, reduce operational risks and enhance corporate control. In 2012, the Company carried out management enhancement programs which identified weaknesses in management, explored effective approaches to management innovation and improved the management system, with efforts focusing on management standardisation, intensification, specialisation, refining, and information technology development. Through these efforts, the Company achieved an all-around improvement in management and realised a scientific, safe and healthy development.

In accordance with the requirements of the China Securities Regulatory Commission, the SSE, the HKSE and the Ministry of Finance of the PRC regarding internal control and risk management, the Company delegated the responsibility of risk management to its various departments, regularly conducted risk identification and assessment and reported to the management on the situation of risk management. The Company further standardised and clarified the requirements on internal control management responsibilities and processes of the functional departments of its head office and subsidiaries. The "Internal Control Manual" and the "Internal Control Assessment Manual" were formulated based on the "Head Office Workflow Manual" and the "Authority Allocation Manual". With the ongoing construction of the comprehensive risk management and internal control system and the implementation of specialised auditing, supervision and inspection on the comprehensive risk management and internal control, a closed-loop control system was set up, enabling bottom-up information collection and top-down decomposition of decision-making targets.

Through risk assessment and identification of responsibilities for substantial risks control, the Company identified seven major categories of risks, 63 sub-categories of secondary risks and 491 risk events that the Company was exposed to in 2012. The control responsibilities for the seven major substantial risks were decomposed and the control responsibilities were confirmed, and appropriate control measures were developed in order to improve the Company's awareness of risk management and its capacity to tackle such risks.

In accordance with the relevant requirements of the regulatory body, the Company fully deployed the goals, tasks and work requirements of the construction of its internal control system, which covered all of its subsidiaries. Given the actual situation of these enterprises, the Company conducted supervision, instruction and inspection on the construction of the internal control system of nine subsidiaries. The specific amendments to their implementation plans proposed by the Company effectively enhanced the level of each of the subsidiaries capability to construct the internal control system.

The Company conducted self-assessment of internal control on a regular basis. Through "Self-assessment, external auditing, and the combination of both to jointly advance internal control", the Company continuously improved the construction of its internal control system and enhanced its capability of self-control. By assessing key business units and important operating procedures and critical control points, the Company examined the execution of key business matters including investment decision-making, management of construction project, fund raising and payment, and procurement and sales, and evaluated the validity and effectiveness of the design and operation of internal control. Through conducting the assessment, the Company identified its internal control deficiencies, consistently enhanced its internal control mechanism and improved its level of self-correction and management.

Performance Evaluation

The Company attached great importance to the building of the senior management evaluation and incentive system, and formulated the "Interim Measures for Annual Performance Evaluation on Operating Results Achieved by Senior Management". In accordance with the requirements of the assessment and incentive system, the Board will base on the annual operating targets set by the management according to the development plans, the macroeconomic situation and the operating environment of the Company etc. The annual operating results achieved by the management were evaluated at the end of the year based on the rate of target completion, and the management would receive their annual remuneration accordingly. In 2012, the Company further strengthened its assessment of costs and expenses and carefully analysed the 2012 operation result assessment indicators and their weights to enhance value creation management and proactively explore the mechanism of economic value added assessment.

The Company emphasised the effective application of evaluation results by conducting serious analysis of the results and putting forward suggestions for their application. To uphold the principle of "reward and punishment", the Company took the evaluation results as the weighting factor in determining the management's performance-based remuneration to remunerate management personnel according to their performance and close the gap in a reasonable manner. By combining evaluation results with the appointment of cadres, training and education, and management and supervision, the Company adjusted the positions of its management staff and offered exchanges and training opportunities for them.

Anti-Corruption

In 2012, the Company stepped up its efforts in performance supervision by enhancing the management of performance supervision, implementing performance supervision projects and reinforcing the supervision of specific projects. The Company carried out the "Looking Back" project to eliminate the "secret vaults", and established a long-term all-rounded mechanism to prevent and control "secret vaults". The Company also conducted internal examination of fund management and the process of bidding and procurement operation to regulate the construction and execution of the internal control system. The Company implemented the "Measures for the Execution of Efficiency Supervision" and urged and monitored the implementation of supervision by the relevant units. The Company initiated the development of integrity risk prevention and control, and prepared specific measures for integrity risk-prone business areas and designed corresponding methodologies to embed supervision and control measures according to such risks in corporate management to be carried out by specific personnel. The "Integrity Risk Prevention and Control Manual for Infrastructure Management" was formulated to strengthen the prevention and control of integrity risks in construction project management, to regulate the execution of power and to plug up loopholes in management, so as to strengthen management at its source and to establish a long-term and efficient mechanism for integrity projects. The Company promoted the building of a culture of integrity, guided its subsidiaries to cultivate and extract the underlying core of the culture of integrity through various ways, strengthened its relevance and practicability, increased awareness of the concept of the culture of integrity to enhance its effectiveness in the area of guiding, and disciplining and restraining the thoughts and behaviour of the employees of the subsidiaries. The level of standardised operation, abilities of execution and overall efficiency of the Company were improved through various measures, creating a healthy environment of integrity and righteousness for the development of the Company.

Pingshuo Anti-Corruption Education Base

Management of Investor Relations

In light of the "shareholders utmost" philosophy, China Coal Energy took continuous efforts in improving investors' recognition of the Company's value in 2012, including further enhancing the transparency of corporate governance, extending the scope and depth of information disclosure and improving the communication platform with investors to strengthen the management of investor relations. During 2012, the Company held 594 investors' meetings with 1,843 attendees in total. The above activities included 6 presentations and briefings of business results, 87 non-deal road shows and 7 surveys on subsidiaries with 61 participants, as well as the visits by 425 investors and 69 forums staged by 21 domestic and foreign securities firms.

Attaching great importance to investor communications, the Company's management attended the presentations of annual and interim results and road shows in person. After announcing the annual results for 2011, the Company despatched teams respectively led by Chairman, Vice Chairman and the President to visit significant shareholders and potential investors at home and abroad and earnestly responded to investors' inquires, which were highly recognised by investors. Meanwhile, the Company strengthened the cooperation with small and medium-sized securities firms and held small scale non-deal road shows, extending its presence to a broader diversity of investors to further enhance its influence in capital market.

To comply with regulatory requirements and improve its investor relations, the Company carried out in-depth investor protection teachings in 2012 on the "comprehensive and gradual promotion, specific and focused, unique and practical" basis. An "Investor Education" module was introduced under the "Investor Relations" column of the Company's website, where regulatory updates and initiatives were uploaded in time to highlight the investment value of blue chip stocks, thus effectively strengthening shareholders' awareness with sound publicity.

China Coal Energy has been highly valuing the communications with media since its listing, aiming to further diversify the access to investors to enhance the investor relations management level. In September 2012, the Company successfully held the first tour by news media themed "Close to China Coal" in the principle of "building a close tie for friendship". The news group comprising 25 journalists from 19 agencies including People's Daily, People's Daily Online, CCTV and Xinhua News Agency conduced field surveys on the Company's coal mining equipment industrial park and the Pingshuo Mining Area and gained an in-depth understanding of the Company's overall operations, development planning and the fulfilment of social responsibilities, as well as its efforts and remarkable achievements in upgrading its growth model in the principle of scientific development. Through the event, the media released positive reports on the Company's commitment to the safety concept of "implementing automation" as well as its practices of pushing forward land reclamation and ecological treatment, properly dealing with farmer resettlement in land acquisition and vigorously promoting the recycling economy to build up a "Green China Coal Energy", thus showcasing the Company's promising outlook and a creditworthy and responsible corporate image.

While adhering to the practices of investor reception on Tuesdays and Thursdays, the Company optimised the reception procedures to streamline the communication channels. The Company adhered to the prompt delivery of disclosed announcements to the main institutional investors and sector analysts via email to ensure the timeliness of information disclosure. To protect the interests of minority shareholders and enhance service quality, the Company introduced an investor hotline service system in 2012, and responded to the inquiries through telephone call, mail and facsimile in a timely manner to provide feedback from minority shareholders to senior management. China Coal Group, the controlling shareholder of the Company, increased its shareholdings in China Coal Energy several times in 2012, buying a total of 33,607,993 A shares directly as well as 5,351,000 H shares through China Coal Hong Kong Limited. As at 31 December 2012, China Coal Group and the parties acting in concert with it held 57.81% interest of the Company, timely demonstrating the controlling shareholder's firm confidence in the Company's outlook and effectively stabilising its stock price.

Thanks to the conscientious efforts, China Coal Energy was included into the "Hang Seng China A Industry Top Index" and the "CCTV Financial 50 Index" in 2012. The Company was also honoured with a string of awards in capital market in 2012, including "Platts Top 250", "Fortune 500 in China", "Top 100 China Capital Brand Value", "Top 100 Most Valuable Companies Listed in the Chinese Main Board" and "the third session of Top 100 HK-listed Companies". Mr. Zhou Dongzhou, the Secretary to the Board, was honoured with "Excellent Secretary to the Board" by the SSE. The Company's information disclosure team was named by the SSE as an excellent team of information disclosure. Such honours fully reflected the Company's sound business results, improving information disclosure quality and the high recognitions in capital market during the recent years.

Announcement Conference

Management of Social Responsibilities

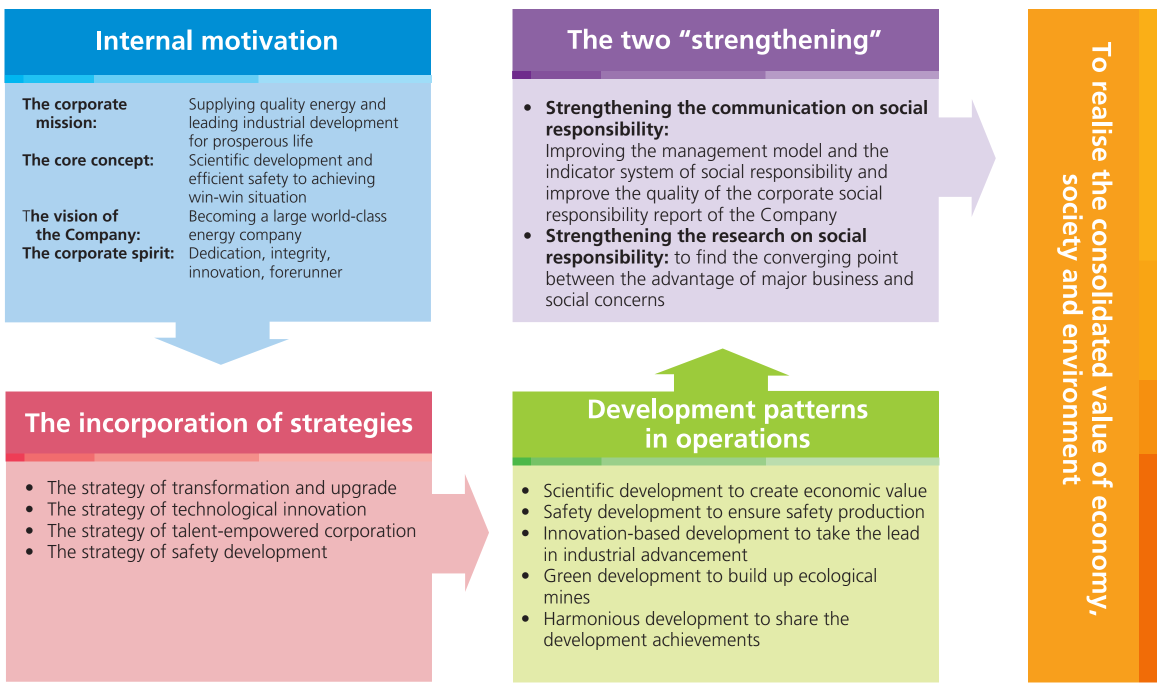
China Coal Energy incorporates the concepts, standards and requirements of social responsibilities into the management system and implements in full swing the initiatives for management improvement. With "the Company's mission, vision, corporate spirit and core value" as the motive, "realisation of the integrated value of economy, society and environment" as the objective, "integration of corporate development strategies into day-to-day operations" as the focus and "enhancement of the communications with stakeholders and research on social responsibilities" as the methodology, the Company strived to explore a management model suitable for itself and promote the transformation and upgrade of corporate management.

The Company's management model of social responsibility: full participation of all staffs, whole-process integration, and all-dimensional coverage.

Full participation: to motivate all our internal employees to make efforts during the management of social responsibilities including leadership commitment, ideology promotion, duty performance capability, self-initiative, as well as organisational support.

All-dimensional coverage: to cover all aspects: strategies formulation, corporate culture, stakeholder management, evaluation system, organisational structure etc., with a view to facilitate and strengthen the management of social responsibilities of the Company.

Whole-process integration: To incorporate the social responsibilities concepts into all aspects of sustainable development and comprehensive utilisation of coal resources with a view to ensure the continuous implementation of social responsibilities.



A guiding team for leading social responsibility has been set up, under which an office of corporate social responsibility is established for handling specific matters of social responsibilities. Respective working teams have also been set up in each of the secondary enterprises.

Social responsibility system of 5 types of targets, namely economic performance, safe production, technological innovation, energy saving and emission reduction as well as social contribution has been preliminarily set up by the Company, and almost 100 specific targets have been basically established, maintaining extensive records of historical data of social responsibility work and securing the comparativeness of the targets mentioned in the corporate social responsibility report.

The Company improves the social responsibility training through various means including meetings, expert tutorials and internal publication in order to help its staff to develop a better understanding towards the major work related issues on social responsibilities. In December 2012, the Company convened a work meeting discussing means to improve corporate social responsibilities management. During the meeting, trainings on specific topic on the development trend of corporate social responsibilities and the improvement of corporate social responsibilities of central enterprises have been provided. An aggregate of more than 90 employees, including department heads from the Company's headquarter and leaders and officers in charge of each entity, attended the meeting.

Core Indicators

Type of Indicators	Indicators		2012	2011 (as restated)	2010
Economic Performance	Revenue from operation (RMB100 million)	▼	**872.92**	908.65	712.68
	Total profit (RMB100 million)	▼	**134.12**	138.51	102.22
	Net profit attributable to equity holders of the Parent Company (RMB100 million)	▼	**92.81**	96.67	69.09
	Total assets (RMB100 million)	▲	**1,838.64**	1,606.35	1,208.15
	Basic earnings per share (RMB per share)	▼	**0.70**	0.73	0.52
	Raw coal production volume (10 thousand tonnes)	▲	**14,537**	13,061	12,253
	Sales volume of commercial coal (10 thousand tonnes)	▲	**14,954**	13,857	11,727
	Coke production volume (10 thousand tonnes)	▼	**170**	206	206
	Coal mining equipment production value (RMB100 million)	▲	**85.0**	81.5	71.65
Safe Production	Expenses of safe production (RMB100 million)	▲	**26.0**	21.5	16.9
	Fatality rate of raw coal production per million tonnes	▼	**0**	0.008	0.041
Technological Innovation	Investment in technological innovation (RMB100 million)	▲	**19.4**	19.2	15.2
	Patents (number)	▲	**186**	168	106
	Awards for advancement of technology above the industry standard (number)	▼	**15**	19	19
Environmental Protection	Investment in energy saving and emission reduction (RMB100 million)	▼	**8.96**	10.2	12.7
	Utilisation rate of mine water (%)	▼	**75.6**	79.7	78.7
	Integrated energy consumption per RMB10,000 production output (at comparable cost, tce per RMB10 thousand)	▲	**0.468**	0.404	0.329
	Utilisation rate of coal gangue (%)	▲	**97.7**	97.1	95.1
	Emission of sulphur dioxide (tonne)	▼	**10,926**	11,466	12,397
	Emission of Chemical Oxygen Demand (COD) (tonne)	▼	**885**	949	1,079
	Recovery rate in mines (%)	▼	**87.60**	87.80	86.50
Social contribution	Social contribution per share (RMB per share)	▲	**2.51**	2.47	1.95
	Amount of donation (RMB10 thousand)	▲	**1,564**	1,202	1,651
	Number of employees (person)	▲	**54,964**	54,948	56,013

* In 2012, the Company acquired the entire equity interest in Sales and Transportation Company from China Coal Group and the 80% equity interest in Tang Shan Gou Company from Import & Export Company, a subsidiary of China Coal Group. Pursuant to the relevant requirements of the accounting standards, the relevant data for the comparative period have been restated.

Stakeholders

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

Feedback

Operation in compliance with laws, Tax payment in compliance with laws, Promotion of economic development

Customers

Ways and channels for communication and participation

Service hotline, After-sales service, Seminars, Regular Visit

Essential topics

Service quality, Business ethics, Operation performance

Feedback

Provision of quality products and services

Suppliers

Ways and channels for communication and participation

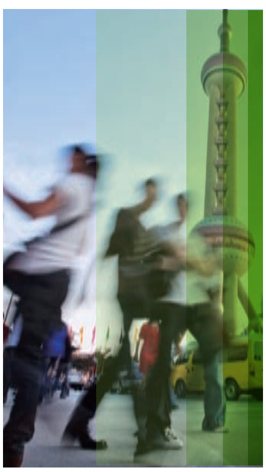
Disclosure of tendering procedures, Work meetings

Essential topics

Business ethics, Fair co-operation

Feedback

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



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

Feedback

Maintenance and appreciation of the values of the state-owned assets, Protection on investors' rights and interests, Capital appreciation

Fellow mining companies

Ways and channels for communication and participation

Co-operation, Research and discussion on specific issues

Essential topics

Industry standard, Fair competition, Promotion of the overall development of the industry

Feedback

Co-operation, Experience sharing, Promotion of the sustainable growth of the industry

Media

Ways and channels for communication and participation

Information disclosure

Essential topics

Publication of reports, Disclosure Information, Multi-channel communication

Feedback

Regular disclosure of information on social responsibilities and material issues of public concerns

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

Feedback

Repayment of principal and interests in a timely manner

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, Working environment, Career development

Feedback

Staff training, Provision of good working conditions, Provision of good working environment, Provision of long-term career development opportunities

Community and public

Ways and channels for communication and participation

Community activities, Environment protection

Essential topics

Charity donations, Voluntary services, Community development

Feedback

Disaster relief, Help for the poor and the needed, Environment Protection

Economic Responsibilities

Adhere to the scientific development concept to create economic value and secure energy supply.

- Strengthening fundamental management to ensure quality energy
- Improving customer services to respond to market changes
- Optimising the industrial structure to promote transformation and upgrading
- Joining the efforts of enterprise and the locality for cooperation and win-win situation

In 2012, China's coal market witnessed a reversal as evidenced by sluggish demand and plummeting prices amid the domestic economic slowdown, which, together with the complex mining conditions, posed critical challenges to coal production and sales of the Company. Adhering to the general requirement of "Seeking Progress in Stability and Developing in a scientific manner, China Coal Energy strived to secure its profitability amidst the sharp downturns of coal market through expanding production and sales and accelerating the restructuring with a focus on management enhancement. With a decrease in profit far less than the decline of coal prices, the Company made its contribution to the development of national economy and the security of national energy supply.

Strengthening fundamental management to ensure quality energy

In 2012, China Coal Energy further improved the three-tier production technology management system, management regulations and management processes for the headquarter, coal production enterprises and mines, to clearly define the management goals and responsibilities of coal production units at all levels. The Company proactively promoted economies of scale in production, modernisation in equipment, informatisation of management and specialisation of teams. Meanwhile, through technology-integrated innovations, the combination of industrial and information technologies and the optimised industrial design and layout, the Company enhanced the supportive functions of mine management, mining equipment and system in coal production, laying a systematic foundation for healthy development of coal production.

In 2012, the Company's raw coal production volume reached 145 million tonnes, representing an increase of 14.76 million tonnes or 11.3% year-on-year. Pingshuo Mining Area maintained an average annual growth of 10 million tonnes over the 10 years since 2003. Pingshuo Company posted commercial coal production volume of 89.67 million tonnes in 2012, representing an increase of 9.44 million tonnes or 11.8% year-on-year.

To enhance coal quality management to cater for market demand, we optimised the management units under an improved coal quality management system, while amplifying rewards and punishments and linking bonuses with coal quality. We actively promoted the use of the product mix optimisation and decision-making system to continuously optimise the coal product portfolio, seeking to supply coal products in line with market demands and enhance the output of premium coal. The Company optimised the production layout under reasonable mining schedules, while striving to separate mining, loading and transportation of coal and gangue in production process. Raw coal washing volume and ratio were increased to make full use of coal preparation plants in ash content reduction and quality enhancement. A coal quality management department was established to strengthen quality management efforts through the whole process from production source, coal blending at transshipment ports and the delivery front.

Open Pit Mine Production

Through tailored production solutions and differentiated sales services to customers and timely coordination to solve quality disputes, the Company improved product and service quality and safeguarded customers' interests, the brand reputation of China Coal and the mutual trust in long-term partnership of supply and demand.

Improving customer services to respond to market changes

The Company took initiatives to respond to market changes in light of its customer-centred and market-oriented operation philosophy and the mission of "tapping on mega logistics, mega sales and mega network for mega synergy". We deepened business reforms in a bid to develop domestic and overseas markets. Addressing the adverse market situation, we attached top priorities to stabilising sales and ensuring smooth coordination of production, transportation and sales forces through expanding sales at lower price, securing market share and promoting sales. Efforts were taken to overcome the challenges such as the declined demand, high stockpile and transshipment difficulties, coupled with a refined marketing strategy to improve customer services to support coal sales. During 2012, the Company's coal trade volume reached 149.54 million tonnes, representing an increase of 10.97 million tonnes or 7.9% year-on-year. By deploying its business units to capture the window from the production suspension of local coal mines and the idle railway capacity, the Company tactically seized market opportunity and contributed to the stable growth in self-produced coal and the profit growth of the Company for 2012. In 2012, the Company strengthened market research and introduced a string of marketing means such as strengthening coal blending to reduce sulphur content, improving quality and efficiency and offering discount for bulk purchase, leading to de-stocking in time and the stability of production and outward transportation.

In response to the changing customer needs from the reversed supply and demand situation, the Company transformed its business model to boost its initiative and mobility. By breaking down market segments and staying close to sales front, the Company increased the frequency of customer visits and communications through round-table meetings for key local customers and coordination meetings for railway, port and mining units, to understand real needs of customers and market feedbacks through one-on-one interviews and seek their supports with sincere and considerate services. During the most difficult times in the market downturn, our coal sales efforts won the supports from Guangdong Power and Zhejiang Energy as well as major customers and governmental bodies in Jiangsu, Shanghai and other region. Our branches in Qinhuangdao, Tianjin, Shandong, east China and south China actively performed their functions as regional hubs to expand the transshipment and distribution scale. China Coal Equipment Company capitalised on the strength in complete equipment products to coordinate product development and marketing and expand the sales of accessories of coal mining equipment, posting a total production volume of 391,000 tonnes.

Symposium with Major Customers

Optimising the industrial structure to promote transformation and upgrading

Upholding the philosophy of "rooted in coal operations for extensions and breakthroughs" under an optimised resource-based industrial structure, the Company seeks to extend the industrial chain by developing power and coal chemical businesses to develop recycling economy and achieve comprehensive utilisation of resources.

Building up the principal business of coal operations. Under the direction of the national coal industry development plan and the industrial policies, the Company optimised production layout, product portfolio and market structure, and further

Case study

China Coal Qinhuangdao combating rainstorms to ensure smooth transportation

During the flood season in 2012, Qinhuangdao region suffered from 7 rainstorms from 22 July to 3 August due to typhoons "Sura" and "David" simultaneously landing at southeast coast of China. The heavy rains in tandem resulted in the almost paralysis of the wagon unloading and ship loading lines, and the port cargo handling tracks were buried by the coal slipping down from the collapsed coal piles. Especially since the beginning of July, the total field stockpile at Qinhuangdao Port had stayed high at more than 8.5 million tonnes, while our coal field stockpile also maintained high at around 1.4 million tonnes as the heavy rains had crippled the capacity of coal seaborne transportation channel.

Shouldering the transshipment task for our coal trade, China Coal Qinhuangdao was committed to ensuring a smooth and efficient seaborne channel for coal transportation. A rescue task force was selected from the volunteering employees, and painstakingly cleaned out the cargo handling tracks for resumption of normal port operations.

Fighting Floods to Ensure Normal Port Operation

President Yang Lieke on a Construction Inspection

strengthened the core and fundamental position of coal business to enhance the overall competitive. The Company's capital expenditures amounted to RMB35.347 billion in 2012, fuelling the fast growth of mines and further boosting the strength of its principal business arm. Pingshuo East Open Pit Mine which produced 7.63 million tonnes of raw coal in 2012, will be expected to produce 12 million tonnes of raw coal in 2013. Wangjialing Coal Mine will be completed and commence operation in 2013, increasing coal production capacity by 6 million tonnes per year. Xiaohuigou Coal Mine has obtained the mining license.

Vigorously developing coal gangue power generation. There have been urgent calls for comprehensive utilisation of inferior coal and gangue, as inferior coal with low calorific value is not economical for sales through long-distance transportation and the open gangue stockpiles occupy an area of nearly 1,000 Mu each year while generating large quantity of harmful gases through oxidation and spontaneous combustion. China Coal Energy shall construct the environmental-friendly pit mouth power plants mainly consuming coal gangue, coal slurry and middling coal. The 2x350MW power plant of Shanghai Energy Company obtained governmental approvals on preliminary preparations. The Pingshuo Inferior Coal Comprehensive Utilisation Project commenced construction. Pingshuo Mining Area is expected to become a model base with the most centralised power generation projects using low calorific value coal in the PRC. At the end of 2012, the Company had 11 gangue power plants in operation and under construction with a total installed capacity of 2,310MW.

Proactively developing coal chemical business. As a gradual substitution for petroleum chemicals, coal chemicals reduce the reliance upon crude oil and the pressure on oil import. Inferior coal can be used for production of alcohol ether fuel or olefin materials, thus improving the utilisation efficiency of coal. At the end of 2012, the Company had a number of coal chemical projects under construction and planning in Inner Mongolia, Shaanxi and Shanxi, which focus on coal-based fertiliser and coal-based olefin sectors given their technical reliability, low investment risk and promising market prospect. Currently, the Tuke Fertiliser Project will be undergoing commissioning test run in 2013, and the coke-oven gas produced synthetic ammonia and urea project of China Coal and Coke has commenced trial production.

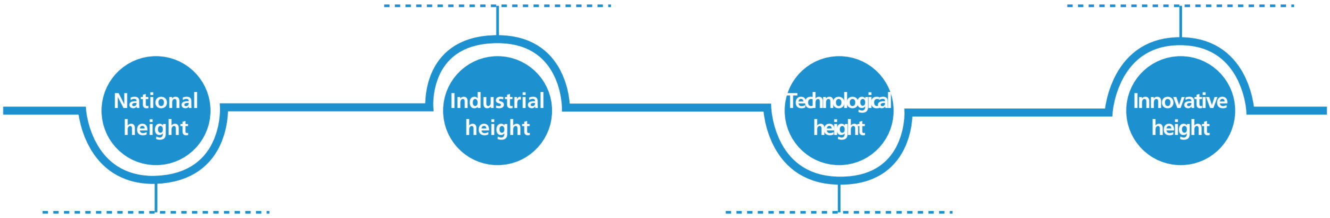
Developing coal mining equipment industry. Coal mining equipment manufacturing is one of the Company's principal operations. The Company has a range of coal mining equipment manufacturers situated in Beijing, Zhangjiakou, Xi'an, Shijiazhuang, Fushun and Handan. While taking a lead in terms of technology and market share for heavy-duty armoured face conveyor, hydraulic roof report support, electric coal shearer, coal plough for thin seam and mining chain, the Company maintained the top one market share in the PRC for its high-end hydraulic roof support, armoured face conveyor for mechanised mining and explosion-proof electric mining motors. In 2012, China Coal Equipment Company speeded up the localisation of coal mining equipment production to draw upon its strength in complete equipment products, posting a production value of RMB8.5 billion and sales volume of RMB3.92 billion, and the hydraulic roof support manufactured for Xstrata Coal chalked up a record of 90,000-time usage in durability test.

Joining the efforts of enterprise and the locality for cooperation and win-win situation

With a belief in promoting local economy through sustainable development, the Company constructed efficient and modern mines to promote industrial optimisation and upgrading while acquiring resources, and renovated the existing mines to uplift the technology level of the locality. Focusing on renovations of industrial parks in Pingshuo and Shanghai Energy Company as well as the scientific planning of the Ordos energy and chemical base, the Company leveraged on management and technical means to tap on resource value and lay a foundation for its sustainability. To streamline the control and refine the management on resources and mining rights, a survey team was established and was despatched to 12 coal subsidiaries to conduct inspections on resource and mining right management, which collected the resource and mining right information of 59 coal mines and resource blocks. The experience and problems in resource and mining right management by subsidiaries were summarised, laying a ground for development and utilisation of resources in a responsible manner.

2 Develop intelligent and green coal mining equipment featuring information technology, Prepare the Green Standards and Appraisal System for Coal Mining Equipment Carry out the "Renovation Project for Upgrading Green Manufacturing Technology for High-end Hydraulic Supports"

4 Strengthen the research on innovating excavation technologies and equipment for complex geological conditions, to solve the common industrial difficulties in recovering coal at boundaries and mining the inaccessible coal seams.

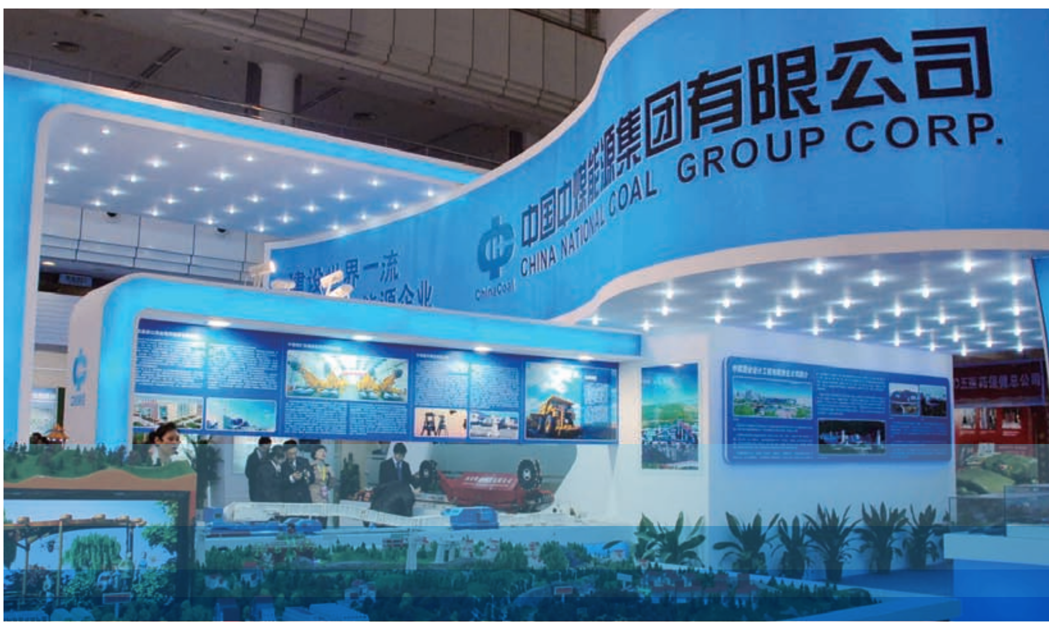


1 Solve the key common technical difficulties restricting industrial development with emphasis on the National 863 Programme, the construction of National Energy R&D Centre, the National Key New Product Programme and the National Torch Plan as well as national industrial projects.

3 Conduct systematic research on complete technologies and equipment for mining thin coal seams, tunneling support, transportation, power supply and liquid supply, to improve the safety, efficiency and automation performance in mining thin coal seam. Manufacture complete equipment products for 7-metre-high working faces with high resistance, strong transportation capacity and an annual production capacity of over 13 million tonnes.

With its sincerity, proactive communication and professionalism, the Company won the understanding and supports from local governments, which provided a sound atmosphere and the basis for preliminary preparations for its key projects.

The Company prepared the China Coal Shuozhou Regional Industrial Integrated Development Plan. It is a blueprint for developing China Coal Shuozhou Industrial Agglomeration Area into a 100-million-tonne thermal coal production and supply base, state-level model base for coal and power integrated development, state-level model mining area of recycling economy and state-level model mining area of green mines. The plan defines the undertaker, industrial park operation model and investment channel for the Company's project in Shuozhou, as well as the goal of promoting local employment, fiscal revenue and tax growths and local economy.



Participating In Western China Investment And Trade Fair

Safety Responsibilities

Insist on safety development based on strong safety fundamentals to ensure safety production.

- Improving safety infrastructures under a safety-assured mechanism
- Implementing safety technical standards to create a safe production workplace
- Strengthening safety monitoring and inspections to upgrade safety control level
- Strengthening flood control of mines to avoid major accidents
- Strengthening safety education and training to improve the safety awareness of the staff

Safety is the production bottom line of coal enterprises and the highest social responsibility for a corporate citizen, and is a touchstone for corporate management and undertakings. Along with its rapid scale expansion and the broadening of business segments in 2012, the Company's mines in operation gradually extended to deeper, fringe and complex areas where new equipment, technology and workforce posted a number of new issues and risks to the safety endeavours. Adhering to the philosophy of safety-based development, the Company pushed forward three systematic constructions of "environment, quality and responsibility" with a focus on the three-year programme of creating a safety-assured enterprise. With great efforts in strengthening production lines, fundamentals and basic capabilities in safety control, the Company carried forward safety activities in a prudent, down-to-earth and non-risking manner and achieved notable production safety performance. During the year, no accident in safety production was recorded for 20 subsidiaries and zero fatality rate of raw coal production per million tonnes was achieved, representing the best performance in the Company's history.

Improving safety infrastructures under a safety-assured mechanism

With an aim at zero manual error, zero system defect, zero equipment failure and zero management vulnerability, the Company has achieved seamless coverage of closed-loop safety management. With a commitment to the safety concept of "implementing automation", the Company promoted the application of information technologies to upgrade safety management techniques and innovate on safety management tools. With the Safety Production Plan for the "Twelfth Five-year Plan" being announced, the Company introduced rules and regulations such as pledged rectification, accident questioning and safety red lines. The production units developed and revised 502 management systems, 1,484 work procedures and 4,360 operating procedures in safety production, adding and amending 9,852 articles to ensure a sound safety framework.

The Company is committed to establishing a longstanding safety production mechanism by pressing ahead with the safety and quality standardisation for coal mines, strengthening fundamental management and implementing the accountability system for persons in charge. The Assessment Method on Safety-assured Enterprises and Safety and Quality Standardisation was revised. On-site safety and quality standardisation meetings respectively for mines in infrastructure construction and surface enterprises were organised in sequence and held to carry forward the benchmarking and upgrading activities. As a result, 5 enterprises met the safety-assurance standards; 41 mines (division, plants) met the first-class standards; 8 coal mines were rated the "National Safety and Quality Standardised Coal Mines"; and Beijing Coal Mining Machinery Company was named the "First-class Safety Production Standardised Machinery Manufacturer" by the State Administration of Work Safety.

Taking efforts to improve the emergency rescue capability, the Company's mines in operation stepped up the construction of emergency refuge systems and completed 18 permanent and temporary refuge chambers. Shanghai Energy Company accomplished the 48-hour underground refuge chamber manned test (100 persons) at Kongzhuang Coal Mine, providing reference data and scientific basis for the construction of six systems of China's coal mines as well as the revision of regulations and standards on coal mines. The results of the "Development of Air Regeneration Technology and Devices for Underground Emergency Refuge System of Coal Mines and the Model Safety Refuge Project" undertaken by the Company passed the technological appraisal. With overall technology catching up with the internationally leading level, the project provided valuable experience for construction of safety refuge systems and formulation of relevant standards in the coal industry, which is of important significance for upgrading the safety assurance capability of coal mines. The emergency rescue systematic construction was steadily carried forward by the Company. The Company's second-tier subsidiaries formulated and revised 70 comprehensive plans and 521 emergency training were organised, thus boosting the emergency response capability against safety accidents.

Safety and Quality Standardisation


Emergency Rescue Simulation Training for Accidental Leaking of Liquid Ammonia

Illustrative case:

Pingshuo Company to establish the underground refuge system – a "Life Project" of coal mine

At the No. 1 underground mine in Pingshuo, an all-around upgrade was made to the existing underground five systems comprising monitoring and control, personnel positioning, self-help ventilation, water supply in rescue and telecommunication. Meanwhile, in cooperation with an electric subsidiary of China Coal Comprehensive Utilisation Group Co. under China Coal Group, the mine introduced domestic and foreign advanced technologies and products to construct a new underground emergency refuge system featuring self-help, escape and refuge functions for underground workforce, as an effective safeguard against disasters, casualties and accidents. In accordance with the Provisional Requirements on Underground Emergency Refuge System of Coal Mines in the PRC, the mine's six safety refuge systems promoted the safety and quality standardisation and boosted its overall safety assurance capability, marking a monument of "Life Project" of coal mine in Pingshuo, an experimental field of China's reform and opening policy.

Illustrative case:

The first successful manned test of permanent refuge chamber in China

To speed up the construction of underground emergency refuge system for coal mines, Shanghai Energy Company completed 10 permanent and 7 temporary refuge chambers in 2012. In addition, Shanghai Energy Company accomplished the domestic first 48-hour 100-person permanent refuge chamber test at Kongzhuang Coal Mine successfully. Equipped with fire-proof and explosion-proof, oxygen supply, sprinkler, monitoring and control systems as well as medical aid equipment, self-rescuer and miner's lamps, the chamber successfully accommodated 100 persons for 48-hour survival. The success of the test provided reference data and scientific basis for the construction of six systems of China's coal mines as well as the revision of regulations and standards on coal mines. The test results filled the blank of domestic and world's research on underground rescue system of coal mines.

Subsurface Refuge Chamber Test

Implementing safety technical standards to create a safe production workplace

The Company has established 13 safe and highly-efficient mines under the Technological Standards for Safe and Highly-efficient Modern Mines. Business security was promoted through system analysis and safety evaluation in accordance with the preventive equipments on flood, gas, fire, emergency, dust, roof accident, vehicle accident, breach of rules, hazardous chemical accidents and sporadic accidents. With a three-tier flood control and management system basically established, the Company completed more than 3,200 system renovation projects and eliminated nearly 20,000 units of obsolete equipment, thus upgrading its safety assurance capability. To strengthen the identification and control of potential hazards and safety risks, the Company organised the review of safety production status reports and introduced the pledged rectification measure for major safety risks, and more than 80,000 potential hazards were identified and rectified. In June 2012, Dongpo Coal Mine and Nanliang Coal Mine successfully passed the acceptance inspections on highly-efficient coal mines by China National Coal Association. Dongpo Coal Mine met the standards for super first-class safe and highly-efficient mines and Nanliang Coal Mine met the standards for first-class safe and highly-efficient mines in the industry. The Company has established 13 safe and highly-efficient mines including Antaibao Open Pit Mine of Pingshuo Company, of which 7 mines met the super first-class standards.

Strengthening safety monitoring and inspections to upgrade safety control level

Pushing forward the three-year programme of "implementing the accountability system for persons in charge to create a safety-assured enterprise", the Company entered into safety production responsibility pledges with subsidiaries at each level to break down and perform the safety responsibilities. Zhangjiakou Coal Mining Machinery under China Coal Equipment Company was honoured a winning unit in the National Safety & Health Competition Cup. At Xuzhuang Coal Mine and Yaoqiao Coal Mine of Shanghai Energy Company, the family safety co-management committees were named the "Outstanding Co-management Committee in the National Coal System".

To further enhance incentive and restrictive effect, the Company revised the safe production reward and penalty method with amplified rewards and penalties. In 2012, the Company provided safety rewards and standardisation incentives totalling RMB15.468 million.

The Company gradually established a risk prevention and control system centring on safe production status reports. By circulating the template of safe production status report for coal mines, the Company organised its mines, plants and sections to prepare safety production status reports, whereby safety risks were systematically identified. Through reviewing the safety production status reports of 72 production units of 21 mines in operation and second-tier subsidiaries, the Company identified 3,956 safety risks including 1,343 high and medium risks. According to findings, specific protective measures were developed and implemented to ensure a controllable level of safety risks.

To ensure safety production at important times, general safety inspections led by the Company's leaders were conducted during the sessions of NPC & CPPCC, the National Day holidays and the 18th Party Congress. Addressing the weak fundamentals and inadequate techniques of mines in infrastructure construction, the Company organised 14 internal and external experts to conduct systematic safety assessments on 15 mines in infrastructure construction, based on which the diagnostic optimisation reports were developed. At the subsidiary level, leaders, business officers and technicians were despatched to carry out the campaign of "Going to basic level to fortify the fundamentals" under a tiered and area-specific accountability system. A total of 86,022 potential hazards and weaknesses were identified, of which 85,627 were rectified, representing a rectification ratio of 99.5%. Through 112 production suspension rectifications, 13,290 person-times of non-compliance were punished with penalties totalling RMB8.734 million.

Wang An (the middle), Chairman, during a Tour of Safety Production Inspection

Strengthening flood control of mines to avoid major accidents

Advancing the construction of special technology management system for flood control of mines: company-wide efforts were taken in 2012 to earnestly deploy the annual flood control activities in order to advance the construction of special technology management system for flood control of mines. A management mechanism was gradually established, which was led by company leader, directed by dedicated co-head, organised by the coal mine flood control management department and consciously supported by functional units. Starting from the entry threshold of coal mine, management responsibilities were materialised across the aspects including project origination, design, construction and production. The preparation of flood control system was completed by 6 coal mining enterprises and 21 mines.

Conducting special flood control safety inspections: Special flood control safety inspections on coal mines were organised and conducted to draw profound lessons from the "4.10" accident. Through self-examinations, 185 flood control issues in coal mines were identified by coal enterprises. The Company set up 4 special supervisory groups to conduct sample inspections on 7 coal enterprises and their 11 coal mines in operation, construction and technological renovation, where a total of 86 flood control issues were identified, 18 suggestions were put forward and 11 rectification notices were issued. While implementing strict flood control design and measures for coal mines, the Company strengthened management on aspects including monitoring, inspection and assessment to enhance on-site execution. On-site inspections and flood control system assessments were conducted on 20 coal mines of 7 coal enterprises. Through the special flood control safety inspections, the Company pushed forward the rectification to potential flood hazards and thus enhance the safety assurance for safety production of coal mines.

Li Yanjiang (second from the left), Vice Chairman, during a Tour of Safety Production Inspection

Increasing the investment in flood control projects of coal mines: The coal enterprises prepared the proposals for "four activities" (general survey, evaluation, supplementation and improvement) of geological re-exploration, to systemically summarise the historical geological exploration outcomes. With reference to the recent mining activities, the Company conducted general surveys on coal fields of its mines, thus keeping informed of the geological exploration results of mines. In 2012, the Company invested RMB453 million in flood control for its coal mines to facilitate the smooth progress of the flood control projects of coal mines. By depleting the long-deposited goaf water, the Company recovered a large quantity of idle coal reserve and increased the resource recovery rate.

Strengthening safety education and training to improve the safety awareness of the staff

To improve the safety awareness, China Coal Energy staged a string of events including "Warning Line in March", "Production Safety Month" and "100 Days of Safety". The Company organised a total of 1,231 accident case presentations, provided accident warning education to over 70,000 employees, and organised 60,000 front workers to participate in safety knowledge quiz. The Company was named an outstanding organiser in the national "Production Safety Month" campaign and a winner in the national quiz on hazardous chemicals safety regulations.

During 2012, the Company organised 2,203 training courses with 130,969 attendees, and 11,088 employees passed skill certifications with 435 additional technicians. A 7-month refresher course on "Three main procedures" was provided, covering more than 50,000 participants from executives to primary employees. Sound progress was achieved in construction of training bases: China Coal Huajin Company established a three-level safety training centre; the training centre of Shanghai Energy Company was named the "Model Base of Coal Mine Safety Training"; and the training centres of Pingshuo Company and Shanghai Energy Company were included into the list of emergency rescue training and drilling bases for 32 enterprises of the central government.

Winning unit in the National Safety & Health Competition Cup

Zhangjiakou Coal Mining Machinery under China Coal Equipment Company

Outstanding co-management committee in the national coal system

The family safety co-management committee at Xuzhuang Coal Mine of Shanghai Energy Company

Model safety co-management station of female family members in the national coal system

Mine-mouth service station of female family members at Yaoqiao Coal Mine of Shanghai Energy Company

Pre-post Training on Safety Production

Innovation Responsibilities

Insist on innovation development and enhance technological research to lead in industrial advancement.

- Implementing a technological innovation strategy, sustaining an innovation-driven development
- Undertaking state scientific research projects, leading the industry in technological advancement
- Establishing technological innovation system, enhancing capability of self-initiated innovation
- Advancing the transformation of technological achievements, conducting R&D of patent programs

As a mega-scale coal energy enterprise in China, based on coal energy foundation, China Coal Energy undertakes the service function of coal industry, commits to be the pioneer in technological innovation in the industry, so as to support enterprises' scientific development through technological advancement and ensure the country's energy safety. In 2012, in accordance with the mission of strengthening the enterprise and dedicating to the country through technological innovation, with the principle of "systematic mindset, collective progress, the best integration of subjectivism and objectivism", China Coal Energy persisted in its cutting-edge integrated innovation strategy to facilitate the adjustment of growth model and lead the whole industry to a new standard of technology. In order to strengthen its enterprise-based innovation mechanism which realises an organic integration of production, education, research and application, China Coal Energy has achieved breakthroughs in key technologies and attained fruitful results, thus upgrading the technology and productivity of its major businesses. With a significant enhancement in core competitiveness, the Company was awarded "China's Top 100 Innovative Companies 2012".

Implementing a technological innovation strategy, sustaining an innovation-driven development

China Coal Energy implements a cutting-edge innovation strategy with integrated innovation as its backbone. Guided by the principle of scientific development, China Coal Energy puts the strategic plans on technology progress and intellectual property outlined in "Twelfth Five-Year Plan" into real practice. With "safe, efficient, green, economical" as theme, leading enterprises to modify growth model as framework, catalysing proprietary innovation ability as core, innovating its corporate structure as driving force, China Coal Energy develops advanced technology to promote the Company's and the industry's scientific development, integrates the advantages and resources within and outside the industry to achieve significant technological breakthroughs, thus producing key technologies and products with intellectual property rights to back up the construction of its 5 bases and the development of core businesses. China Coal Energy adheres to an innovation-driven internal growth model and makes newer and greater commitment to the scientific development of coal industry.

China Coal Energy has regulated its major technology management system and perfected its basic working procedures, in order to strengthen its technology management consistently. The Company has introduced basic regulation in aspects such as technology project management, national technology project management, intellectual property management and technological advancement awards; realised synergy through the collaborated implementation of national and the Company's technology projects; modified and fostered 25 procedures of technology management. China Coal Energy has established a mechanism to assess and sustain stable technological investment, so that the indicator of annual technological investment is spread to every major production businesses, and the indicator used in the Company's management performance assessment is included in the assessment of technological investment. The Company provides subsidy to 30%-60% of the research cost of the major technology projects, and 20%-40% of the research cost of the key technology projects. Such investment plan and assessment mechanism have been consistently optimised.

Undertaking state scientific research projects, leading the industry in technological advancement

In 2012, China Coal Energy upheld its mission of promoting technological innovation. Benefited from the great demand of technology from the country and enterprises, the Company paired up enterprises' technological obstacles with the country's technological breakthroughs, thus its development direction and innovation breakthroughs were further established. The Company has undertaken 17 state technology projects to perform a sturdy progress on national scientific research development and its core technological breakthroughs to reach the peak of technological development.

China Engineering and Technology Forum Organised by Pingshuo Company

State technology projects undertaken by China Coal Energy in 2012

No.	Name of project/task	Nature of project/task	R&D progress
1	Development of technologies and equipment for continuous mining of open pit coal mine with special coal seam conditions	National High-tech R&D Programme (863 Programme)	Completed the task for the year
2	Key technologies on construction of the 100-million-tonne coal base in hinterland of Inner Mongolia-Shaanxi	National Science and Technology Support Programme	Completed the task for the year
3	Key technologies and equipment of the freeze sinking method for 500m inclined shafts	National High-tech R&D Programme (863 Programme)	Completed the task for the year
4	Model system for emergency responses to contingencies	National High-tech R&D Programme (863 Programme)	Completed the task for the year
5	Intelligent super heavy-duty road headers for rock entries	National High-tech R&D Programme (863 Programme)	Completed the task for the year
6	Development of coal auger for extremely thin coal seam	National High-tech R&D Programme (863 Programme)	Completed the task for the year
7	Development of complete equipment for semi-continuous mining by mobile crusher for large scale open pit mines	National High-tech R&D Programme (863 Programme)	Completed the task for the year
8	Road Header Remote Control Technology and Monitoring System	National High-tech R&D Programme (863 Programme)	Passed acceptance inspection
9	Remote control techniques and monitoring system for shearer	National High-tech R&D Programme (863 Programme)	Task concluded
10	Complete technologies and equipment for fully-mechanised top coal caving for extra-thick coal seam with large mining height	National Science and Technology Support Programmes	Passed acceptance inspection
11	Complete equipment of 3x1000 (885) kW type armoured face conveyor	National Key New Product Programme	Completed the task for the year
12	National Energy Coal Mining Equipment R&D (Laboratory) Centre	Programme of the R&D Centre of the National Energy Administration	Completed the task for the year
13	Model project of high-precision surveying and 3D modelling technologies for goaf	Safety technology programme of the State Administration of Work Safety	Completed the task for the year
14	Model project of technologies, processes and equipment of the comprehensive dust control system for mines	Safety technology programme of the State Administration of Work Safety	Completed the task for the year
15	Research on key flood control technologies for close mining of thick coal seams under water body	Technological programme on prevention and control of serious accidents of the State Administration of Work Safety	Completed the task for the year
16	Research on the mechanism of road instability from rock burst around deep shaft and the mining of extremely brittle surrounding rocks, and application of key monitoring technologies	Technological programme on prevention and control of serious accidents of the State Administration of Work Safety	Completed the task for the year
17	High-precision geological modelling for coal mines and early warning systems for hazard sources	Technological programme on prevention and control of serious accidents of the State Administration of Work Safety	Completed the task for the year

Focusing on integrated innovation and collaborative innovation, China Coal Energy has accurately addressed the bottleneck of major technological development and the collective demand for technology in the coal industry. The Company has undertaken 31 technological research guidance projects from China National Coal Association in 2012, including "Fly Ash Comprehensive Utilisation and Resource Exploitation Project", and implemented 43 key technological projects, so as to consolidate its capability in core technological advancement and enhance technological guarantee.

Major technological breakthroughs achieved in 2012

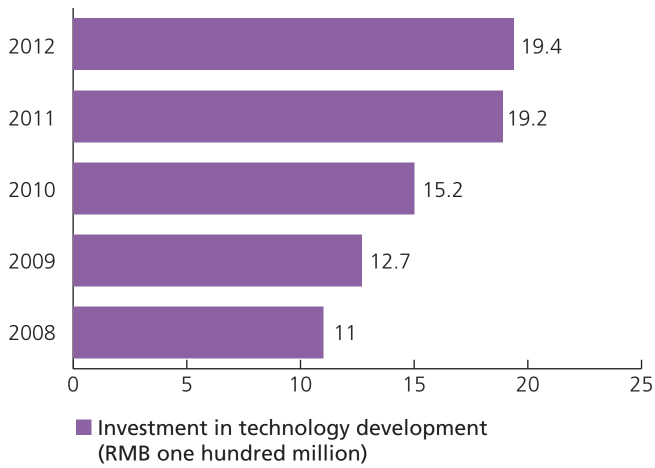
Items	Achievements	Significance
Research in integrated geophysical prospecting evaluation technology for complex geological structures in shallow-buried deep mines	Achieved breakthroughs in five key technologies used for the complex geological conditions and goaf detection for shallow-buried deep mines in Pingshuo Mining Area, including innovation in rapid error correction of geometric properties in seismic prospecting data, innovative application of integrated static calibration to shallow-buried deep coal seams in loess hilly topography, innovative application of three dimensional surface homogenisation to contiguous seismic data splicing processing, innovative application of swarm intelligence to minor structure explanation.	Obtained significant achievements in three dimensional refined geological model building and visualised management for coal mines, received the 2012 First Class Award on Technological Advancement in the Coal Industry.
Research in high-precision three dimensional geological model and major risk source warning integrated system for coal mines	Launched research on irregularities due to insufficient knowledge, including the geological conditions and old goafs with stored water in Wangjialing Mine, and built high-precision three dimensional geological models incorporating various complex geological structures.	Provided technological support to ensure safe production in coal mines.
Research on and implementation of local cooling system for deep mining in Datun Mining Area	Developed cooling technologies including local heat disaster treatment and underground rapid ice-melting technique in Shanghai Energy Company's Yaoqiao Mine-850m level west-6 ventilation, Xuzhuang Mine-750 west track main shaft and Kongzhuang Mine-1015 main shaft. Environmental temperature decreased by 3.8℃~7℃ on average and humidity decreased by about 10% in the roadheading working face.	The cooling system achieved safe, economical and efficient operation with remarkable cooling effect.
Key technologies for Inner Mongolia-Shaanxi Mining Base with a production capacity of 100 million tonnes.	Achieved intermediate research progress in topics including research on cover rock movement control and excavation technique in soft rock strata, research on hydrogeological conditions and mine inflow prediction technology, research on safe excavation under compound water conditions and underground water treatment and recycling technologies, and research on high-efficiency excavation safety protection technologies.	Provided Inner Mongolia-Shaanxi Mining Base with technological support.
Fully automated unmanned coal face mining set equipment for thin coal seams and technological research and development	Successfully developed an unmanned automatic drum shearer set equipment with the largest installed power domestically for excavation of thin coal seams, with an accumulated coal production amounting to nearly 200,000 tonnes and the various automatic functions fully tested. The unmanned automatic face coal plough set equipment for thin coal seams project achieved initial success, with the mechanical performance of the equipment tested under complex geological conditions.	Bridged the gap to allow for coal plough mining in the hard and thin coal seams of the Inner Mongolia-Shaanxi region.
Achieved significant progress in developing major new coal mining machinery products	Successfully developed six types of anti-blowout new-energy trackless rubber tire vehicles for mining, of which the 5-tonne material vehicle, 18-seater vehicle and 20-seater vehicle had undergone industrial testing. The MG1000/2550-GWD alternating current driven coal plough had successfully undergone specialist inspection and acceptance conducted by the Science and Technology Department of Shaanxi Province.	Further narrowed the gap between the level of coal mining machinery manufacturing technology of our country and the advanced level in foreign countries.

In 2012, China Coal Energy received 2 National Energy Technology Progress Awards; 1 Shaanxi Province Science and Technology Progress Award, 2 Hebei Province Science and Technology Progress Awards; 9 Coal Industry Science and Technology Progress Awards, of which: Research and Development on Extra-thick Coal Seam Top Caving Mining Set Technology and Equipment and received the Coal Industry Scientific and Technological Progress Special Award, Research in Integrated Geophysical Prospecting Technology for Complex Geological Structures in Shallow Deep Mines and roadheading Machine Remote Control Technology and Monitoring System each received a First Award.

Establishing technological innovation system, enhancing capability of self-initiated innovation

Adhering to the strategy of technological innovation, China Coal Energy has kept increasing its investment in technology development, with a view to tackling the major technological problems that hinder further progress of the Company and the development of the industry. The investment in technology development summed up to RMB7.7 billion, representing a 15% year-on-year growth.

Investment in technology development for 2008-2012 by China Coal Energy

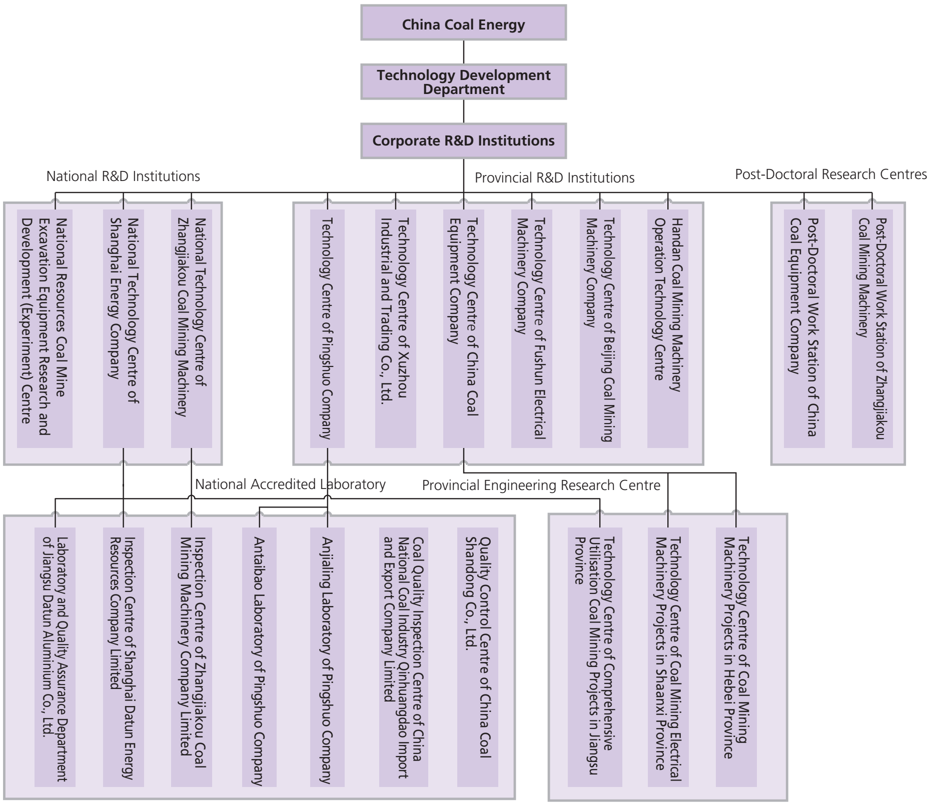


In 2012, with a view to integrating into the National System of Technology Innovation, China Coal Energy has taken initiative to build a platform for technology innovation and established a technological innovation mechanism in charge by the General Engineer. The research projects of the Comprehensive Mining Equipment Laboratory has been settled by National Energy Coal Mining Equipment Research and Development (Laboratory) Centre, which also funded the project, arranged the agenda of infrastructure construction and fulfilled all the construction tasks of the year. Our level and quality of Enterprise-University-Research Institute Cooperation has been constantly improving, thanks to the State-level Coordinating Innovation Centre co-built by the Company and China University of Mining and Technology. As was approved by the Chinese National Laboratory Accreditation Committee, the Antaibao Laboratory, Anjialing Laboratory in Pingshuo Mining Area have been accredited National Laboratory with CNAS certification. China Coal Equipment Company and Longhua Company were recognised as National Hi-Tech Enterprises.

For the time being, the Company has already established an autonomous, open and integrated mechanism for research and development consisting of 1 National Energy Resource Researching and Developing centre, 2 State-certified Enterprise Technology Centres, 6 Province-certified Enterprise Technology Centres, 3 Provincial Engineering Research Centres, 7 State-certified Laboratories, 2 Post-Doctoral Research Centres, and 1 National Coordinating Innovation Centre. With 7 hi-tech enterprises, our R&D capability enjoyed a further enhancement.

National Energy Coal Mining Equipment Research and Development (Laboratory) Centre

Technological Innovation Mechanism of China Coal Energy



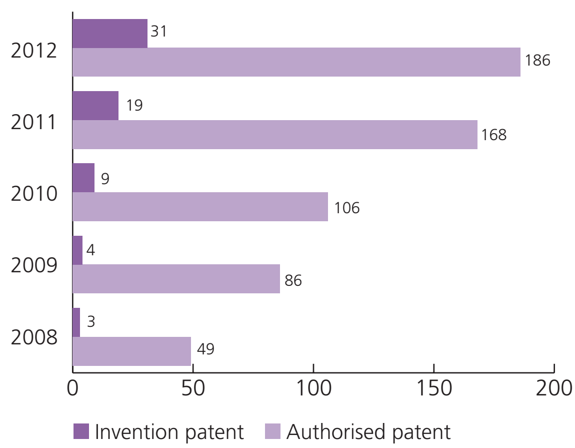
Advancing the transformation of technological achievements, conducting R&D of patent programs

Currently China Coal Energy possesses a number of both internationally and domestically cutting-edge core technologies including combined mining of open-pit and underground mining, safely mining of shallowly-buried thick coal seams with hard top, integrated geophysical prospecting technology for shallowly buried seams with complex geological structure, under-lake coal mining, partial cooling technology in deep mining, heavy mining machinery manufacturing, automatic integrated equipment for thin coal seams and oil shale extraction technology, all of which lead to over 80% of the application rate of R&D results.

In 2012, as one of three pilots among central enterprises, China Coal Energy conscientiously implemented the strategic planning in relation to intellectual property rights according to the "Twelfth Five Year Plan". We staged a demonstrating intellectual property project as a pilot central enterprise. Efforts have been made on integrating patent innovation, product development, craftsmanship improvement, transforming from quantity-oriented to quality-oriented and diverting the focus from patent application to the whole process of patent protection, thus making breakthrough in all the patent indicators.

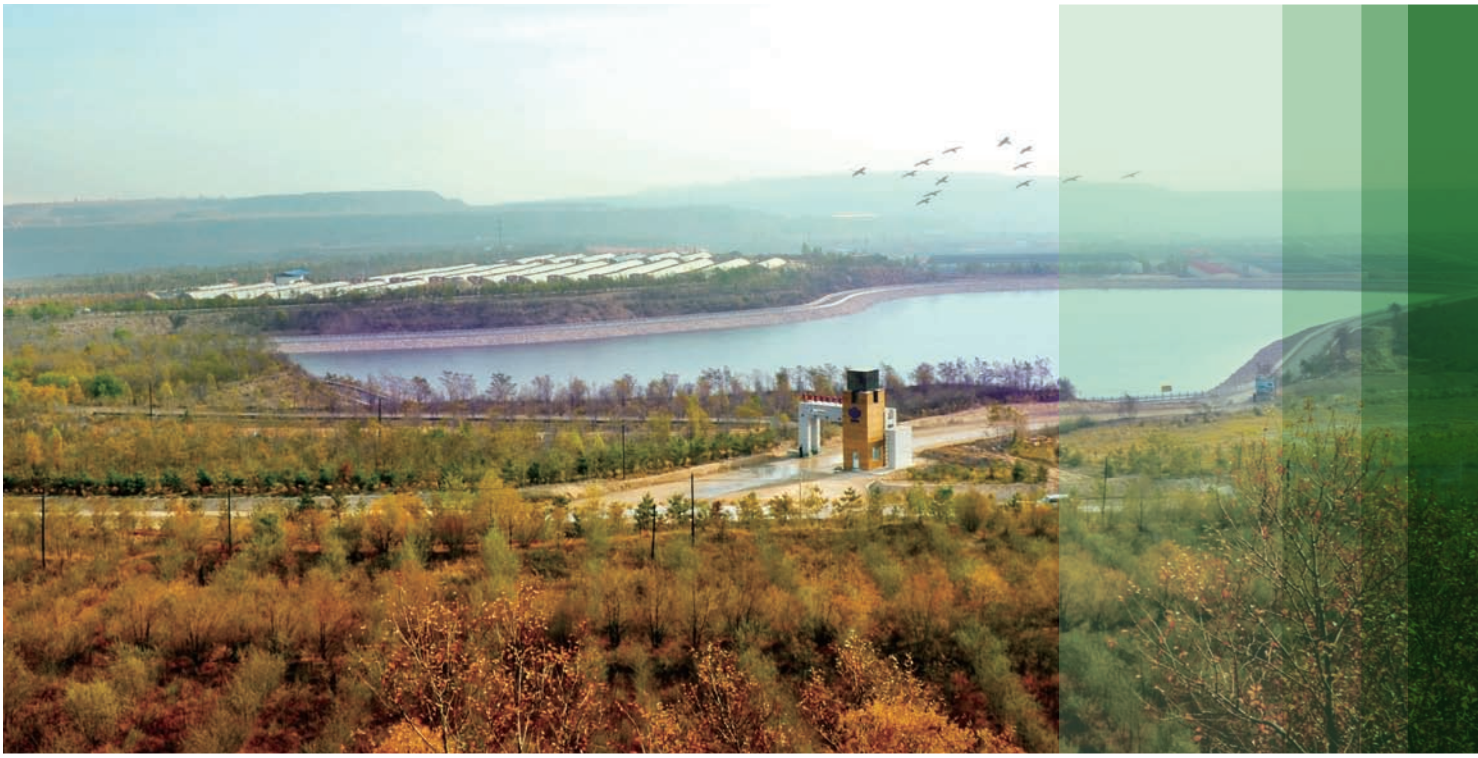
During 2012, we had 241 patent application accepted, representing a 22% year-on-year growth. Among them, 83 are patents for invention, increased by 48% year on year, over-fulfilling the plan of the year; 186 are authorised patents, representing a 11% year-on-year growth, with 31 of them are inventions, increased by 63% year-on-year; the effective patents of the Company sum up to 655, with 67 of them are patent for invention. The Dual-post Two-leg Low Caving Coal Powered Support Patent was authorised by the Australian Patent Office and the Russian Patent Office; and the Patent for Complex Flipper Powered hydraulic roof Support and its Application won the 14th China Patent Outstanding Award.

Patents authorised to China Coal Energy for 2008-2012



Environment Responsibilities

Insist on green development, develop recycling economy and build up ecological mines.



- Accelerating efforts in the construction of the strategic system of a "Green China Coal Energy"
- Increasing efforts in mine treatment and environmental protection and reclamation
- Consolidated use of resources so as to develop a low-carbon economy

The fast growth of the national economy along with the rapid advancement of industrialisation and urbanisation has given rise to more severe problems in safe energy and ecological and environmental conservation, posing a major challenge to sustainable development. The report delivered at the 18th Party Congress expressly stated that the construction of ecological civilisation is a long-term plan crucial to the people's well-being and the nation's future. Confronted with the challenging situation including increasingly tight resource constraints, heavy environmental pollution and a degrading ecosystem, we must establish an ecological civilisation concept of respecting and protecting nature. We should focus on the construction of ecological civilisation and incorporate the same into all respects and processes throughout economic construction, political construction, cultural construction and social construction, thereby striving for the building of beautiful China and the sustainable development of the Chinese nation. In 2012, by making a serious commitment to the implementation of the Green Development Program and the Energy Conservation and Environmental Protection Planning under the "Twelfth Five-Year Plan", China Coal Energy further improved its management and control system customised for energy conservation and environmental protection, spared no efforts to promote the formulation of "Green China Coal Energy" standards and stepped up the implementation of the key projects in relation to energy conservation and emission reduction. In addition, the Company made a solid progress in various work in relation to the building of "Green China Coal Energy" while focusing on resolving critical environmental issues. Remarkable results have been achieved in this regard.

Accelerating efforts in the construction of the strategic system of a "Green China Coal Energy"

Establishment of the "Green China Coal Energy" strategy. China Coal Energy implemented energy conservation and emission reduction policies from a strategic perspective by issuing the "Green Development Program of China Coal Energy" and the "Energy Conservation and Environmental Protection Planning under the 'Twelfth Five-Year Plan' of China Coal Energy" and put forward its core philosophy of "A green China Coal Energy to benefit the nature", and clearly defined its general idea, objectives and key tasks for green development, energy conservation and environmental protection of the Company during the "Twelfth Five-Year Plan". The Company has incorporated the concept of green development into the whole process of project planning, design, construction and management, and has adhered to the development model based on economies of scale, intensive management and circular economy, so as to provide guidance for energy conservation and environmental protection efforts and an important means to the transformation of economic development model, thereby striving to accomplish the development objectives in a cost effective, profitable, low emission and sustainable manner.

Promoting the construction of standardised systems. In 2012, in order to effectively promote the implementation of the strategy of "Green China Coal Energy", China Coal Energy commenced the formulation of the standards and assessment system of "Green China Coal Energy" under the principle of "Focusing on the priorities, progressive implementation and achievement", and completed the drafting of three sets of standards, namely the "Green Standards and Evaluation System for Open Pit Mines", the "Green Standards and Evaluation System for Underground Mines" and the "Green Standards and Evaluation System for Coal Preparation Plant". For the purpose of ushering in green development concept, model and culture from the perspective of scientific development of the coal industry, China Coal Energy prepared leading indicators and standards in the industry to enhance regulated and standardised management so as to push forward green development and scientific development of the coal industry. While achieving progress in its own development and creating more wealth, China Coal Energy has also assumed more social responsibilities.

Tightened control over energy conservation and environmental protection. China Coal Energy continuously stepped up its efforts in the organisation and management of energy conservation and environmental protection programs as well as the control over statistical monitoring and assessment-based rewards and punishment programs by actively fulfilling the requirements of relevant national rules and regulations in respect of energy conservation and environmental protection. The Company preliminarily formed a four-level organised management network comprising the Head Office, second-tier enterprises, mines (factories) and regional teams (work shops), set up or designate managing body, deployed full-time or part time managers. As a result, China Coal Energy has preliminarily formulated an IT-based management system for energy conservation and environmental protection, and, among second tier enterprises, the headquarter and the SASAC, achieved the "bottom up" reporting and timely updating of data obtained from energy conservation and environmental protection statistics and monitoring. In addition to the establishment of fundamental management systems for energy conservation and environmental protection, assessment and statistics, China Coal Energy has also entered into the "Letter of Objectives and Responsibilities of Energy Conservation and Environmental Protection under the 'Twelfth Five-Year Plan'" with its subsidiaries so as to set respective objectives for each subsidiary, to strengthen the implementation of responsibility and to standardise performance assessment mechanisms.

Increasing efforts in mine treatment and environmental protection and reclamation

Energy Conservation Meeting

China Coal Energy accelerated the implementation of key energy conservation and environmental protection projects, vigorously resolved critical environmental issues and focused on resources and environmental protection, so as to strengthen the sustainable development of the coal industry and establish a new system to ensure the development of the coal industry in an environmental-friendly, safe, healthy and sustainable manner, thereby providing stronger support to ensure the long-term, safe and stable supply of energy in China. In 2012, the Company invested RMB896 million in more than 100 projects for energy conservation and environmental protection as well as reclamation and treatment of mine environment, which was used to further upgrade the energy conservation and environmental protection equipment and improve the ecological environment in the mining area. In addition, energy-consuming equipment was redesigned to better cater to the production needs, leading to a conservation of 500,000 tonnes of water and 42 million kwh of power as well as a reduction of 4,000 tonnes of coal dust emissions and 539.62 tonnes of sulfur dioxide emissions for 2012. Furthermore, the Company's comprehensive utilisation rate of coal gangue reached 97.7%. Adhering to the concept of "mining black coal in a green manner", Longhua Company carried out treatment of pollution and soil erosion at the open pit dumping site in the mining area, and continuously promoted reclamation of the gangue-dumping site. As a result, 70 hectares of mining area has been reclaimed and 100,000 trees have been planted, with a survival rate of over 95%. The new sewage treatment station of the electroplating workshop of Beijing Coal Mining Machinery Company was completed and commenced operation. Its performance in sewage treatment is remarkable and up to the new emission standards adopted in Beijing.

Consolidated use of resources so as to develop a low-carbon economy

China Coal Energy stepped up structural adjustment, strengthened technological innovation and effectively carried out energy conservation and emission reduction efforts by making serious commitments to the implementation of the government's work arrangement in respect of energy conservation and emission reduction. Meanwhile, the Company continuously raised its goal for energy conservation and emission reduction and incorporated the concept of energy conservation and emission reduction into all fields and all stages throughout production, transportation and construction, aiming at promoting green development and providing energy support for China's economic and social development. In 2012, the Company organised its subsidiaries to actively apply for energy conservation and emission reduction projects under the central state-owned capital operating budget for 2013, and recommended 6 projects to the Ministry of Finance including the demonstration project of Pingshuo

Land Reclamation In Pingshuo Mininig Area

Illustrative case:

Tangshangou Coal Mine's commitment to the green economy

Environmental protection is always the theme of coal mine development. In order to realise its long-cherished wish of "mine black coal in a green manner", Tangshangou Coal Mine stepped up its efforts in the treatment of sewage and solid waste. As for sewage treatment, Tangshangou Coal Mine made an investment of more than RMB8 million in the renovation of the treatment system of mine water and domestic water as well as the building of a sewage treatment plant. All mine water and domestic water after treatment can be used for underground dust prevention by sprinkling, fire control at industrial sites, greening and agricultural irrigation, which significantly improves the company's water use efficiency. As for solid waste treatment, Tangshangou Coal Mine achieved a disposal rate of solid waste of more than 95% by reducing the amount of gangue (which is a type of small amount impurities blended in coal) transported out of the pit, and minimising the discharge of gangue, slag etc. by using such solid waste in the manufacture of building materials.

Inferior Coal Comprehensive Utilisation Project, the project of Shanghai Energy Company in relation to the modification of the boilers in its power plant for gas desulphurisation, dedusting and denitration, the project of Huajin Coking Coal Company in relation to the modification of three furnaces and two sets of machines for comprehensive utilisation of coal with low calorific value and the project of the China Coal Equipment Company in relation to the installation of coal mining equipment in the industrial park. The Company would aim to apply for a sum of RMB1.53 billion for relevant projects. The coal washing plants of Pingshuo Company produces more than 20 million tonnes of coal gangue each year, of which 2 million tonnes are consumed in gangue power plants, and the rest is transported to the dumping site and covered with earth in an effort to reclaim farmland. In this way, all coal gangue produced by Pingshuo Company is utilised in a comprehensive manner. As one of the national-level energy conservation projects, the project of the new forging factory of Zhangjiakou Coal Mining Machinery, which will aim at replacing traditional high energy consuming steam hammers with environmental-friendly electro-hydraulic hammers as its core equipment, has been put into trial production and is expected to conserve 13,200 tonnes of standard coal per annum.

In addition, the Company launched special technology optimisation programs regarding the comprehensive utilisation of water resources in the coal mines and coal chemical factories in Ordos region. Adhering to the guiding ideology of "zero discharge, full recycling, large circulation and overall balance", the Company endeavours to achieve the treatment, reuse, circulation, balance of mine water by carrying out systematic study, overall promotion and employing a combination of prevention, treatment and utilisation, thereby making the whole coal chemical base in Ordos a major circulatory system.

In 2012, the integrated energy consumption per RMB10,000 production output (calculated at current price) of the Company was 0.468 tonne of standard coal; the emission of sulfur dioxides was 10,926 tonnes, decreased by 4.71% year-on-year; the emission of chemical oxygen demand (COD) was 885 tonnes, decreased by 6.74% year-on-year; the reuse rate of water for coal washing exceeded 95%; the power consumption for raw coal production was 6.65 kwh per tonne; and the utilisation rate of mine water was 75.6%. All these reached the leading level in the domestic industry. Moreover, the Company was awarded the prize of "Low Carbon Model of China 2012". Pingshuo Company was granted the China Baosteel Environmental Friendly Prize, the highest social recognition of environmental protection in China. The recycling economy framework of Shanghai Energy Company, which features "1 vertical and 5 horizontals", has been successfully selected by the Ministry of Industry and Information Technology as one of the first batch major demonstration projects regarding industrial recycling economy.

Conferring the Prize of "Low Carbon Model of China 2012" to The Company

Illustrative case:

Pingshuo Company became the winner of "The 7th Session of China Baosteel Environmental Friendly Prize of Excellence"

On April 23, Pingshuo Company was awarded "The 7th Session of China Baosteel Environmental Friendly Prize of Excellence" at the awarding ceremony of the 7th Session of China Baosteel Environmental Friendly Prize held at the Great Hall of the People.

China Baosteel Environmental Friendly Prize represents the highest social recognition of environmental protection in China and comprises a total of 25 awards covering five categories, namely Environmental Management Prize, Urban Environment Protection Prize, Corporate Environment Protection Prize, Ecological Protection Prize and Prize for Promotion of Environmental Protection. This session of the Prize was themed "To transform development model for the construction of ecological civilisation". A total of five companies received the Corporate Environment Protection Prize at the awarding ceremony.

Adhering to the environmental-friendly sustainable development strategy which attaches equal importance to economic development and environmental protection, Pingshuo Company has been endeavouring to build two industrial chains (namely "coal – power – chemical – building materials" and "agriculture – forestry – grassland farming – medicine – ecological tourism") and vigorously developing recycling economy, thus becoming a model enterprise in China's mining industry in terms of environmental-friendly development. Pingshuo Company initiated the precedent of including reclamation funds in production costs in terms of accounting in China. By 2012, the company had withdrawn a cumulative sum of RMB4.5 billion of deposit appropriated for mine-environment reclamation and reclaimed 32,000 acres of land, which turned hills into plains and benefited the local people. Pingshuo Company has developed a sound antifouling system by making an accumulative investment of more than RMB5 billion in environmental management and ecological construction. The achievement of full recovery of coal slime by the company's coal washery, which filled the gap left by China's similar coal washing processes in terms of the recovery and utilisation technology of coal slime, may deliver economic benefits in value of RMB1 billion per annum. In addition, Pingshuo Company has established a wastewater recycling system designed to make comprehensive utilisation of 19 million tonnes of industrial water produced from the mining area per annum.

The Green Pingshuo Mining Area

Social responsibilities

Insist on harmonious development to facilitate staff growth and support local economy.

- Career Development – To share the promising prospect
  - *Setting off from China Coal Energy*
  - *Respects in China Coal Energy*
  - *Harvest in China Coal Energy*
  - *Warm-heartedness of China Coal Energy*
- Harmonious development – Contributing to the community, economy and livelihood
  - *Supporting local economic development*
  - *Actively participating in charity causes*

To live up to the human-oriented core concept under its talent-empowered strategy, China Coal Energy is committed to establishing harmonious employment relationship with a primary aim at mutual growths of employees and the enterprise. By introducing innovative internal mechanism, optimising posts and staffing and deepening democratic management, the Company seeks to promote overall growths of employees to forge a workforce creating excellence and sharing the fruits with the Company.

To fulfil the responsibilities of an excellent corporate citizen is an important goal of China Coal Energy as a large-scale national energy enterprise. Through consistent operations in compliance with laws and regulations with a belief in mutual benefits with stakeholders, we capitalise on our strengths to support local economic development, offering high quality, clean and efficient energy products and services to contribute to the community and benefit the masses.

Career Development – To share the promising prospect

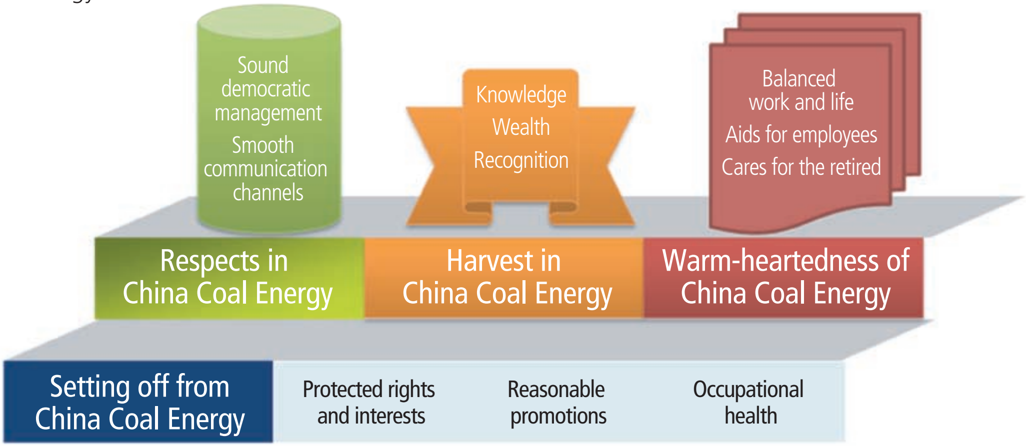
In light of the human-oriented core concept, China Coal Energy is committed to advancing its talents-empowered strategy to provide a sound environment for individual growth and success and forge a workforce creating excellence and sharing the fruits with the Company. The Company provides full-cycle cares to employees, as evidenced by the primary rights and interests, career planning and occupational health protection provided since an employee joins Company, and the attention to individual growth and development of every employee as well as the cares for the retired staff, laying a solid cornerstone of human resources for sustainable success of China Coal Energy.

Setting off from China Coal Energy

To cater for its continuous rapid business development, China Coal Energy is committed to reforming the talent introduction mechanism, safeguarding basic rights and interests of employees and improving their occupational health, so as to provide a smooth career path for everyone joining the Company to successfully set sail.

On talent introduction: China Coal Energy drew upon its brand influence to respond to the challenges from the talent shortage in major disciplines for the coal industry and the insufficient talent reserve for coal chemical industry. The Company organised its subsidiaries to publish recruitment advertisements under a same brand name and staged recruitment activities at major coal, chemical and electric power colleges, which effectively fuelled and invigorated its business development with new bloods.

On-site training for new employees



On basic rights and interests: China Coal Energy strictly observes the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and other relevant laws and regulations to ensure and safeguard legitimate rights and interests of employees. The employment relationship was normalised with an employment contract ratio of 100%. We adhere to provide equal pay for equal work and equal employment opportunities, prohibit any employment of child labours and the forced work in any form, and seek to provide job opportunities to the disabled, ethnic minority and veterans, while maintaining a well-established vacation system to protect the normal rest and leave rights of employees.

On promotion channels: Highly valuing individual growth, the Company keeps on broadening the career paths for managers, technicians and skilled workers, including pushing forward the certification of professional skills and professional title appraisals. As at the end of 2012, the Company completed the appraisals on 14,914 employees in special posts in coal, power and chemical industries as well as in other industries and common posts and 11,088 employees obtained certificates, representing a passing rate of 74.35%. During 2012, 3,420 professional technicians participated in and 2,883 technicians passed the professional title appraisals (including first employment).

On occupational health: China Coal Energy attaches great importance to employee occupational health and the top priority to their health and safety. Earnestly implementing the Occupational Disease Prevention Law, the Company strives to strengthen prevention and management of occupational diseases through the initiatives including establishing a sound occupational health and safety assurance mechanism for all the staff, conscientiously maintaining a healthy and safe workplace, identifying toxic and hazardous substances and adopting protective measures, with an aim at the upgrade from occupational casualty prevention and control to an all-around safety and health approach.

Illustrative case:

Training course for outstanding regional team leaders

From 13 to 18 July 2012, the Company held a training course for outstanding regional team leaders which was designed to enhance their safety production management capability and calibre to build up a group of regional team leaders featuring safety knowledge, management competency, strong capability, high calibre, proven professionalism and righteous ethic. The Company's Vice President Qi Hegang, together with experts from China University of Mining and Technology, Shandong University of Science and Technology, China Coal Research Institute and Haier Group, gave lectures on the courses including "On-site Organisation and Management for Coal Mines", "Flood Prevention and Control for Mines" and "Digital Mines". Meanwhile, on-site visits to Datun Aluminium Company and Longdong Coal Mine were organised to help the students to learn from standardisation management experience for coal mines including refined management and safety post red lines.

Training course for outstanding regional team leaders

Respects in China Coal Energy

China Coal Energy pays respects and equal treatment to every employee, adhering to democratic management to expand smooth communication channels to listen to employees' voices and fully protect every employee's rights of information, participation and monitoring.

On democratic management: The Company proactively carries out democratic management endeavours, including establishing labour unions as well as the corporate democratic management system in the basic form of staff representative committee and the plant affairs disclosure system, improving the staff representative inspector system, ensuring smooth petition channels, collecting and implementing the proposals and reasonable suggestions of staff representatives.

On employee communication: To vigorously broaden the employee communication channels, the Company adopts various means such as meeting of staff representative, round-table democratic meeting, open day of leaders and suggestion box, in order to tap on multi-level communications, listen to the voices of employees and establish positive interaction between the Company and the staff.

Harvest in China Coal Energy

The Company seeks to establish a scientific training system, develop sound remuneration and welfare system and build up a broad growth platform to help every employee harvesting knowledge, wealth and value.

Harvesting knowledge: With an aim at building a learning and innovation-oriented organisation, the Company encourages the staff to improve overall calibre through continuous studies. By further broadening training methods, making more effort on training and creating an atmosphere for study, the Company strives to establish workforce adapted to the quick development of the Company. The Company increased investment in in-house classes, actively developed high-quality educational resources platforms and partnered with universities, famous training institutions and enterprises. Upholding the principle of providing training courses on a post-specific and need-to-learn basis, the Company studied the needs of each training subject, arranged classes scientifically and provided training that catered to the specific needs of participants. Meanwhile, the Company accelerated the construction of training bases, established China Coal Vocational Technology College and formulated the construction plan for the training base of Pingshuo Company so as to build up a mega training system.

Establishing China Coal Vocational Technology College

Harvesting wealth: The Company pays respects to employees' work and provides reasonable compensation to their dedication. Taking efforts to deepen the income distribution system reform and optimise the remuneration and welfare system, the Company has established a distribution model featuring post-specific salary, performance-based remuneration and rational spans. Under a well-established social security system, the enterprise annuity plan was gradually implemented. As a further care for workers at underground production and construction fronts, a hardship post allowance totalling RMB207 million was paid in addition to the coverage of underground accident insurance.

Harvesting recognition: Keeping the mission for a modern enterprise in mind, the Company provides a broad career stage for employees. Numerous employees are growing up to realise their self-worth, thus boosting the Company's cohesion and solidarity.

Warm-heartedness of China Coal Energy

Extending cares to every employee in work and life, the Company attaches much importance to balanced development of employees. Aids are provided in time to employees in need together with cares for the retired staff, warming every employee's heart with love and cares. A variety of sports and cultural activities were held to advocate reasonable and healthy styles for work and life and heighten employees' happiness. From 22 to 25 May 2012, the Company held a "China Coal Cup" badminton competition in Rizhao City, Shandong Province. On 28 September, a sports game for employees of the subsidiaries in Beijing was staged at the National Olympic Sports Centre. In 2012, the Company also hosted the 12th "China Coal Cup" bridge tournament of the Trade Union of China's Energy and Chemical Industries for coal and geological enterprises in Beijing; and Pingshuo Company hosted the 23rd "Black Gold Cup" men's basketball game (B group). The Company stays close to the employees in need, offering aids to help them solving difficulties and to pass the love and warmth.

Staff sports game

Speech contest

Illustrative case:

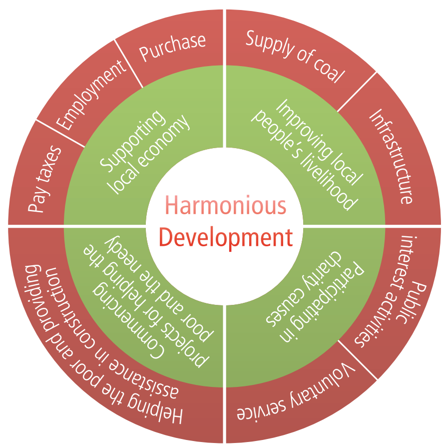
Pooling the efforts to the livelihood

Shanghai Datun Energy Resources Company Limited, an old coal enterprise established in 1970s, has been harassed by the housing difficulty of its executives and employees due to its early logic of "first production, then life". In 2011, the company's leaders determined to push forth its staff housing project by constructing New City Garden, a residential community comprising more than 6,000 units with a gross floor area totalling nearly 1 million square metres. In 2012, the company made smooth progresses in construction, distribution and presale of New City Garden and the improvement projects of water quality and heating facilities proceeded as scheduled, which met the basic expectation of the staff and significantly improved their housing and living conditions.

The newly-constructed staff quarters

Harmonious Development – Contributing to the community, economy and livelihood

China Coal Energy is committed to corporate social responsibility and considers facilitating the development of the economy and society as the enterprise's ultimate goal. The Company strives to develop a harmonious society by supporting local economic development, improving the society and people's livelihood, commencing projects to help the poor and the needy and participating in charity causes.



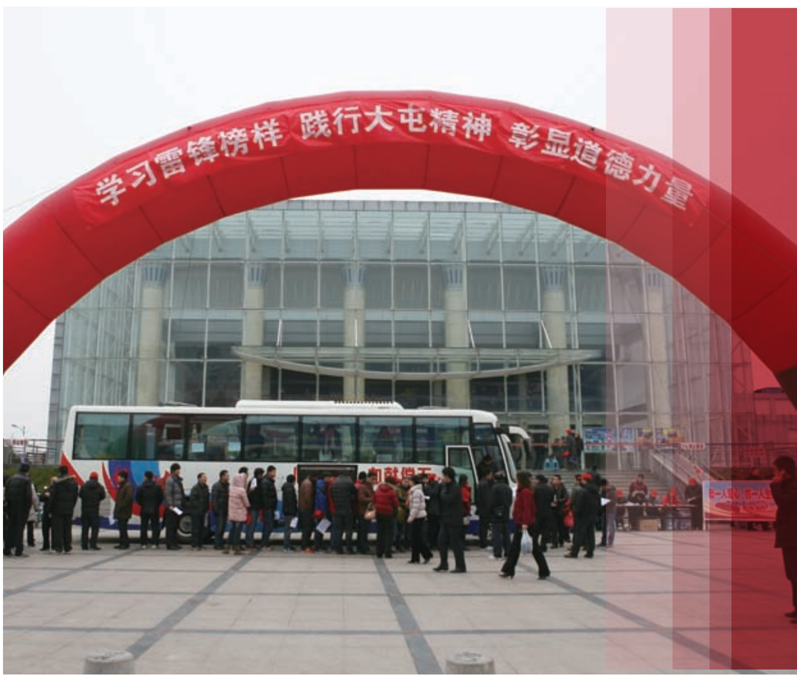
Supporting local economic development

The continuous and stable coal supply from China Coal Energy has given solid support to the local economy and facilitated the local economic development. In addition, the Company supports local suppliers and contractors, and promotes the development and restructuring of related local industries by developing projects regarding construction, production, sales and utilisation in the coal mining industry. In 2012, the Company paid taxes totalling RMB15.79 billion. In 2012, among the 500 university students recruited by China Coal Shaanxi Yulin Energy Chemical Company Limited, 208 were from Yulin, which accounted for 41.6% of the total number of students. Shanxi China Coal Huajin Energy Company Limited always prioritises farmers from surrounding villages when recruiting workers for the construction of its projects. Huajin Company helped the farmers increase their income and facilitated regional economic development by creating almost 20,000 local job opportunities in total, thereby building a harmonious relationship between the local people and the enterprise.

Actively participating in charity causes

China Coal Energy participates actively in charity activities and establishes specific projects that aim to help the poor and support local development in the autonomous regions of minority groups such as Xinjiang and Inner Mongolia. In 2012, the Company donated a total of RMB15.64 million, including a donation of RMB2 million to a flour factory in Subutai Town, Nilekesu County, Yili Prefecture, Xinjiang, a donation of RMB3 million to Ordos International Nadam Fair in Ordos, and a donation of RMB9.5 million to the partner provinces (regions and cities) including Shanxi Province, Shaanxi Province, Inner Mongolia and Xinjiang. The Company organises a variety of volunteer activities for its employees and pays more attention to the disadvantaged in the society. The one-on-one caring program organised by Pingshuo Company's "Sunshine Project" won the prize for golden young volunteer services of state-owned enterprises, and the blood stem cells voluntary donation activity– "Renewed Hope in Life" organised by Shanghai Energy Company was nominated for the same prize. Ma Jiguo, from the Department of Party committee at Kongzhuang Mine of Shanghai Energy Company, won the honorary title of the prize for golden young volunteer from state-owned enterprises.

Making donations for disaster relief

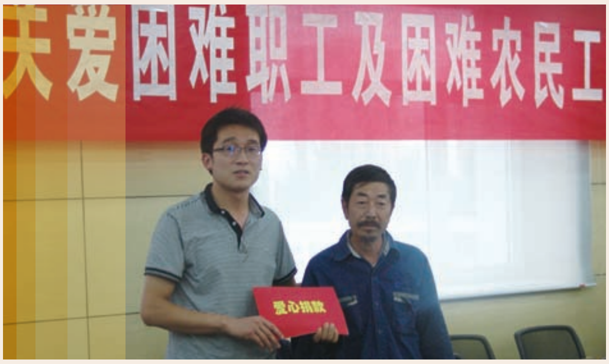


Guo Mingyi Caring Team

Illustrative case:

The "Sunshine Project", a one-to-one caring activity

Pingshuo Company established its young volunteer service teams in 1995 with only 9 service teams at first. In 2010, Pingshuo Company's Youth League Committee of Pingshuo Company officially organised and established the Young Volunteers Association based on the foundation laid. Currently, there are 25 teams of volunteers and the number of young volunteers registered has exceeded 500. Pingshuo Company's Youth League Committee has always committed to the "Sunshine Project", a one-to-one caring activity. Nearly 5,000 volunteers have participated in the caring activity by far and over 600 children of migrant workers with difficulties and about 50 local schools have received specific help. In addition, the caring teams have also visited 452 homes of staff with difficulties and single elderly people. In 2012, the Company raised over RMB280,000 and certain amount of learning materials for children of migrant workers and staff with difficulties through the "Aid for Education" activity and provided "one-to-one" assistance to 45 families, which included 27 staffs families and 18 migrant workers families with difficulties.



"Sunshine Project" in Pingshuo

Outlook

2013 is a crucial year for the Company in the implementation of the "Twelfth Five-Year Plan", as the Company will take the best from the past when developing for the future. After considering the overall complex domestic and international landscape, conducting thorough analysis on the development opportunities and challenges faced by the Company, and coordinating the relationship between growth momentum and quality, the Company proposed the general requirements of "Seeking Progress in Stability and Pursuing Scientific Development" based on the spirit of the Central Economic Work Conference and the conference of central enterprises leaders. The Company will focus on enhancing the quality and efficiency of business development by accelerating structural adjustment, enhancing management standards, strengthening the foundation of work safety, deepening the reform of the enterprise, and increasing its capability in innovation. The Company will create new strengths in a bid to become a world-class energy enterprise with global competitiveness and contribute to the development of the domestic economy and the building of a well-off society.

1. Creating economic value by adhering to scientific development. As a sizable enterprise, China Coal Energy bears the important responsibility of guaranteeing energy for the PRC, besides seeking more interest for the shareholders. Against the current difficult market situation, we will fully incorporate the concept of scientific development with an aim to accelerating the structural adjustment of the industry and products, enhancing management, lowering costs and increasing efficiency. The Company will strive to further secure the safe and steady supply of coal so as to contribute to the country's economic development by achieving encouraging operational results.

2. Being committed to safety development and ensuring safe production. The Company always considers safe production as its biggest responsibility and the life and health of its employees as the most valuable asset. The Company adheres to the philosophy of "safety is of vital importance as life is most valuable", as such, it pursues the "people-oriented and health first" policy to protect the basic interest of the staff. The Company set the target of "zero fatality", made improvements regarding its "environment, quality and responsibility" framework, solidified its foundation on work safety, and implemented its main responsibilities on safety, in a bid to create a safety-assured enterprise and ensure a safe working environment in China Coal Energy.

3. Being committed to innovation and leading the advancement of the industry. Besides forming the pillar of the industry with their assets, production scale, profits realisation and tax payment, central enterprises also take a leading role in technological advancement and innovation, and provide major support to the forging of a new country that focuses on technological innovation. In addition to safeguarding our own stable development, we also have to facilitate and support the scientific development of the industry with our achievements in innovation and set the direction of industry development with our efforts in innovation.

4. Being committed to green development and constructing ecological mines. In face of increasing coal demand and deteriorating environmental problems, it is the responsibility of coal enterprises to enhance the production capability for continuous supply of coal and implement sufficient measures to protect the environment. As a leading enterprise in the coal industry, China Coal Energy will strictly observe policies and the relevant laws and regulations promulgated by the PRC on energy conservation and emission reduction. The Company will assume its responsibility on environmental protection while achieving self-development and creating wealth. The Company believes that in order to maintain its leading position in the industry, it has to fulfill the performance targets in energy conservation and environmental protection, while striving for excellence.

5. Being committed to harmonious development and sharing the achievements. The Company pursues a win-win relationship with stakeholders by managing the enterprise in compliance with laws and regulations, conducting operations with integrity and safeguarding the lawful rights and interests of investors, consumers and staff. The Company will also enhance the anti-corruption measures and improve the mechanism regarding suppression and prevention of corruption. The Company will implement the "Three Importance and One Significance" policy-making system in an effort to regulate the use of power by leading officers and improve the mechanisms regarding supervision, restraints and risk aversion. The Company will strive to properly address complaints and petitions to maintain stability. It will also deepen the democratic management concept, and provide a platform and good environment for the development of staff. The Company will build a harmonious relationship between the local people and the enterprise by proactively participating in public welfare undertakings and supporting the development of local economy and community.

When implementing the "Twelfth Five-Year Plan", the Company will be committed to its responsibilities and missions by incorporating social responsibilities into its development strategies and daily operations. The Company will transform in a faster pace and share its development achievement with its staff and give it back to the society, thereby achieving a win-win relationship with stakeholders. The Company will endeavour to maximise the comprehensive value of economy, society and environment, and make contributions to the harmonious development of the society.

Auditors

pwc

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English Translation for Reference Only

Independent Assurance Report

To the Directors of China Coal Energy Co., Ltd.
We have been engaged by the Directors of China Coal Energy Co., Ltd. (the "Company") to perform a limited assurance engagement on the selected key performance information as at 31 December 2012 and for the year then ended as defined below in the 2012 Corporate Social Responsibility Report (the "CSR Report").

Directors' responsibilities
The Directors are responsible for the preparation and presentation of the selected key performance information in accordance with the basis as set out in the CSR Report's Preparation Principles, the definitions of the key performance information in the CSR Report (the "basis of reporting"). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the selected key performance information; and making estimates that are reasonable in the circumstances.

Practitioner's responsibilities
Our responsibility is to express a conclusion on the selected key performance information in the CSR Report based on our work performed. We report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our work on the selected key performance information in accordance with the International Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance as to whether any matters have come to our attention that causes us to

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believe that the selected key performance information as at 31 December 2012 and for the year then ended in the CSR Report are not prepared in all material respects with the basis of reporting.

The selected key performance information of the Company within the 2012 CSR Report that is covered by this report is as follows:

- Expenses of safe production (RMB100 million)
- Fatality rate of raw coal production per million tonnes
- Utilisation rate of mine water (%)
- Emission of sulphur dioxide (tonne)
- Emission of COD (tonne)
- Recovery rate in mines (%)

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. The procedures selected depend on the practitioner's judgment, including the assessment of the risks of material non-compliance of the selected key performance information in accordance with the basis of reporting.

Approach, scope and limitation of work

Within the scope of our work, we have performed the following procedures in the Headquarters of the Company in Beijing:

(i) Interviews with management and personnel in the Departments involved in providing information for inclusion in the CSR Report in relation to the selected key performance information;

(ii) Analytical procedure;

(iii) Examination, on a test basis, of documentary evidence relating to the selected key performance information on which we report;

(iv) Recalculation; and

(v) Other procedures deemed necessary

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Our work is limited to the selected key performance information as of 31 December 2012 and for the year then ended in the CSR Report. We have not performed any procedures over other data included in the CSR Report for 2012, nor have we performed any procedures on other data or data prior to 2011. In addition, our work performed is not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.

Conclusion

Based on the limited assurance work which we have performed, nothing has come to our attention that causes us to believe that the selected key performance information as at 31 December 2012 and for the year the ended has not been prepared, in all material respects, in accordance with the basis of reporting.

PricewaterhouseCoopers Zhong Tian CPAs Limited Company
Shanghai, China
15 March 2013

Basic of preparation for key data

Expenses of safe production (RMB 100 million)

The expenses that are used specifically for the improvement and enhancement of safe production conditions of enterprises or projects in accordance with the national Management Measures for the Withdrawal and Use of Corporate Safe Production Fee and the Internal Management Measures for the Specific Expenses of China Coal Energy Company Limited (Trial) (China Coal Development [2010] No. 589).

Fatality rate of raw coal production per million tonnes

The fatality rate of coal production per million tonnes refers to the death toll in the production process of raw coal per million tonnes (excluding construction of mines, infrastructure and ground works).

Utilisation rate of mine water (%)

The re-utilisation rate of mine water, which is the ratio of the total volume of utilised mine water to the total volume of mine water produced (the total volume of utilised mine water equals the volume of mine water produced minus the volume of mine water discharged).

Emission of sulphur dioxide (tonne)

The total volume of the emission of sulphur dioxide during fuel burning and production progress.

Emission of Chemical Oxygen Demand (COD) (tonne)

The volume of oxidant consumed, under certain circumstances, in processing water sample with certain strong oxidant, which is a measurement of pollution of the industrial wastewater.

Recovery rate in mines (%)

The recovery rate of mining areas is the ratio of the volume of mineral extracted from the mine to the volume of minable reserves in the mining area.

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	P2-5, P8-9	Adequate disclosure
	1.2 Description of key effects, risks, and opportunities	P2-5	Adequate disclosure
2. Introduction to 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	P6-7	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)	P20-22	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	P13, P33-34, P40-41, P47-48	Adequate 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

	Particulars of Indicators of GRI	Section in the Report (Contents of the Report)	Extent of Disclosure
3. Requirements of Reports	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 suppliers)	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 rearrangement 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)	Cover II	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	P55-62	Adequate disclosure
	3.13 A list of the policy and existing measures adopted by the organisation 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
4. Governance, commitment and engagement	4.1 The management structure of the organisation	P10-12	Adequate disclosure
	4.2 Indication that if the head of the highest management body also takes up any other executive post	P10	Adequate disclosure
	4.3 The number of independent and (or) non-executive members of the highest management body in case of an organisation with unitary board system	P10	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	P10	Adequate disclosure

	Particulars of Indicators of GRI	Section in the Report (Contents of the Report)	Extent of Disclosure
4. Governance, commitment and engagement	4.5 Relationship between compensation (including arrangement for loss of office) for the members of the highest management body, senior managers and executive officers and the organisation's performance (including social and environmental performance)	P10-12	Adequate disclosure
	4.6 Procedures for prevention of conflicts of interest in the highest management body	P10-12	Adequate disclosure
	4.7 Policy for determination of the required qualifications and experience of the members of the highest management body to implement the strategies of the organisation's economic, environmental and social projects	P10-12	Adequate disclosure
	4.8 The internal missions or values, code of conduct, principles related to economic, environmental and social performance, and their implementation	P14	Adequate disclosure
	4.9 The supervision of the highest management body over the determination and management by the reporting organisation of the economic, environmental and social performance (including relevant risks and opportunities), and its compliance with internationally accepted standards, codes of conduct and principles	P10-11	Adequate disclosure
	4.10 Assessment procedures on the performance of the highest management, particularly, economic, environmental and social performances	P11-12	Adequate disclosure
	4.11 Explanation on if and how the organisation acts based on prudence or in accordance with the principles		Not involved
	4.12 The organisation's commitment and support to economic, environmental and social charters or principles or other initiatives promoted by external parties	P16-17	Adequate disclosure
	4.13 The admittance to any associations (e.g. industry associations) and (or) national/international initiative organisations	P27, P33	Partial disclosure
	4.14 A list of stakeholders of the organisation	P16-17	Adequate disclosure
	4.15 The basis for identification and selection of stakeholders	P16-17	Adequate disclosure
	4.16 The policy for the introduction of stakeholders, including the frequency of introduction by various forms and groups	P16-17	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	P16-17	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	P15	Adequate disclosure

	Particulars of Indicators of GRI	Section in the Report (Contents of the Report)	Extent of Disclosure
Economic	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	P20-22	Adequate disclosure
	EC3 The coverage of the organisation's fixed benefit plan	P43-46	Adequate disclosure
	EC4 Important financial assistance received from the government		Not applicable
	EC5 The range of changes in 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	P20-22	Adequate disclosure
	EC7 Procedures for employment of staff members and proportion of local management in key operation regions	P43-45	Partial disclosure
	EC8 The development and effects of the investment and services in relation to infrastructure mainly for public interest through trade or provision of in-kind support or social welfare activities	P48	Partial disclosure
	EC9 Understanding and description of important indirect economic effects, including the degree and scope of the effects	P22, P48	Partial disclosure
Environment	EN1 The materials classified by weight or volume	P40	Partial disclosure
	EN2 The percentage of recycling materials to the materials used	P15, P40	Partial disclosure
	EN3 The direct energy consumption for primary energy resources	P15, P40	Partial disclosure
	EN4 The indirect energy consumption for primary energy resources	P40	Partial disclosure
	EN5 The energy saved by adopting energy saving measures and increasing efficiency of utilisation	P40	Adequate disclosure
	EN6 The initiatives promoted for the utilisation of the products and the services for energy saving or renewable energy, and the reduction of energy consumption due to these activities	P40	Adequate disclosure
	EN7 The initiatives promoted for the reduction of indirect energy consumption and the achievement of the reduction target	P40	Partial disclosure
	EN8 The total amount of water consumption classified by sources		Not involved
	EN9 The water sources seriously affected by water consumption	P39	Partial disclosure
	EN10 The percentage and amount for recycling water	P15	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

	Particulars of Indicators of GRI	Section in the Report (Contents of the Report)	Extent of Disclosure
Environment	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	P15	Adequate disclosure
	EN17 The calculation of other relevant indirect emission of greenhouse gas by weight	P15	Adequate disclosure
	EN18 The initiative for the reduction of greenhouse gas and the achievement of the reduction target	P39-40	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	P15, P40	Adequate disclosure
	EN21 The calculation of total discharge of water by quality and destinations		Not involved
	EN22 The amount of wastes by type and treatment methods	P39-40	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	P37-40	Adequate disclosure
	EN27 The products sold and their packing materials which are suitable for separate 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

	Particulars of Indicators of GRI	Section in the Report (Contents of the Report)	Extent of Disclosure
Environment	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		Not involved
	EN30 The total expenditures and total investment on environmental protection by types	P15, P39-40	Adequate disclosure
Social Labor policies and reasonable workload	LA1 The total number of employees classified by types of employment, employment contracts and locations	P15, P43-44	Adequate disclosure
	LA2 The total number and percentage of employees' turnover classified by ages, sex and location		Not involved
	LA3 The benefits exclusively provided to full-time employees, excluding temporary or part-time employees, classified by principal businesses	P45-46	Adequate disclosure
	LA4 The percentage of employees under the protection of the collective negotiation agreement	P43-45	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	P45	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	P45	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	P15	Partial disclosure
	LA8 Education, training, consultation and counselling, prevention and risk control in respect of serious diseases provided to help the employees, their families or members of the community	P43-46	Partial disclosure
	LA9 The issues on health and safety set out in the formal agreement entered into with the labor union	P25-29	Partial disclosure
	LA10 The annual average hours of training received by each of the employees classified by job positions	P29, P45	Partial disclosure
	LA11 Lifelong learning plans for the employment sustainability and the skill management for job transferal of the employees.	P43-46	Adequate disclosure
	LA12 The percentage of employees under regular performance appraisals and career development	P12	Partial 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	P44	Partial disclosure
	LA14 The ratio of basic salary of male employees to that of female employees classified by job positions		Not involved

	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 have passed the examination for human rights		Not involved
	HR2 The percentage of important suppliers and contractors, and the actions taken by the organisation which have passed the examination for human rights		Not involved
	HR3 The total training hours for the employees in connection with relevant policies and processes for human rights related to their performance of job duties, including the percentage of employees who receive the training	P29, P45-46	Adequate disclosure
	HR4 The total number of cases of discrimination, and the actions taken by the organisation	P43-46	Adequate disclosure
	HR5 The work (operation) discovered that may materially affect the freedom of association and rights of collective negotiation, and the actions taken to protect such rights	P43-46	Adequate disclosure
	HR6 The work (operation) discovered that may materially endanger child labors and the measures taken to abolish child labors	P43-46	Adequate disclosure
	HR7 The work (operation) discovered to possibly cause compulsory or forced labor and the measures taken to abolish such kinds of labor	P43-46	Adequate disclosure
	HR8 The percentage of security guards who receive 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
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)	P20-22, P47-48	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	P12	Partial disclosure
	SO4 The actions taken to tackle corruption	P12	Adequate disclosure
	SO5 The stance toward public policies, and the participation in the formulation and lobbying of public policies	P3, P14	Adequate disclosure
	SO6 The total value of financial and in-kind donation made to political parties, politicians and relevant organisation, as classified by countries		Not applicable

	Particulars of Indicators of GRI	Section in the Report (Contents of the Report)	Extent of Disclosure
Society	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	P19	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	P19-20	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	P15, P19-20	Adequate disclosure
	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	P19-20	Adequate disclosure
	PR6 The measures taken to meet the requirement of relevant laws, standards, and voluntary codes in respect of marketing (including advertisements, promotion and sponsorship)	P13	Adequate disclosure
	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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