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

2009 Annual Report

2009

Summary of consolidated balance sheet

Unit: RMB100 million

Items		As at 31 December 2009	As at 31 December 2008 (Restated)	Notes to financial statements
Assets		1,048.55	885.12	
Of which:	Property, plant and equipment	367.29	290.10	Note 7
	Mining rights	121.76	36.81	Note 10
	Investments in associates	20.30	13.02	Note 13
	Inventories	49.78	42.40	Note 19
	Trade and notes receivables	49.64	56.35	Note 20
	Term deposits with initial terms of over 3 months	228.13	273.83	Note 23
	Cash and cash equivalents	126.28	78.88	Note 23
Equity		734.43	628.27	
Of which:	Equity attributable to the equity holders of the Company	642.28	585.77	
	Minority interests	92.15	42.50	
Liabilities		314.12	256.85	
Of which:	Long-term borrowings	112.87	101.94	Note 26
	Provision for close down, restoration and environmental costs	11.56	10.55	Note 31
	Trade and notes payables	68.01	68.14	Note 29
	Taxes payable	6.10	12.97	

Summary of consolidated income statement

Unit: RMB100 million

Items	Year ended 31 December 2009	Year ended 31 December 2008 (Restated)	Notes to financial statements
Revenue	531.87	517.53	Note 6
Cost of sales	406.96	381.88	
Gross profit	124.91	135.66	
Profit from operations	112.72	113.99	
Profit before income tax	109.17	104.98	
Profit for the year	83.81	80.04	
Profit attributable to the equity holders of the Company	78.34	71.31	
Basic earnings per share attributable to equity holders of the Company (RMB)	0.59	0.54	Note 37

Overview of Key Financial Data

Summary of the operating results of segments (for the year ended 31 December 2009)

Unit: RMB100 million

Items	Coal operations	Coking operations	Coal mining equipment operations	Other operations	Unallocated items	Elimination	Total
Revenue	411.75	35.90	59.49	41.98	—	-17.25	531.87
Of which: Revenue from external sales	409.09	35.90	52.55	34.33	—	0	531.87
Profit from operations	96.94	0.84	4.47	1.42	10.01	-0.96	112.72
Profit before income tax	94.35	0.26	4.00	0.81	10.71	-0.96	109.17
Assets	580.82	66.33	72.02	53.99	303.95	-28.56	1,048.55
Liabilities	203.84	8.37	34.20	34.45	57.06	-23.80	314.12

Summary of consolidated cash flow statement

Unit: RMB100 million

Items	For the year ended 31 December 2009	For the year ended 31 December 2008 (Restated)
Net cash generated from operating activities	116.88	96.74
Net cash used in investing activities	-65.30	-313.20
Net cash (used in)/generated from financing activities	-4.16	253.52
Net increase in cash and cash equivalents	47.42	37.06
Cash and cash equivalents at the beginning of the year	78.88	43.14
Net foreign exchange losses	-0.02	-1.32
Cash and cash equivalents at the end of the year	126.28	78.88

Reconciliation of profit for the year to net cash inflows generated from operations

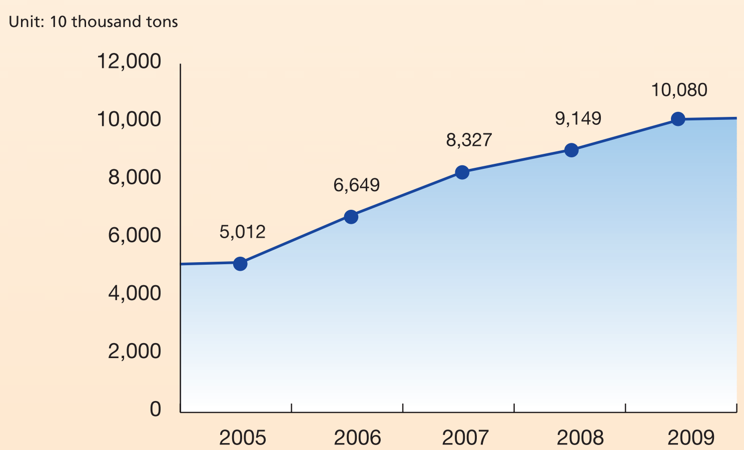
Unit: RMB100 million

Items	Year ended 31 December 2009	Year ended 31 December 2008 (Restated)	Notes to financial statements
Profit for the year	83.81	80.04	
Adjustments for:			
Depreciation and amortization	21.77	15.82	Note 8, 32
Net losses from disposal of property, plant and equipment	0.01	0.05	
Provision for impairment of receivables, inventories and available-for-sale financial assets	0.30	2.14	Note 32
Share of profits of associates and jointly controlled entities	-0.90	-1.06	
Net foreign exchange transaction (gains)/losses	-0.67	4.26	Note 33
Loss/(gains) arising from futures and derivatives	0.10	-0.43	Note 22, 33, 34
Loss from fair value changes of other financial assets	—	14.06	Note 22(a)
Gains on disposal of investments	-3.99	0.00	Note 34
Income from dividends and interest	-9.00	-15.54	Note 34
Interest expense	5.08	5.94	Note 33
Income tax expense	25.36	24.94	Note 36
Gains of debt restructuring	—	-2.12	
Changes in working capital	8.19	-15.66	
Decrease in provision for employee benefits	0.74	1.46	
Decrease in provision for close down, restoration and environmental costs	0.68	4.01	
Cash generated from operating activities	131.48	117.91	

	2009	2008	Percentage change (%)
(1) Coal operations (10 thousand tons)			
Raw Coal production volume	10,856	10,037	8.2
Of which: Self-produced raw coal	10,080	9,149	10.2
Sales volume of commercial coal	9,725	8,870	9.6
Of which: Sales volume of self-produced commercial coal	7,897	7,410	6.6
(2) Coking operations (10 thousand tons)			
Coke production volume	443	367	20.7
Of which: Equity production volume	317	283	12.0
Sales volume of coke*	242	285	-15.1
(3) Coal mining equipment operations			
Coal mining equipment production value (RMB100 million)	58.3	44.9	29.8
Sales of coal mining equipment (10 thousand tons)	23.9	21.0	13.8

* The equity production volume of China Coal and Coke Xuyang Limited is not included in coke sales.

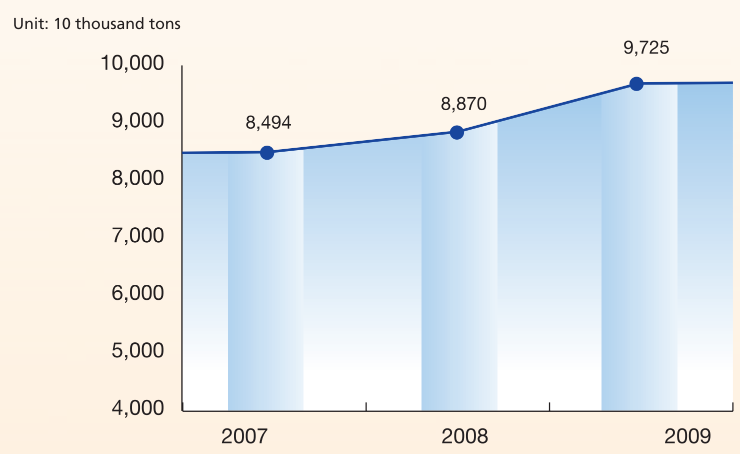
Self-produced raw coal



Production volume of self-produced raw coal (10,000 tons)	2009	2008	Percentage Change (%)
Total	10,080	9,149	10.2
Pingshuo Mining Area	8,702	7,854	10.8
Of which: Antaibao Open Pit Mine	2,272	2,417	-6.0
Anjialing Open Pit Mine	2,028	1,970	2.9
Anjialing No.1 Underground Mine	1,604	1,698	-5.5
Anjialing No.2 Underground Mine	1,554	1,769	-12.2
Antaibao Underground Mine	674	☆	-
Jingdong Mine	570	☆	-
Datun Mining Area	861	780	10.4
Of which: Yaoqiao Mine	410	380	7.9
Kongzhuang Mine	143	130	10.0
Xuzhuang Mine	175	150	16.7
Longdong Mine	133	120	10.8
Liliu Mining Area	165	245	-32.7
Shaqu Mine	165	245	-32.7
Dongpo Coal	186	150	24.0
Nanliang Coal	166	120	38.3

☆: Did not occur during the period

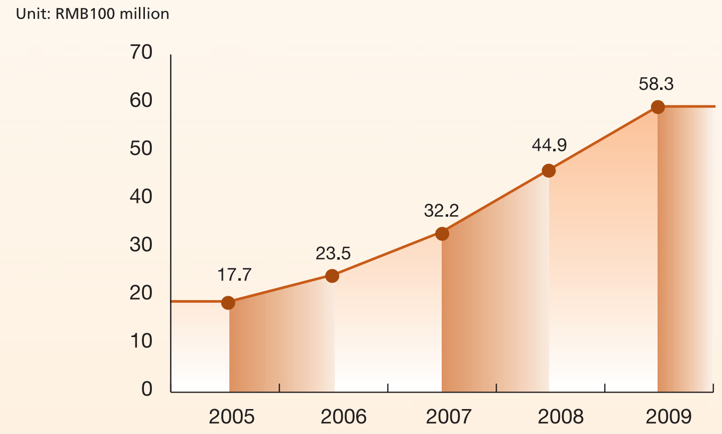
Sales volume of commercial coal



Sales volume of commercial coal (10,000 tons)		2009	2008	Percentage change (%)
Total		9,725	8,870	9.6
Domestic sales of self-produced coal		7,764	6,749	15.0
By region:	North China	2,392	1,703	40.5
	East China	3,210	2,954	8.7
	South China	832	961	-13.4
	Northeast China	27	159	-83.0
	Other	1,303	972	34.1
By coal type:	Thermal coal	7,616	6,560	16.1
	Coking coal	148	189	-21.7
By contract:	Long-term contract	5,597	5,484	2.1
	Spot trading	2,167	1,265	71.3
By transportation:	Seaborne	5,775	4,402	31.2
	Direct arrival	1,036	1,503	-31.1
	Local sales	953	844	12.9
Self-produced coal export		133	661	-79.9
By region:	Taiwan, China	76	507	-85.0
	Korea	37	91	-59.3
	Japan	20	45	-55.6
	Other	☆	18	-100.0
By coal type:	Thermal coal	130	656	-80.2
	Coking coal	3	5	-40.0
By contract:	Long-term contract	130	654	-80.1
	Spot trading	3	7	-57.1
Domestic trading		1,529	541	182.6
By contract:	Long-term contract	160	60	166.7
	Spot trading	1,369	481	184.6
Import & export agency sales		299	919	-67.5
Of which:	Export agency	292	919	-68.2
	Import agency	7	☆	-

Overview of Key Business Data

Coal mining equipment production value

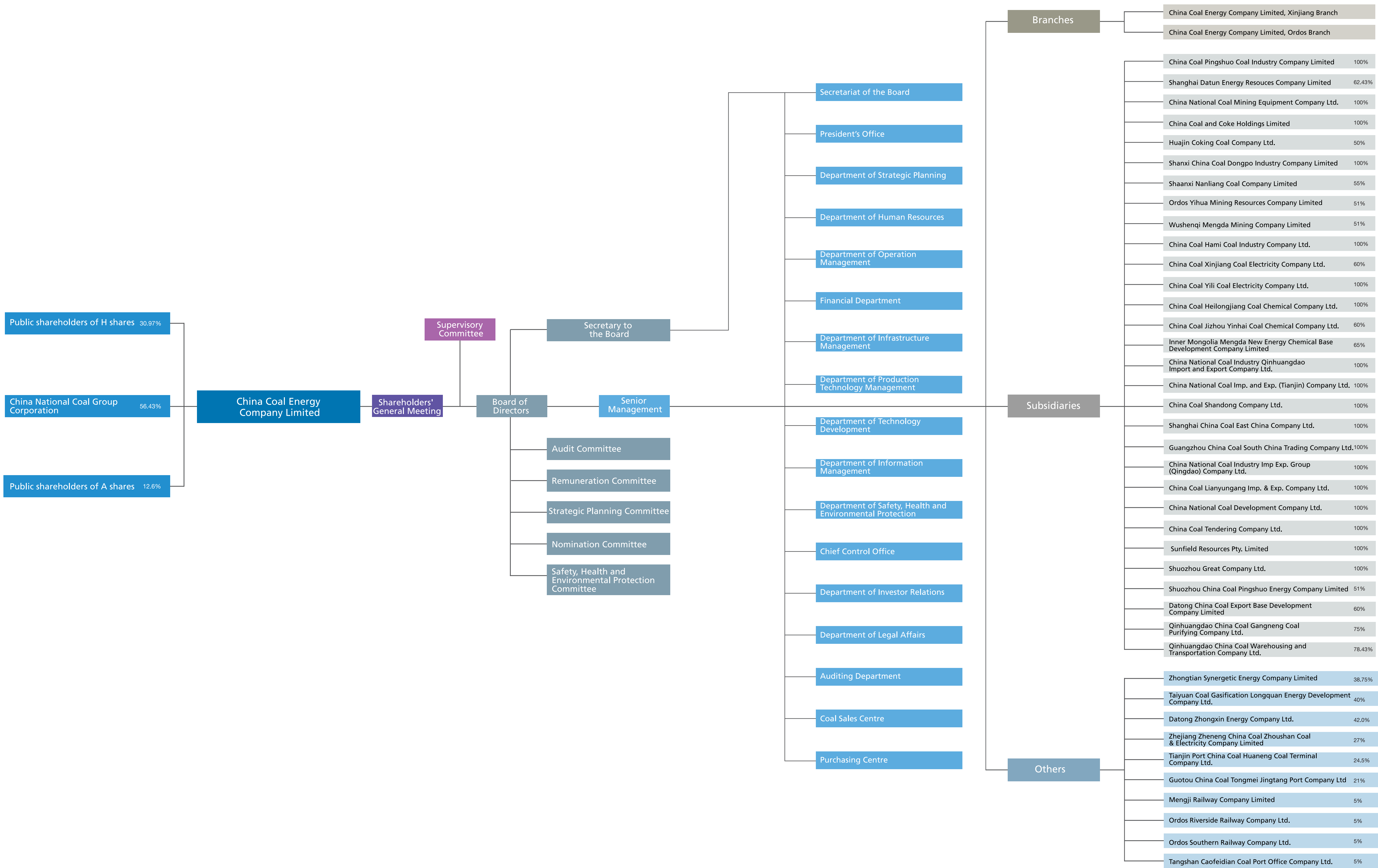


Coal mining equipment production value (RMB100 million)	2009	2008	Percentage change (%)
Total	58.3	44.9	29.8
Conveyor Equipment	22.9	17.1	33.9
Support equipment	19.2	17.2	11.6
Road header	5.4	5.0	8.0
Shearer	4.8	☆	—
Electric mining motor	6.0	5.6	7.1

Coke production volume (10,000 tons)	2009	2008	Percentage change (%)
Total	443	367	20.7
Metallurgical coke	410	322	27.3
Foundry coke	33	45	-26.7
Of which: Coke equity production volume in total	317	283	12.0
Metallurgical coke	284	238	19.3
Foundry coke	33	45	-26.7

Company Organization Chart

Company Organization Chart



Contents

I. Operating Results

Consolidated (RMB100 million)	2009	2008 (Restated)	Percentage change (%)
Revenue	531.87	517.53	2.8
Of which: Coal operations	409.09	373.52	9.5
Coking operations	35.90	66.53	-46.0
Coal mining equipment operations	52.55	41.34	27.1
Other operations	34.33	36.14	-5.0
Cost of sales	406.96	381.88	6.6
Profit from operations	112.72	113.99	-1.1
Profit before tax	109.17	104.98	4.0
Profit attributable to equity holders of the Company	78.34	71.31	9.9
Basic earnings per share (RMB)	0.59	0.54	9.3

II. Business Highlights

Items	2009	2008	Percentage change (%)
(1) Coal operations (10 thousand tons)			
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* The equity production volume of China Coal and Coke Xuyang Limited is not included in coke sales.

In the past several years, China Coal Energy persisted in the philosophy of scientific development, and accelerated the development of the Company, doubling the production output of raw coal within four years. The main operation indicators for 2009 set a new record once again, with the profit attributable to equity holders of the Company and the basic earnings per Share recording a year-on-year increase of 9.9% and 9.3% respectively.

Wang An Chairman

Dear Shareholders,

2009 was the most difficult year for economic development in China since entering the new century. 2009 was also a year full of challenges for the domestic coal industry where there are significant fluctuations in market demand and supply. Under the leadership of the Board, China Coal Energy actively coped with the serious impact arising from the international financial crisis. By adjusting the strategic structure and firmly implementing management reforms, we achieved satisfactory operation results despite of the market crisis. A number of the Company's operation indicators recorded historically best levels. The Company has made remarkable contributions to the national economy of China and stepped into a new development stage. During the reporting period, the revenue from operations of the Company was RMB53.187 billion, representing an increase of 2.8% over 2008. The profit attributable to equity holders of the Company was RMB7.834 billion, representing an increase of 9.9% over 2008. The basic earnings per Share amounted to RMB0.59, representing an increase of 9.3% over 2008.

As a leading large-scale coal company in China, China Coal Energy adhered to the development approach of pursuance of economies of scale in production, modernization in technology and equipment, specialization of professional teams and computerization of management. In 2009, the raw coal production of the Company amounted to 108.56 million tons, representing an increase of 8.2% over 2008. The Company maintained its rapid growth rate, achieving a remarkable record by doubling the production volume within 4 years. The production volume of major mining areas of the Company has grown rapidly. Pingshuo Mining Area, known as the experiment plot for the opening-up and reform policy of China, continued to set new benchmarks for the coal industry by achieving an annual raw coal production of 87.02 million tons, which indicated its rapid progress to become a mine production base of 100 million tons. Anjialing No.1 Underground Mine set a historically high record nationwide by having a monthly production of 1.70 million tons from fully mechanized top caving method. The Company has always considered production safety of high importance and all of our 11 underground mines in operation recorded zero fatality during the reporting period. In 2009, the Company optimized its coal production layout, maintained a balanced production, accelerated the construction speed for projects under construction, and laid down a solid foundation for rapid growth in production volume.

While increasing coal production, the Company established the "market-oriented and customer-focused" operation philosophy through continuously optimizing market structure, diversifying product categories, adjusting marketing strategies, improving service quality and actively improving the sales network building. The implementation of plans for key economic regions was accelerated and an efficient and centralized sales system compatible with coal production was established by the Company. The Company planned in advance for coal sales by signing framework agreements with key customers for the purchase of coal for the period 2010-2014 with a total amount of 750 million tons, broadening the further growth prospect of the Company's production volume. In 2009, despite of the continuous shrinkage of coal export volume caused by the decline in international demand for coal, the volume of coal sales completed by the Company amounted to 97.25 million tons, representing an increase of 9.6% over 2008.

The Company actively implemented the resources expansion strategy by reinforcing its cooperation with local enterprises in the key coal production areas and locations with rich resources, making mergers and acquisitions as well as actively participating in the integration of local coal mines. The additional coal resources obtained by the Company amounted to 6.041 billion tons in 2009. The Company successfully acquired controlling stakes in Mengda Mining and Yihua Mining, by which top quality coal resources were obtained, and the Company's future production capacity will be increased by 14 million tons. The local mines of Xiaohuigou Coal Mine and Mingzhu Coal Mine in Shanxi Province were successfully integrated by the Company and an additional production capacity of 5 million tons will be added after reconstruction. As at the end of the reporting period, the coal reserves owned by the Company amounted to 15.822 billion tons, of which the recoverable coal reserves amounted to 8.7 billion tons, which enabled the Company to maintain a leading position among the Chinese listed coal mining companies.

The Company made an effort to strengthen strategic management and control, to continue to implement management reforms, to improve the governance structure with scientific decisions, standardized management, efficient operation and effective balance. During the past year, China Coal Energy formulated the development plans for the next five years scientifically, optimized the allocation of authorities and business flow processes, established an overall and multi-dimensional appraisal mechanism, adjusted the coal sales system and implemented centralized purchasing for bulk materials, so as to support the development of all business operations effectively in the aspects of strategic positioning, allocation of authorities and operation of the Company.

In 2010, recovery will be the theme for global economy. After tackling the financial crisis with successful staged results, the economy of China is currently stable and improving. The development environment in China is better than the previous year with stronger drive for development and clear improvement in market confidence. The PRC government has confirmed that the focus of economic development in 2010 is to maintain a stable and fast development of the economy and to facilitate the transition of development approach. The implementation of proactive fiscal policy and moderate monetary policy of China will continue in order to maintain the continuity and stability of the macroeconomic policies. Currently, coal consuming industries such as coal-fired power generation, iron and steel, chemical industry and construction materials are growing steadily, with a rebounding trend in market demand. It is expected that in 2010, the coal production and consumption in China will maintain fast growth and the overall market demand and supply will be generally balanced, while in certain periods or some specific areas, the coal supply may be tightened and the annual demand for coal in China will probably reach 3.36 billion tons.

However, the impact of global financial crisis has not receded completely. There are still many uncertainties in economic developments which should not be overlooked by the coal industry: (1) the production capacity of local mines after integration and reconstruction will be released gradually and will further increase the market supply of coal; (2) the adjustment to taxation policies of the industry may increase the tax burden of coal enterprises; (3) the cost control pressure will increase with the expectation of rebounding CPI and PPI. China Coal Energy will be attentive to the operational difficulties and risks faced by the Company. Operational management of the Company will continue to be strengthened, risk control will be enhanced and effective measures will be adopted timely to tackle market changes in an active manner so as to strive to increase raw coal production volume by 15 million tons in 2010 and achieve further growth in our operating results.

Looking forward, China Coal Energy has established new development targets striving to achieve the aim of doubling the total amounts of economic volumes within 5 years, and the creation of higher value for Shareholders.

For the next few years, the Company has established new strategic development targets on the basis of the coal industry, the Company determined to steadily improve the coal chemical and power industries, to strengthen and refine the coal mining equipment industry, and to develop the new energy resources industry in an appropriate manner. In light of the above, an industry environment focused on the coal production industry supported by the coal chemical, power and coal mining equipment industries is proposed to be established, and Shanxi, Inner Mongolia-Shaanxi, Jiangsu, Xinjiang and Heilongjiang will become the five largest coal production and processing bases of the Company. Our

target by the end of 2014 is to achieve 200 million tons in raw coal production, 200 million tons in sales of commercial coal, over RMB100 billion of revenue from operations and double the total amounts of economic volumes of China Coal Energy, with a view to accelerating the realization of a large-scale energy company equipped with international competitiveness.

In order to realize the aforementioned strategic targets, the Company has laid down the lines of development for various business segments:

– Strengthen the fundamental and core position of the coal industry, increase resources acquisition efforts, accelerate the construction of five major bases, increase the scale of local resources integration and overseas resources development, improve marketing network building and enhance the comprehensive competitiveness of the coal industry.

– Develop new types of coal chemical industry from a high starting point in accordance with the national industry policies, taking into consideration the characteristics of the coal chemical industry, and focus on the development of new types of coal chemicals such as coal-based olefin and coal-based natural gas, optimize the development of coking industry and develop other specific coal chemicals as appropriate.

– Uphold the principles of connecting coal with power industries and the development of recycling economy with the priority on the development of power plants utilizing resources comprehensively and large-scale pit mouth power plants, and actively promote coal and power joint operations to enhance overall economic benefits and improve the risk resistance of the coal industry.

– Develop a strong and refined coal mining equipment business by enhancing technology innovation, integrating equipment capability and extending the product value chain in order to enhance influence and leadership in the industry.

– Capture the opportunities of developing new energy resources, enhancing energy conservation and emission reduction by the state to develop new energy industries in due course.

Finally, on behalf of the Board, I would like to express sincere appreciation to all Shareholders for your long-term support and affection for the Company. Looking forward, we are of the view that the fundamental scenario of a continuous uptrend in the economic growth of China, the trend of growing demand for energy and the dominance of coal in the energy structure will continue. China Coal Energy will carry on scientific development, production safety, stable operations, positive performance of social responsibilities and enhance the capability of sustainable development continuously, as well as strive to achieve the strategic aim of doubling the total amounts of economic volumes within 5 years and the creation of new value for Shareholders.

Wang An
Chairman

Beijing, the PRC
22 April 2010

Xinjiang Base

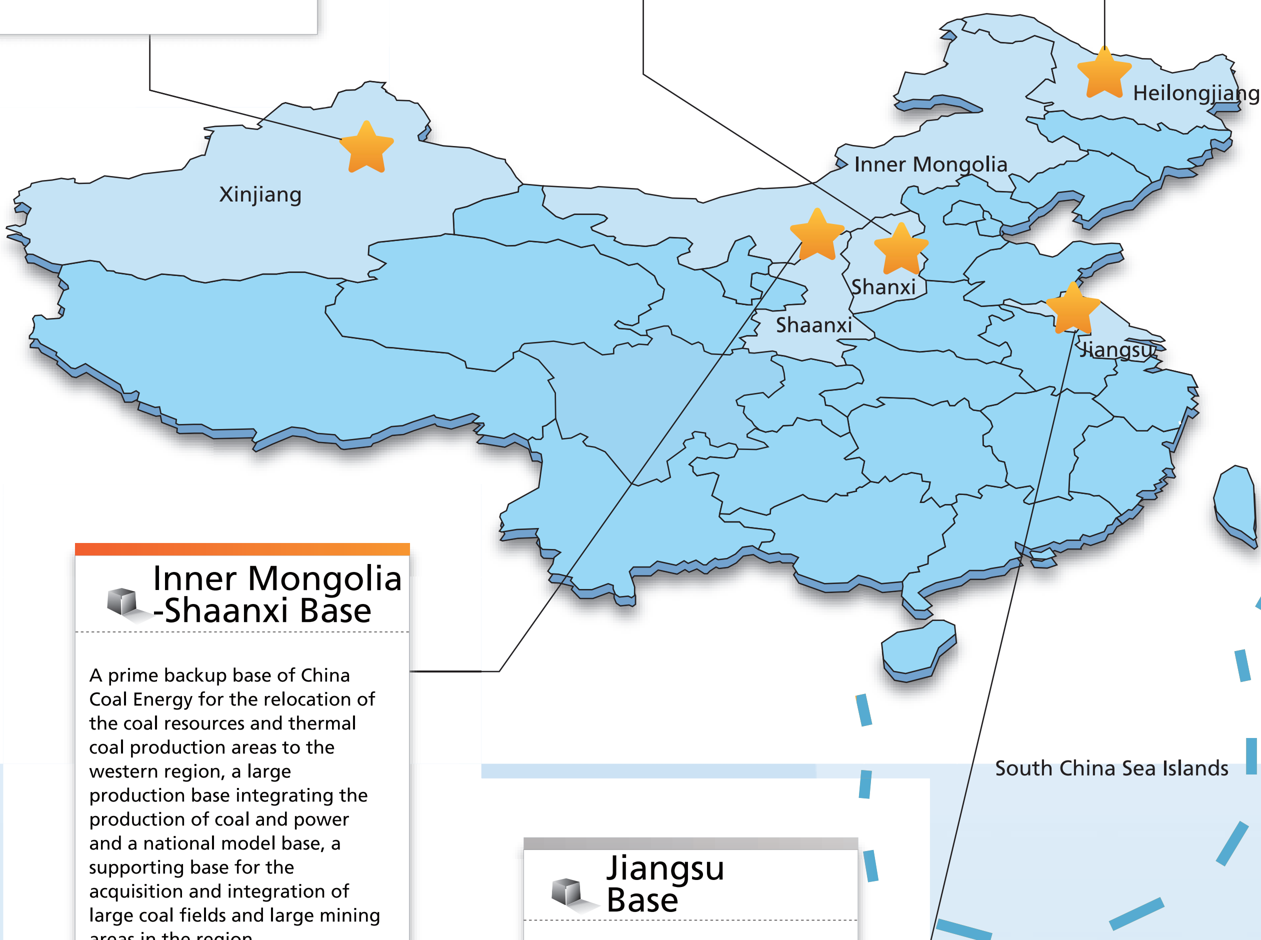
A strategic resources standby base of China Coal Energy, a coal production strategic and backup base integrating the production of coal, chemical and power.

Shanxi Base

A major coal production base of China Coal Energy, a major base for coke production, a major base for power generation, also a major base for the deployment of coal-based natural gas transmission terminal pipe networks in the future, a major pillar for the development of China Coal Energy and a major source of economic growth.

Heilongjiang Base

A production base integrating the production of coal, chemical of China Coal Energy, a base for the research and development of coal chemical gas production technology and training coal chemical professionals.



Inner Mongolia -Shaanxi Base

A prime backup base of China Coal Energy for the relocation of the 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.

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

I. Overview

In 2009, under the challenging and complicated economic conditions, the Group firmly established the "market-oriented and customer-focused" operation philosophy, scientifically organized production, strictly controlled costs and expenses and achieved satisfactory operating results with a few major financial indicators, including revenue from operations and profit before tax, recording historically new high levels. For the year ended 31 December 2009, the Group's total revenue (net of inter-segmental sales) amounted to RMB53.187 billion, representing an increase of 2.8% over 2008; the profit before tax amounted to RMB10.917 billion, representing an increase of 4.0% over 2008; the profit attributable to equity holders of the Company amounted to RMB7.834 billion, representing an increase of 9.9% over 2008; the net cash generated from operating activities per Share was RMB0.88, representing an increase of RMB0.14 over 2008; and the basic earnings per Share was RMB0.59, representing an increase of RMB0.05 over 2008.

	For the year ended 31 December 2009 RMB100 million	For the year ended 31 December 2008 RMB100 million (restated)	Increase RMB100 million	Increase %
Revenue	531.87	517.53	14.34	2.8
Profit before tax	109.17	104.98	4.19	4.0
EBIDTA	134.48	129.81	4.67	3.6
Profit attributable to equity holders of the Company	78.34	71.31	7.03	9.9
Net cash generated from operating activities	116.88	96.74	20.14	20.8

As at 31 December 2009, the gearing ratio (total interest-bearing debts/(total interest-bearing debts + equity)) was 14.3%, representing a decrease of 0.7 percentage point over 2008.

	As at 31 December 2009 RMB100 million	As at 31 December 2008 RMB100 million (restated)	Increase RMB100 million	Increase %
Assets	1,048.55	885.12	163.43	18.5
Liabilities	314.12	256.85	57.27	22.3
Interest bearing debts	122.76	110.81	11.95	10.8
Equity	734.43	628.27	106.16	16.9
Equity attributable to equity holders of the Company	642.28	585.77	56.51	9.6

II. Operating Results

1. Revenue

(1) Consolidated Revenue

For the year ended 31 December 2009, the Group's total revenue net of inter-segmental sales increased by 2.8% to RMB53.187 billion from RMB51.753 billion for the year ended 31 December 2008. The revenue from coal and coal mining equipment operations of the Group continued to record some growth, and there was a relatively large decrease in revenue from coking operations due to the effects of changing market conditions.

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 2009 in comparison with the year ended 31 December 2008 were set out as follows:

	Revenue net of inter-segmental sales		Increase/decrease	
	For the year ended 31 December 2009 RMB100 million	For the year ended 31 December 2008 RMB100 million (restated)	RMB100 million	%
Coal operations	409.09	373.52	35.57	9.5
Coking operations	35.90	66.53	-30.63	-46.0
Coal mining equipment operations	52.55	41.34	11.21	27.1
Other operations	34.33	36.14	-1.81	-5.0
Total	531.87	517.53	14.34	2.8

The proportion of revenue net of inter-segmental sales generated by various operating segments of the Group in the Group's total revenue for the year ended 31 December 2009 and 31 December 2008 were set out as follows:

	Proportion of revenue net of inter-segmental sales		
	For the year ended 31 December 2009 %	For the year ended 31 December 2008 (restated) %	Increase/ decrease (percentage points)
Coal operations	76.9	72.2	4.7
Coking operations	6.7	12.8	-6.1
Coal mining equipment operations	9.9	8.0	1.9
Other operations	6.5	7.0	-0.5

(2) *Segmental Revenue*

- Coal operations

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

For the year ended 31 December 2009, the total revenue from coal operations of the Group increased by 8.3% to RMB41.175 billion from RMB38.010 billion for the year ended 31 December 2008; and the revenue net of other inter-segmental sales increased by 9.5% to RMB40.909 billion from RMB37.352 billion for the year ended 31 December 2008, of which the revenue from domestic sales of self-produced commercial coal was RMB32.141 billion, representing an increase of RMB3.696 billion or 13.0% over 2008; whereas the sales revenue from proprietary coal trading was RMB8.035 billion, representing an increase of RMB3.908 billion or 94.7% over 2008; the revenue from export sales of self-produced commercial coal was RMB704 million, representing a decrease of RMB3.957 billion or 84.9% over 2008; the revenue from the coal import and export agency services was RMB29 million, representing a decrease of RMB90 million or 75.6% over 2008.

Changes in the Group's coal sales volume and selling prices for the year ended 31 December 2009 in comparison with the year ended 31 December 2008 were set out as follows:

		For the year ended 31 December 2009		For the year ended 31 December 2008		Increase/decrease	
		Sales volume (10,000 tons)	Selling price (RMB/ton)	Sales volume (10,000 tons)	Selling price (RMB/ton)	Sales volume (10,000 tons)	Selling price (RMB/ton)
1. Self-produced commercial coal	Total	7,897	416	7,410	447	487	-31
	(I) Thermal coal	7,746	408	7,216	432	530	-24
	1. Export	130	522	656	694	-526	-172
	(1) Long-term contract	130	522	654	692	-524	-170
	(2) Spot trading	☆	☆	2	1,771	-2	—
	2.Domestic sales	7,616	406	6,560	405	1,056	1
	(1) Long-term contract	5,559	402	5,484	365	75	37
	(2) Spot trading	2,057	417	1,076	612	981	-195
	(II) Coking coal	151	829	194	1,011	-43	-182
	1. Export	3	770	5	1,954	-2	-1,184
	2. Domestic sales	148	830	189	984	-41	-154
2. Proprietary coal trading	Total	1,529	525	541	763	988	-238
	(I) Self-operated exports	1	2,932	18	1,593	-17	1,339
	(1) Long-term contract	☆	☆	3	606	-3	—
	(2) Spot trading	1	2,932	15	1,794	-14	1,138
	(II) Domestic resale	1,344	518	521	736	823	-218
	(1) Long-term contract	115	590	57	563	58	27
	(2) Spot trading	1,229	511	464	757	765	-246
	(III) Import trading	184	565	2	614	182	-49
	(1) Long-term contract	45	456	☆	☆	45	—
	(2) Spot trading	139	600	2	614	137	-14
3. Import and export agency	Total	299	10	919	13	-620	-3
	(I) Import agency	7	1	☆	☆	7	—
	(II) Export agency	292	10	919	13	-627	-3

☆ : Nil

- Coking operations

For the year ended 31 December 2009, the revenue from coking operations of the Group decreased by 46.0% to RMB3.590 billion (derived entirely from revenue of external sales) from RMB6.653 billion for the year ended 31 December 2008. This was mainly due to the significant drops in both the selling price of coke and the export sales volume compared to 2008 owing to changes in market conditions, details of which were set out in the table below:

	For the year ended 31 December 2009		For the year ended 31 December 2008		Increase/decrease	
	Sales volume (10,000 tons)	Selling price (RMB/ton)	Sales volume (10,000 tons)	Selling price (RMB/ton)	Sales volume (10,000 tons)	Selling price (RMB/ton)
Coke sales*	242	1,407	285	2,220	-43	-813
Self-produced	215	1,386	220	1,881	-5	-495
Domestic sales	215	1,386	204	1,730	11	-344
Exports	☆	☆	16	3,833	-16	—
Proprietary trading	27	1,571	65	3,360	-38	-1,789
Domestic sales	27	1,571	19	2,195	8	-624
Exports	☆	☆	46	3,841	-46	—

☆ : Nil

* The equity production volume of China Coal and Coke Xuyang Limited is not included in coke sales.

- Coal mining equipment operations

For the year ended 31 December 2009, the revenue from coal mining equipment operations of the Group increased by 28.4% to RMB5.949 billion from RMB4.633 billion for the year ended 31 December 2008. The revenue net of other inter-segmental sales increased by 27.1% to RMB5.255 billion from RMB4.134 billion for the year ended 31 December 2008, which was mainly attributable to an increase in the production and sales volume of coal mining equipment products and the increase in the selling price due to the increase in the proportion of high-end products.

- Other operations

For the year ended 31 December 2009, the Group's total revenue from operations such as sales of primary aluminum and electricity decreased by 1.1% to RMB4.198 billion from RMB4.244 billion for the year ended 31 December 2008. The revenue net of other inter-segmental sales decreased by 5.0% to RMB3.433 billion from RMB3.614 billion for the year ended 31 December 2008.

2. Cost of sales

(1) Consolidated cost of sales

For the year ended 31 December 2009, the Group's cost of sales increased by 6.6% to RMB40.696 billion from RMB38.188 billion for the year ended 31 December 2008. Changes in major items of cost of sales were set out as follows:

Material costs increased by 1.7% to RMB21.551 billion from RMB21.200 billion for the year ended 31 December 2008. The increase was mainly attributable to the corresponding increase in materials consumption as a result of the Group's expansion of production and the increase in the sales from proprietary coal trading.

Staff costs increased by 24.4% to RMB3.172 billion from RMB2.550 billion for the year ended 31 December 2008. The increase was mainly attributable to the increase in the number of employees as a result of the Group's expansion of production, the corresponding adjustment to staff wages in line with the operation growth, as well as the increase in social insurance and employee benefits in line with the relevant rules and the gradual improvements of the National Social Security System.

Depreciation and amortisation expenses increased by 36.2% to RMB1.888 billion from RMB1.386 billion for the year ended 31 December 2008. The increase was mainly attributable to an increase in the utilization of new production equipments and facilities as a result of the Group's expansion of production.

Repairs and maintenance expenses decreased by 17.9% to RMB551 million from RMB671 million for the year ended 31 December 2008. The decrease was mainly attributable to the Group's utilization of new production equipments and facilities resulting in a decrease in the relevant maintenance expenses accordingly.

Transportation expenses decreased by 1.7% to RMB6.905 billion from RMB7.022 billion for the year ended 31 December 2008, which was mainly attributable to a decrease in the Group's export coke sales due to changes in the market conditions resulting in a decrease in transportation expenses accordingly.

Sales tax and surcharges decreased by 26.7% to RMB919 million from RMB1.253 billion for the year ended 31 December 2008, which was mainly attributable to a decrease in the Group's export coke sales resulting in lower amounts of export tariff accordingly.

Other costs increased by 39.1% to RMB5.710 billion for the year ended 31 December 2009 from RMB4.106 billion for the year ended 31 December 2008. The increase was mainly attributable to the corresponding increase in the environmental restoration expenses and mining engineering expenses incurred in relation to coal mining, as well as the corresponding increase in sustainable development fund, mining resources compensation charges and water resources compensation charges as a result of the increase of coal mining works or in the production and sales volumes.

(2) *Segmental cost of sales*

- Coal operations

For the year ended 31 December 2009, the cost of sales of the Group's coal operations increased by 17.9% to RMB30.192 billion from RMB25.613 billion for the year ended 31 December 2008. Changes in the major cost items were set out as follows:

	For the year ended 31 December 2009 RMB100 million	For the year ended 31 December 2008 RMB100 million	Increase/decrease RMB100 million	%
Materials	136.18	112.62	23.56	20.9
Staff costs	22.23	17.94	4.29	23.9
Depreciation and amortisation	14.42	10.01	4.41	44.1
Repairs and maintenance	4.83	5.85	-1.02	-17.4
Transportation expenses	66.29	65.47	0.82	1.3
Sales tax and surcharges	8.32	8.11	0.21	2.6
Sustainable development fund	11.53	10.51	1.02	9.7
Mining resources compensation charges	2.15	1.56	0.59	37.8
Water resources compensation charges	1.85	1.42	0.43	30.3
Other costs*	34.12	22.64	11.48	50.7
Cost of coal sales	301.92	256.13	45.79	17.9

Note: Other costs mainly include environmental restoration expenses and mining engineering expenses incurred directly in relation to coal production during the coal mining operation.

For the year ended 31 December 2009, the cost of sales of the Group's self-produced commercial coal was RMB22.335 billion, representing an increase of RMB661 million or 3.0% over 2008. The unit sales cost of self-produced commercial coal was RMB282.82/ton, representing a decrease of RMB9.68/ton or 3.3% over 2008.

The major items in the unit sales cost of the Group's self-produced commercial coal for the year ended 31 December 2009 in comparison with the year ended 31 December 2008 were set out as follows:

	For the year ended 31 December 2009 RMB/ton	For the year ended 31 December 2008 RMB/ton	Increase/decrease RMB/ton	%
Materials	72.96	98.83	-25.87	-26.2
Staff costs	28.15	24.22	3.93	16.2
Depreciation and amortisation	18.26	13.51	4.75	35.2
Transportation expenses	83.95	88.35	-4.40	-5.0
Repairs and maintenance	6.12	7.90	-1.78	-22.5
Sales tax and surcharges	10.54	10.94	-0.40	-3.7
Sustainable development fund	14.60	14.19	0.41	2.9
Mining resources compensation charges	2.73	2.11	0.62	29.4
Water resources compensation charges	2.34	1.92	0.42	21.9
Other costs	43.17	30.53	12.64	41.4
Unit sales cost of self-produced commercial coal	282.82	292.50	-9.68	-3.3

The Group's unit cost of materials for self-produced commercial coal decreased by RMB25.87/ton over 2008, which was mainly attributable to the effects of a decrease in the total cost of external purchases of raw coal for washing purpose by the independent coal washing plant and the self-owned coal washing plant of the Group, lower purchasing cost of raw materials such as diesel and spare parts due to more centralized management of purchases and tenders, and lower unit consumption of materials by enhancing controls on the collection and consumption of materials. Unit staff cost increased by RMB3.93/ton over 2008, which was mainly due to an increase in the number of employees as a result of expansion in production scale and the appropriate adjustment of wages according to the growth of results performance. Unit depreciation and amortisation expenses increased by RMB4.75/ton over 2008, which was mainly due to that more equipments and facilities were used during the current period. Unit cost of repairs and maintenance expenses decreased by RMB1.78/ton over 2008, which was mainly due to the commencement of new equipment operation during the current period resulting in a corresponding decrease in repairs expenses. Unit cost of transportation expenses decreased by RMB4.40/ton over 2008, which was mainly due to a decrease in the sales volume of seaborne coal bearing shipping and port expenses in the seaborne coal sales.

In response to the pressure of cost increases, the Group continued to effectively control the cost of coal through strengthening process management and exercising strict control over material consumption.

- Coking operations

For the year ended 31 December 2009, the cost of sales of coking operations decreased by 44.8% to RMB3.408 billion from RMB6.179 billion for the year ended 31 December 2008, which was mainly attributable to the decrease in the coke sales volume and lower purchasing prices of coal as raw materials for producing coke.

- Coal mining equipment operations

  For the year ended 31 December 2009, the cost of sales of coal mining equipment operations increased by 25.4% to RMB4.869 billion from RMB3.884 billion for the year ended 31 December 2008, which was mainly attributable to the increase in the sales volume of coal mining equipments and the increase in the proportion of high-end products resulting in a corresponding increase in imported materials and spare parts of higher purchasing prices.

3. Gross profit

For the year ended 31 December 2009, the Group's gross profit decreased by 7.9% to RMB12.491 billion from RMB13.566 billion for the year ended 31 December 2008, and the gross profit margin decreased by 2.7 percentage points to 23.5% from 26.2% for the year ended 31 December 2008.

The gross profit and gross profit margins of the Group's various operating segments for the year ended 31 December 2009 in comparison with the year ended 31 December 2008 were set out as follows:

	Gross Profit			Gross Profit Margin		
	For the year ended 31 December 2009 RMB100 million	For the year ended 31 December 2008 RMB100 million (restated)	Increase/ decrease RMB100 million	For the year ended 31 December 2009 %	For the year ended 31 December 2008 (restated) %	Increase/ decrease in percentage points
Coal operations	109.83	123.97	-14.14	26.7	32.6	-5.9
Of which: Self-produced commercial coal	107.76	120.90	-13.14	32.5	35.8	-3.3
Proprietary coal trading	1.78	1.88	-0.10	2.2	4.6	-2.4
Coking operations	1.82	4.74	-2.92	5.1	7.1	-2.0
Coal mining equipment operations	10.80	7.49	3.31	18.2	16.2	2.0
Other operations	3.43	0.06	3.37	8.2	0.1	8.1
The Group	124.91	135.66	-10.75	23.5	26.2	-2.7

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

4. Selling, general and administrative expenses

For the year ended 31 December 2009, the Group's selling, general and administrative expenses increased by 0.7% to RMB2.887 billion from RMB2.867 billion for the year ended 31 December 2008.

5. Loss from fair value changes of other financial assets

For the year ended 31 December 2009, the Group had sold its entire shareholding of A shares in China COSCO Holdings Company Limited ("COSCO"), and therefore there was no gain or loss from fair value changes of other financial assets. For the year ended 31 December 2008, the Group recognized losses of RMB1.406 billion from fair value changes due to the falling price of such shares.

6. Other income

For the year ended 31 December 2009, other income of the Group decreased by 15.1% to RMB1.419 billion from RMB1.671 billion for the year ended 31 December 2008, which was mainly attributable to the decrease in interest income by RMB646 million over 2008 and the increase in investment income of RMB399 million over 2008 from the disposal of the COSCO A shares and the shareholding in Xi'an Design Company.

7. Other gains, net

For the year ended 31 December 2009, the other net gains of the Group decreased by 42.8% to RMB249 million from RMB435 million for the year ended 31 December 2008, which was mainly attributable to the gains realized from debt restructuring of RMB199 million by subsidiaries of the Group with relevant creditors during the previous year, which did not occur during the current year.

8. Profit from operations

For the year ended 31 December 2009, the Group's profit from operations decreased by 1.1% to RMB11.272 billion from RMB11.399 billion for the year ended 31 December 2008. Changes in profit from operations attributable to various operating segments were set out as follows:

	For the year ended 31 December 2009 RMB100 million	For the year ended 31 December 2008 RMB100 million (restated)	Increase/decrease RMB100 million	%
Coal operations	96.94	112.85	-15.91	-14.1
Coking operations	0.84	2.84	-2.00	-70.4
Coal mining equipment operations	4.47	3.41	1.06	31.1
Other operations	1.42	-2.62	4.04	—

Note: The profit from operations of all the above operating segments was before inter-segmental sales.

9. Financial costs, net

For the year ended 31 December 2009, the Group's net finance costs decreased by 55.8% to RMB445 million from RMB1.006 billion for the year ended 31 December 2008. The decrease was mainly due to net foreign exchange gains of RMB67 million derived from the Group's Japanese Yen borrowings as a result of the depreciation of Japanese Yen against RMB during the current year, whereas exchange losses of RMB426 million were incurred from the Group's foreign currency assets and liabilities in the previous year.

10. Profit before tax

For the year ended 31 December 2009, the Group's profit before tax increased by 4.0% to RMB10.917 billion from RMB10.498 billion for the year ended 31 December 2008.

11. Income tax

For the year ended 31 December 2009, the Group's income tax expenses increased by 1.7% to RMB2.536 billion from RMB2.494 billion for the year ended 31 December 2008.

12. Profit attributable to equity holders of the Company

For the year ended 31 December 2009, the profit attributable to equity holders of the Company increased by 9.9% to RMB7.834 billion from RMB7.131 billion for the year ended 31 December 2008.

III. Cash Flow

As at 31 December 2009, the Group's cash and cash equivalents amounted to RMB12.628 billion, representing a net increase of RMB4.740 billion as compared to the cash and cash equivalents of RMB7.888 billion as at 31 December 2008.

The net cash generated from operating activities increased by 20.8% from RMB9.674 billion for the year ended 31 December 2008 to RMB11.688 billion for the year ended 31 December 2009. This was mainly attributable to the year-on-year increase of RMB1.357 billion in net cash inflow from operations due to the expanding of operations and strengthening the management of trade receivables, a year-on-year increase of RMB1.439 billion in cash inflow from interest income, and the year-on-year increase of RMB857 million in cash outflow from the payment of income tax.

The net cash outflow from investing activities decreased by 79.2% from RMB31.320 billion for the year ended 31 December 2008 to RMB6.530 billion for the year ended 31 December 2009. This was mainly attributable to the decrease of funds by RMB25.907 billion for term deposits with initial terms of over three months.

The net cash outflow from financing activities amounted to RMB416 million for the year ended 31 December 2009, and a net inflow from financing activities was RMB25.352 billion for the year ended 31 December 2008. This was mainly attributable to the net inflow of RMB25.320 billion as proceeds raised from the issue of A shares in 2008, while dividends and loan repayment contributed to the net outflow in 2009.

IV. Liquidity and Sources of Capital

For the year ended 31 December 2009, the Group's funds was mainly derived from proceeds generated from business operations, bank loans and net amounts of funds raised in capital markets. The Group's capital was mainly used for investments in production facilities and equipments for coal, coking and coal mining equipment operations, repayment of debts owed by the Group, and used as the Group's working capital and general recurring expenditures.

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

V. Assets and Liabilities

1. Property, plant and equipment

As at 31 December 2009, the net value of property, plant and equipment of the Group was RMB36.729 billion, representing an increase of 7.719 billion or 26.6% as compared to RMB29.010 billion as at 31 December 2008.

The composition of the Group's property, plant and equipment (net) as at 31 December 2009 and 31 December 2008 were set out as follows:

	As at 31 December 2009 RMB100 million	Percentage %	As at 31 December 2008 RMB100 million (restated)	Percentage %
Buildings	70.31	19.1	54.99	19.0
Mining structures	56.40	15.4	43.82	15.1
Plant, machinery and equipment	133.06	36.2	96.10	33.1
Railway	3.30	0.9	3.77	1.3
Motor vehicles, fixtures and others	6.25	1.7	6.85	2.4
Construction in progress	97.97	26.7	84.57	29.1
Total	367.29	100.0	290.10	100.0

2. Mining rights

As at 31 December 2009, the net value of the Group's mining rights amounted to RMB12.176 billion, increased by RMB8.495 billion or 230.8% as compared to RMB3.681 billion as at 31 December 2008. This was mainly due to the increase in the value of the mining rights by RMB7.906 billion after acquisition of Mengda Mining and Yihua Mining during the year and the increase of RMB626 million by the subsidiary of the Company.

3. Trade receivables and notes receivables

As at 31 December 2009, the net amount of trade receivables and notes receivables of the Group was RMB4.964 billion, representing a decrease of RMB671 million or 11.9% as compared to RMB5.635 billion as at 31 December 2008. The net amount of trade receivables was RMB3.255 billion, representing a decrease of RMB1.218 billion as compared to RMB4.473 billion as at 31 December 2008.

4. Borrowings

As at 31 December 2009, the balance of borrowings of the Group amounted to RMB12.276 billion, representing an increase of RMB1.195 billion as compared to RMB11.081 billion as at 31 December 2008. The balance of long-term borrowings (including the portion due within one year) was RMB11.889 billion, representing an increase of RMB1.177 billion as compared to the balance of RMB10.712 billion as at 31 December 2008. The balance of short-term borrowings amounted to RMB387 million, representing an increase of RMB19 million as compared to the balance of RMB368 million as at 31 December 2008.

VI. Significant Investment

For the year ended 31 December 2009, no new significant investment was made by the Group.

VII. Material Acquisition and Disposal

For details of acquisitions and disposals, please refer to the section of "Asset transactions" in this report.

VIII. Exchange Rate Risk

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

IX. Commodity Price Risk

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

X. Industry Risk

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

XI. Contingent Liabilities

1. Bank guarantee

As at 31 December 2009, the Group provided, in accordance with the proportion of its shareholding, a guarantee of RMB550 million for a bank loan extended to its associated company, Shanxi Pingshuo Gangue-fired Power Generation Co., Ltd.

2. Environmental protection liabilities

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

3. Contingent legal liabilities

For the year ended 31 December 2009, the Group was not involved in any material litigation or arbitration. And to the best knowledge of the Group, there is no material litigation or arbitration pending, threatening or commenced against the Group. As at 31 December 2009, the Group was named as a party to certain non-material lawsuits, however, the management of the Group believes that none of these cases would have any material adverse effect on the financial conditions of the Group.

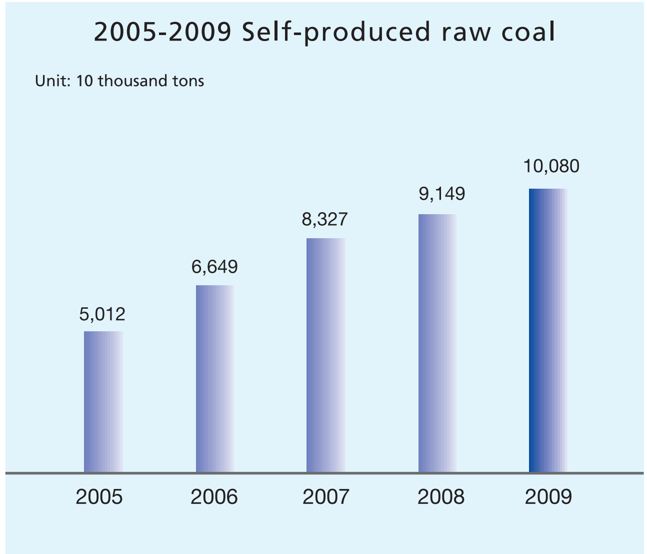
In 2009, China Coal Energy proactively coped with market changes, endeavoured to reinforce various management works, expedited the readjustment of business operations, continuously identified opportunities amid crises, strove to make breakthroughs amid challenges and dared to innovate during development. The business segments such as coal and coal mining equipment continued to maintain fast development momentum and remarkable operating results were achieved.

I. Coal operations

1. Coal production

Production volume of coal continued to grow fast. In 2009, the Company's raw coal production volume reached 108.56 million tons, representing an increase of 8.19 million tons or 8.2% over 2008. The production volume of self-produced raw coal amounted to 100.80 million tons, representing an increase of 9.31 million tons or 10.2% over 2008 and accounting for 92.9% of the Company's production volume of raw coal.

The Pingshuo Mining Area was well on the track of achieving the objective of a production capacity of 100 million tons and achieved a production volume of raw coal of 87.02 million tons, representing an increase of 10.8% over 2008. The Antaibao Underground Mine was completed and came into operation, and it achieved a production volume of 6.74 million tons of raw coal in 2009. The Jingdong Mine integrated and reconstructed by Pingshuo Coal Industry Company achieved a production volume of 5.7 million tons in 2009. The Company speeded up the open pit mine stripping and the construction of the ancillary coal preparation plant of the Pingshuo East Open Pit Mine. The Company proactively implemented the production capacity expansion and efficiency enhancement of Datun Mining Area, and such mining area achieved raw coal production volume of 8.61 million tons for the full year, representing an increase of 10.4% over 2008. The reconstruction and expansion of the Kongzhuang Mine is in continuous process. The Company strengthened the gas control of, optimized the mining layout of and steadily accelerated the construction of the coal mine project of the Liliu Mining Area. The Dongpo Coal and Nanliang Coal significantly increased the production volume of raw coal through the implementation of technological reforms.



Self-produced raw coal production (10,000 tons)	2009	2008	% of Change
Pingshuo Mining Area	8,702	7,854	10.8
Of which: Antaibao Open Pit Mine	2,272	2,417	-6.0
Anjialing Open Pit Mine	2,028	1,970	2.9
Anjialing No.1 Underground Mine	1,604	1,698	-5.5
Anjialing No.2 Underground Mine	1,554	1,769	-12.2
Antaibao Underground Mine	674	☆	—
Jingdong Mine	570	☆	—
Datun Mining Area	861	780	10.4
Of which: Yaoqiao Mine	410	380	7.9
Kongzhuang Mine	143	130	10.0
Xuzhuang Mine	175	150	16.7
Longdong Mine	133	120	10.8
Liliu Mining Area	165	245	-32.7
Shaqu Mine	165	245	-32.7
Dongpo Coal	186	150	24.0
Nanliang Coal	166	120	38.3
Total	10,080	9,149	10.2

☆ : Nil

Industry-leading position in respect of production safety in China. The Company proactively established a long-term mechanism for production safety and strove to construct intrinsically safe mines. The Company had 9 safe and highly efficient mines, of which 6 were industry super first class safe and highly efficient mines.The fatality rate of raw coal production per million tons for 2009 was 0.009, which fell to the lowest level ever recorded in the history of the Company. The raw coal production efficiency of the Company was 31.2 tons/worker-shift, representing an increase of 2 tons/worker-shift over 2008.

Effective cost control. The Company continued to strengthen cost management and on the basis of implementing fixed amount for cost items of product, strictly controlling the unit consumption level, optimizing the relation between mining and drivage (stripping), placed more emphasis on implementing whole-process, total-factor and all-round cost control regarding mining design and working face layout, and reduced the coal cost through improving the production efficiency. In 2009, the unit cost of sales of self-produced commercial coal of the Company was RMB282.82/ton, representing a decrease of RMB9.68/ton or 3.3% over 2008.

2. Coal sales

The Company adhered to the "market-oriented and customer-centered" operation philosophy, and achieved satisfactory results of coal sales by optimizing the market structure, diversifying the product mix and adjusting the sales strategy in 2009, during which period the domestic thermal coal market first eased and then became tight as well as that the supply and demand experienced significant fluctuations. In 2009, the sales volume of commercial coal of the Company was 97.25 million tons, representing an increase of 8.55 million tons or 9.6% over 2008.

		2009	2008	% of Change
Sales volume of commercial coal (10,000 tons)		9,725	8,870	9.6
(1) Domestic sales of self-produced coal		7,764	6,749	15.0
By region:	North China	2,392	1,703	40.5
	East China	3,210	2,954	8.7
	South China	832	961	-13.4
	Northeast China	27	159	-83.0
	Other	1,303	972	34.1
By coal type:	Thermal coal	7,616	6,560	16.1
	Coking coal	148	189	-21.7
By contract:	Long-term contract	5,597	5,484	2.1
	Spot trading	2,167	1,265	71.3
By transportation:	Seaborne	5,775	4,402	31.2
	Direct arrival	1,036	1,503	-31.1
	Local sales	953	844	12.9
(2) Self-produced coal export		133	661	-79.9
By region:	Taiwan, China	76	507	-85.0
	Korea	37	91	-59.3
	Japan	20	45	-55.6
	Other	☆	18	-100.0
By coal type:	Thermal coal	130	656	-80.2
	Coking coal	3	5	-40.0
By contract:	Long-term contract	130	654	-80.1
	Spot trading	3	7	-57.1
(3) Proprietary coal trading		1,529	541	182.6
By contract:	Long-term contract	160	60	166.7
	Spot trading	1,369	481	184.6
(4) Import & export agency sales		299	919	-67.5
Of which:	Export agency	292	919	-68.2
	Import agency	7	☆	-

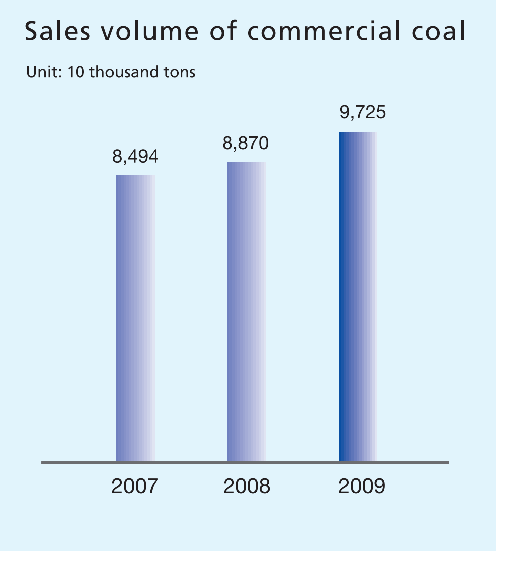
☆ : Nil

In terms of market strategy. On the basis of strengthening relationship with traditional key customers, the Company increased the number of contracts signed with local power enterprises other than the five leading power generation groups. Meanwhile, the Company actively explored new industries such as metallurgy, construction materials, cement, paper making and ceramics, and established long-term partnership with a number of key users. As a result, the Company further enhanced its ability to resist market risks.

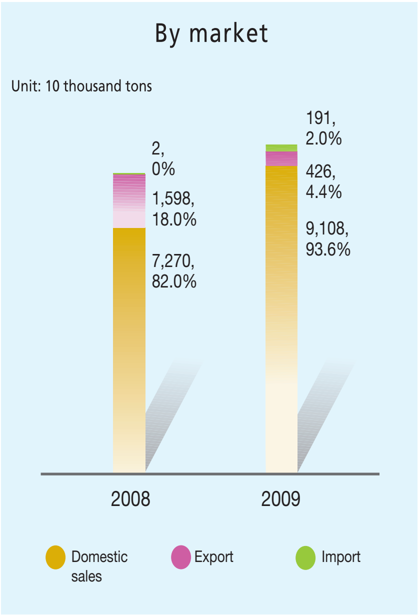
In terms of product strategy. The Company aims at satisfying the clients needs and continuously enriched the product range to satisfy various requirements of users. The Company endeavoured to add the types of products with strong sales and high profits, newly developed high value-added lump coal and reconstructed and operated lump coal processing systems in the mining area, which led to the sales of almost 100,000 tons of lump coal in 2009. While enlarging the users base, the Company received considerable additional revenue. By blending low sulphur coal purchased from the market with self-produced products, the Company optimized its product structure, improved product quality and achieved better economic benefits.

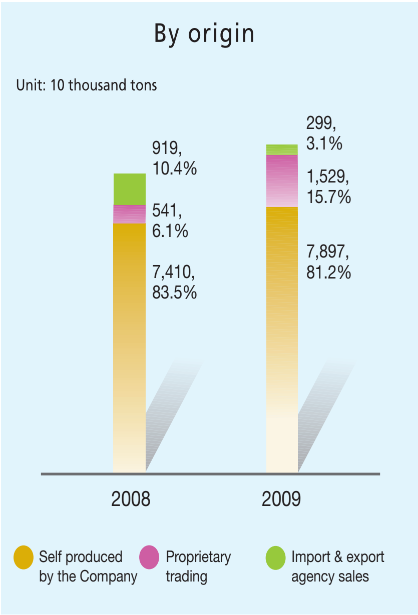
In terms of sales strategy. Facing the tough situation of delayed orders by the five major power generation groups early in 2009, the Company increased the number of contracts entered into with local power enterprises and other coal consuming enterprises in relevant industries, achieved the order target of ensuring the 100% sales of the Company's self-produced coal with a sufficient number of contracts and ensured the normal coal production and sales of the Company amid fluctuations in the thermal coal market. The Company planned in advance the sales of coal and entered into coal supply framework agreements for year 2010-2014 with various key users with a total supply coal volume of 750 million tons, which opened up a vast market stage for the growth of the Company's production volume.

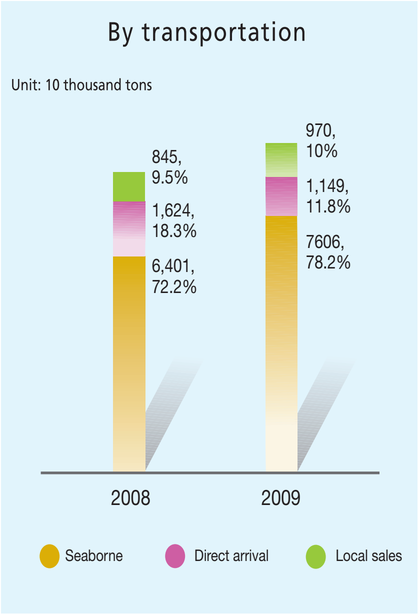
In terms of channel strategy. The Company fully leveraged on the location advantage of its subsidiaries in southeastern coastal ports to strengthen cooperation with users and ports, consolidated and continued to develop the distribution business. The Company established distribution platforms in the Yangtze River Delta Region and the Pearl River Delta Region with concentrated demand for coal to continuously improve the sales network. Meanwhile, the Company made a corresponding adjustment to the functions of regional subsidiaries and enhanced functions such as the operation of the distribution business, coal blending at the ports, product upgrade, after-sales services and market development.

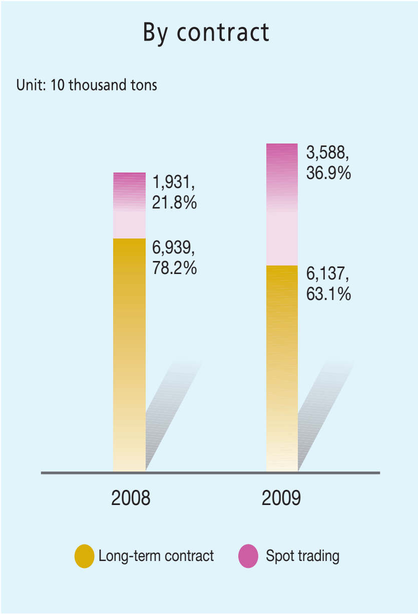


Segments of sales of commercial coal:





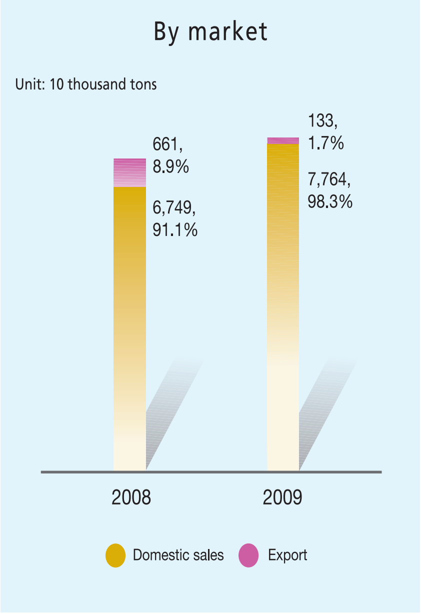


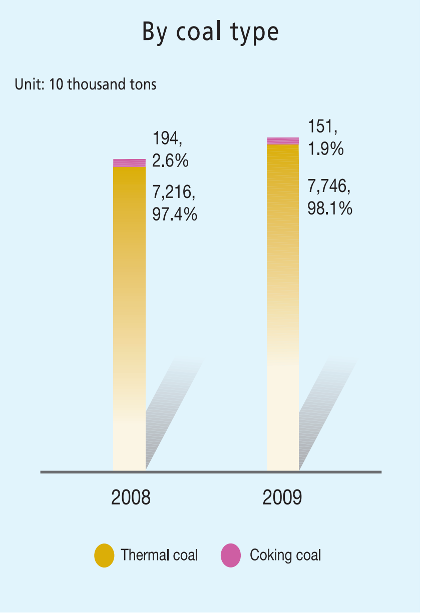


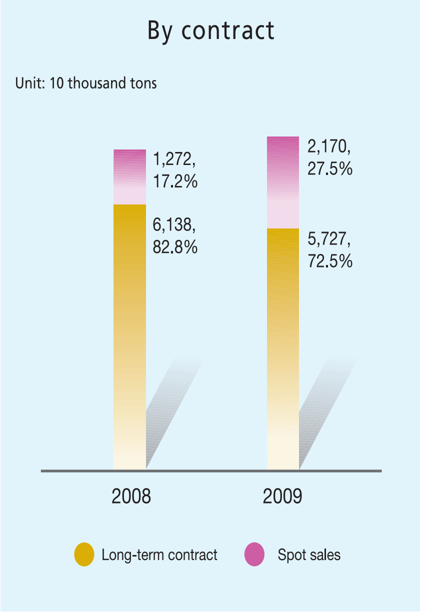
(1) *Self-produced coal sales*

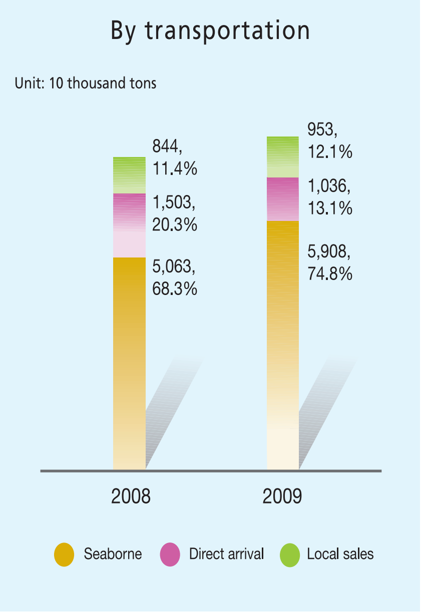
The sales volume of the Company's self-produced coal for 2009 was 78.97 million tons, representing an increase of 4.87 million tons or 9.6% over 2008. In particular, the domestic sales volume increased substantially and reached 77.64 million tons for the full year, representing an increase of 15.0% over 2008. The percentage of spot sales increased. The percentage of spot sales was 27.5% during the reporting period, representing an increase of 10.3 percentage points over 2008.

Segments of sales of self-produced coal:









(2) Proprietary coal trading

In 2009, the proprietary coal trading of the Company amounted to 15.29 million tons, representing an increase of 9.88 million tons or 182.6% over 2008. Of the 15.29 million tons, spot sales amounted to 13.69 million tons, representing an increase of 8.88 million tons over 2008.

(3) Export and import agency sales

In 2009, the Company provided agency services for exporting coal of 2.92 million tons, representing a decrease of 6.27 million tons or 68.2% over 2008 while providing agency services for importing coal of 70,000 tons.

II. Coking operations

Coke production enterprises of the Company	Location	Product type	Production capacity (10,000 tons)
China Coal and Coke Jiuxin Limited	Lingshi, Shanxi	Metallurgical coke	200
China Coal and Coke Jingda Limited	Taigu, Shanxi	Foundry coke, metallurgical coke	50
China Coal and Coke Mudanjiang Limited	Mudanjiang, Heilongjiang	Metallurgical coke	40
China Coal and Coke Longquan Limited	Fenyang, Shanxi	Foundry coke	40

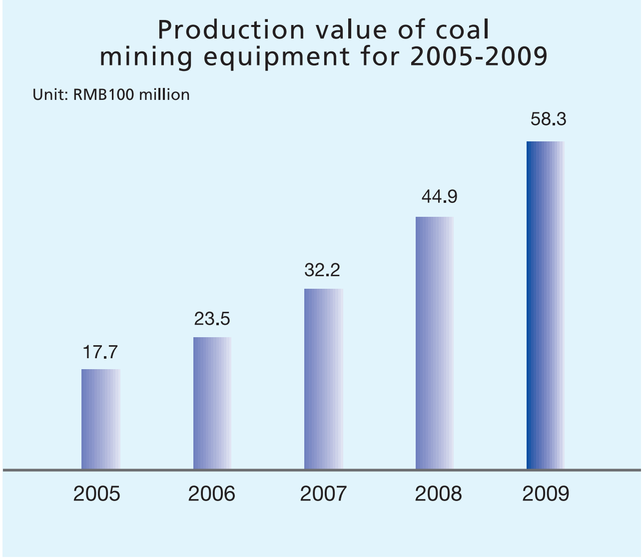
In 2009, the coke market experienced frequent fluctuations during short cycles with weak demand and continuously tight supply of coking coal. Domestic coke market prices remained at low levels, resulting in the coking industry facing consistent high operating pressure. By adopting the strategy of keeping abreast to the market and making timely adjustments to production, the Company reduced the purchasing cost of coking coal, expediting the cash flow and increasing the sales profit, the Company overcame the unfavourable situation of suffering from an operating loss in the first half of 2009 and achieved better economic results amid a general loss suffered by the coking industry. In response to market changes, the Company will adopt such measures as controlling upstream coking coal resources and increasing the recycling rate of by-products in the future to increase the Company's comprehensive income and further reinforce the ability of the coking operations to resist market risks.

In 2009, the production of coke of the Company reached 4.43 million tons, representing an increase of 20.7% over 2008, of which the equity production reached 3.17 million tons, representing an increase of 12.0% over 2008. The total coke sales amounted to 2.42 million tons (the equity production volume of China Coal and Coke Xuyang Limited is not included in coke sales), representing a decrease of 430,000 tons or 15.1% over 2008. Among the above, the sales of self-produced coke amounted to 2.15 million tons and accounted for 88.8% of the total sales of coke of the Company, representing an increase of 11.6 percentage points over 2008; while the weighted average selling price of coke for the full year was RMB1,407/ton, representing a decrease of 36.6% over 2008, of which, the average selling price of self-produced coke was RMB1,386/ton, representing a decrease of 26.3% over 2008.

III. Coal mining equipment operations

Coal mining equipment manufacturers of the Company	Location	Product portfolio
China Coal Beijing Coal Mining Machinery Company Limited	Beijing	Hydraulic roof support
China Coal Zhangjiakou Coal Mining Machinery Company Limited	Zhangjiakou, Hebei	Armoured face conveyor, stage loader, crusher
Shijiazhuang Coal Mining Machinery Company Limited	Shijiazhuang, Hebei	Road header
Xi'an Coal Mining Machinery Company Limited	Xian, Shaanxi	Shearer
Fushun Coal Mine Electrical Machinery Company Limited	Fushun, Liaoning	Electric mining motor
China Coal Handan Coal Mining Machinery Company Limited	Handan, Hebei	Light roof support, pillar

Market structure tilted in the high-end, heavy-duty and complete-set direction. China National Coal Mining Equipment Co., Ltd., a subsidiary of the Company, ranked first in the PRC coal mining equipment industry in 2009. The production value of coal mining equipment in 2009 was RMB5.83 billion, representing an increase of RMB1.34 billion or 29.8% over 2008. The production volume of coal mining equipment was 241,000 tons, representing an increase of 28,000 tons or 13.1% over 2008. Among the above, the production volume of major coal mining equipment products was 15,759 units (sets). The market share of the Company continued to maintain a leading position for some products including heavy-duty armoured face conveyors and explosion-proof electric mining motors in China.



Product type of coal mining equipments of the Company	Percentage of sales of the product in the Company %	Domestic market share %
Medium and high-end armoured face conveyors	59	65
Medium and high-end hydraulic roof supports	84	18
Medium and high-end shearers	67	25
Medium and high-end electric mining motors	46	66

Continuously enhanced scientific research and development capability. The Company has scientific research institutes representing the highest level of coal mining equipment research and development level in China, including one national technology centre, one national accredited laboratory, two post-doctoral scientific research stations and three provincial and municipal enterprise technology centres. The Company has 117 patents and 79 patent under applications, of which 22 are invention patents. In 2009, the Company made remarkable scientific achievements. In particular, the development of the prototype for SGZ1350/3x1200KW intelligent armoured face conveyor with a coal transportation capacity of 5,000 tons per hour elevated the technological standard of similar products in China. The SGZ1000/3x1000(855)KW armoured face conveyor complete set equipment created the highest coal mining record of a monthly production of 1.01 million tons and a daily production of 46,000 tons for domestically manufactured equipment with the overall technology reaching international advanced standards.

I. PERFORMANCE OF CAPITAL EXPENDITURE BUDGETED FOR 2009

In 2009, the Company's capital expenditure was mainly in relation to the core businesses of coal, coal chemical, coal mining equipment and power generation operations, with a budgeted capital expenditure of RMB15.399 billion. As at 31 December 2009, the actual investment made by the Company amounted to RMB15.858 billion, representing 102.98% of the budget.

Table of the performance of capital expenditure budgeted for 2009

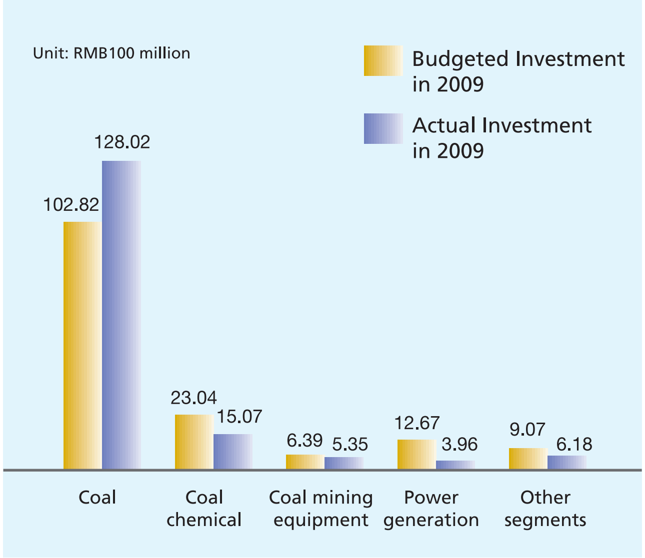
Unit: RMB100 million

Items of capital expenditure	Actual Investment in 2009	Budgeted Investment in 2009	Actual Investment Ratio %
Total amount	158.58	153.99	102.98
Infrastructure projects	66.00	84.43	78.17
Acquisition and Maintenance of fixed assets	12.45	10.81	115.17
Equity investment*	46.14	18.10	254.92
Preliminary expenses	1.27	1.21	104.96
Special expenses (including maintain cost, safety fund, etc)	32.72	39.44	82.96

*: The relatively high ratio of actual investment of equity investment is mainly due to the investment of RMB3.369 billion from our acquisition of the equity of Mengda New Energy Company (65%), Yihua Mining (51%) and Mengda Mining (51%) in the current year.

Unit: RMB100 million

Business Segment	Actual Investment in 2009	Budgeted Investment in 2009	Actual Investment Ratio %
Coal	128.02	102.82	124.51
Coal chemical	15.07	23.04	65.41
Coal mining equipment	5.35	6.39	83.72
Power generation	3.96	12.67	31.25
Other segments	6.18	9.07	68.14
Total	158.58	153.99	102.98



Progress of major investment projects in 2009 is set out as follows:

The Pingshuo East Open Pit Mine Project has a production capacity of 20 million tons/year with a total investment budget of RMB10.57 billion and an actual investment of RMB1.5 billion in 2009. As at 31 December 2009, open pit overburden removal projects completed was 41.85 million m^3, and coal transportation routes for the washery completed was 380 meters.

The Wangjialing Mine Project in Xiangning of Shanxi has a production capacity of 6 million tons/year with a total investment budget of RMB5.021 billion. The Company commenced construction in April 2007. The amount of investment in 2009 was RMB1.119 billion. As at 31 December 2009, total roadway drivage works completed was approximately 29,800 meters.

The Kongzhuang Mine renovation and expansion works in Jiangsu has a production capacity of 1.8 million tons/year with a total investment budget of RMB532 million, of which the investment made in 2009 was RMB86 million. Works for mixed vertical shafts and other works have been completed.

The Heilongjiang Methanol Project has a production capacity of 250,000 tons/year with a total investment budget of RMB1.182 billion. Joint trial operation of the project is in process, while the completion and acceptance of the whole project will be carried out soon.

The Jiangsu High-precision Aluminum Sheet Project has a production capacity of 100,000 tons/year with a total investment budget of RMB1.701 billion and the investment made in 2009 was RMB452 million. Construction for melting furnaces in the melting workshop and foundation works for the furnaces in the sheet workshop have been completed.

The Pingshuo Great Coal Gangue-fired Power Plant Project has a production capacity of 2 x 135MW with a total investment budget of RMB1.409 billion. The power plant has entered into the grid generation stage, while completion and acceptance of the whole project will be carried out soon.

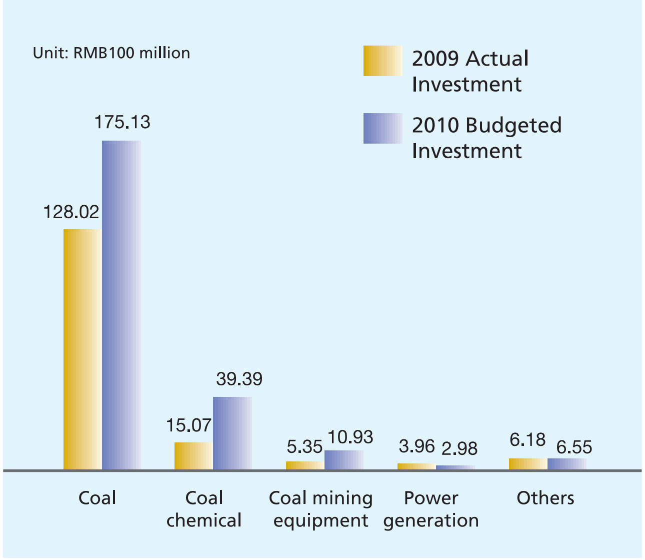
In 2009, the Company integrated several local coal mines in Shanxi Province, including the Jingdong Mine acquired by Pingshuo Coal Industry Company and the Mingzhu coal mine acquired by Huajin Company. A total investment of about RMB700 million was made and increased reserves amounted to about 510 million tons. The Company conducted the integration and renovation of Jingdong Mine in the reporting period, and its production capacity was formed. As at 31 December 2009, the total investment was about RMB670 million.

II. ARRANGEMENT FOR CAPITAL EXPENDITURE IN 2010

In 2010, the Company had a capital expenditure budget of RMB23.498 billion, representing an increase of RMB8.099 billion or 52.59% over 2009. Out of the capital expenditure budget amount stated above, RMB18.078 billion (including expenditure for preliminary works prior to the commencement of projects of RMB479 million) will be invested in infrastructure projects; RMB2.939 billion will be invested in the acquisition of fixed assets, small-sized construction, renovation and maintenance; and RMB2.481 billion (including expenditure for preliminary works prior to the commencement of projects of RMB20 million) will be invested in equity investments.

Unit: RMB100 million

Business Segment	Investment Budget in 2010	Actual Investment in 2009	Increase/ decrease in 2010 compared with 2009 %	% to Total
Coal	175.13	128.02	36.80	74.53
Coal chemical	39.39	15.07	161.38	16.76
Coal mining equipment	10.93	5.35	104.3	4.65
Power generation	2.98	3.96	-24.75	1.27
Others	6.55	6.18	5.99	2.79
Total	234.98	158.58	48.18	100.00



The major infrastructure projects in 2010 are listed below:

Unit: RMB100 million

No.	Name of the Project	Production Capacity	Expected Total Amount of Investment	2010 Budgeted Investment
Coal segment				
1	Pingshuo East Open Pit Mine	20 million tons /year	105.70	31.00
2	Wangjialing Coal Mine in Xiangning of Shanxi with the production capacity of 6 million tons/year	6 million tons /year	50.21	23.57
3	Kongzhuang Mine renovation and expansion works in Jiangsu	1.8 million tons/year	5.32	1.30
4	Renovation works on the raw coal transportation system of Antaibao Open Pit Mine in Pingshuo	25 million tons /year	6.57	2.97
5	Expansion and renovation project for coal preparation plant of Anjialing No.1 Underground Mine in Pingshuo	20 million tons /year	1.40	1.00
6	Comprehensive surface mining equipment maintenance plant in Pingshuo		2.93	1.58
7	Renovation and expansion project of Xinjiang 106# Mine	1.8 million tons /year	6.77	1.93
8	Muduchaideng Coal Mine in Ordos	6 million tons /year	45.00	20.00
9	Nalin River No. 2 Coal Mine in Ordos	8 million tons /year	45.00	20.00
Coal chemical segment				
10	Coke-oven gas produced chemical fertilizer in Lingshi of Shanxi	0.18 million tons /year of synthetic ammonia, 0.30 million tons /year of urea	10.69	2.23
11	Mengda coal based methanol in Ordos	0.60 million tons /year	35.16	12.96
Coal mining equipment segment				
12	Zhangjiakou Equipment Industrial Park Construction		23.62	6.52
Power generation segment				
13	Phase 2 of Shaqu gas-fired power plant in Shanxi	63MW	5.18	1.60
Others				
14	High-precision aluminum sheets project in Jiangsu	0.10 million tons/year	17.01	6.50

The major equity investment projects in 2010 include the Ordos Project and its ancillary works with an annual production capacity of 25 million tons of coal, 4.2 million tons of methanol and 3 million tons of dimethyl ether with its investment of RMB595 million, the Shanxi Xiaohuigou Coal Mine equity acquisition with its investment of RMB273 million, the Mengji Railway Project with its investment of RMB150 million and the Ordos Riverside Railway Project with its investment of RMB127 million.

In 2010, the Company will continue to actively integrate local coal mines. A capital expenditure of about RMB2 billion has been budgeted for the works including the integration of Pingshuo Coal Industry Company with Xiaohuigou Coal Mine. On 21 January 2010, an agreement was signed for the acquisition of Xiaohuigou Coal Mine with a reserve of about 478 million tons of coking coal, and the proposed capital expenditure in 2010 was about RMB2.8 billion. After the integration, a coal mine with annual production capacity of 3 million tons will be constructed.

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

In 2009, the Company carefully implemented a technological development strategy focused on "leading development, integrated innovation, major breakthrough and promoting upgrades" in order to provide strong technological support to facilitate the change in the mode of development of China Coal Energy and to lead the way to technological development of the industry.

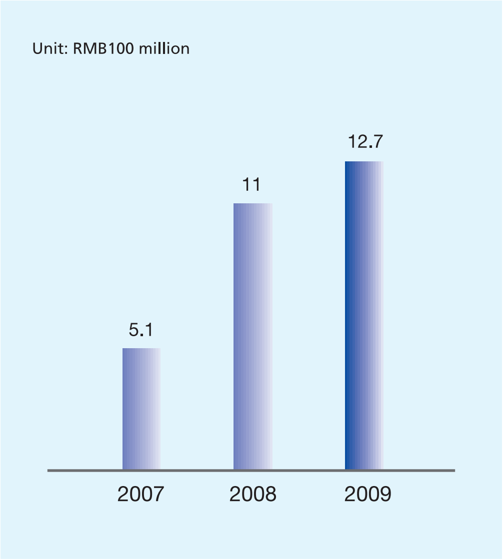
1. Full-scale promotion of technological innovation

Increasing technological investments. In 2009, the Company invested RMB1.27 billion in technology, representing an increase of 15% over 2008.

In the past three years, the Company's technological investment increased by 57% per annum. The independent innovation ability of the Company in respect of science and technology continued to be strengthened.

Intensifying research and development on major technologies. In 2009, the Company set up the mechanism of coordinated implementation of major technological projects. The Company undertook 6 national technological projects, 15 technological projects on coal industry under the China National Coal Association; and implemented 3 major technological projects and 28 key technological programs of the Group.

Technological investment of China Coal Energy in the past three years



National technological projects undertaken by China Coal Energy in 2009

No.	Nature of project	Name of project	Progress of project
1	National High-tech R&D Program (863 Program)	Key technology on remote control of mining excavation equipment for underground coal mining	staged results
2	Key Industrial Technology Development Program	Coal mine gas comprehensive control and utilization of key equipment - Underbalanced truck-mounted drilling machine for gas drainage on surface	passed review
3	National Key Technologies R&D Program	ZF15000/28/52 LTCC hydraulic roof support for high coal seam	in full swing
4	National Key Technologies R&D Program	Complete equipment of 2X1000 kw fully-mechanized top caving working face AFC for high coal seam	in full swing
5	National Innovative Ability Development Program	Improvement of innovative ability for Technology Centre of Shanghai Datun	in full swing
6	National Innovative Ability Development Program	Improvement of innovative ability for Technology Centre of Zhangjiakou Coal Mining Machinery	in full swing

Optimizing technological innovation system. In 2009, the Company made efforts to establish an independent innovation system which features rational structure, clear division of responsibility, notable emphasis and harmonized operations. A laboratory with national accreditation and an engineering research centre at provincial level have been newly set up. The Company's two subsidiaries: Beijing Coal Mining Machinery Company and Zhangjiakou Coal Mining Machinery Company were both recognized as high tech enterprises at national level. The Company has 2 enterprise technology centres at national level and 4 technology centres at provincial level, all of which have passed the annual national assessment.

The Research and Development Systems of China Coal Energy

- China Coal Energy
  - Department of Technology Development
    - Technology Centres at national level
      - Technology Centre of Shanghai Datun Energy Resources Company Limited
      - Technology Centre of China Coal Zhangjiakou Mining Machinery Co., Ltd.
    - Technology Centres at provincial level
      - Technology Centre of China Coal Pingshuo Industry Co., Ltd.
      - Technology Centre of China National Coal Mining Equipment Company
      - Technology Centre of China Coal Fushun Coal Electrical Machinery Co., Ltd.
      - Technology Centre of China Coal Beijing Coal Mining Machinery Co., Ltd.
    - Engineering Research Centres at provincial level
      - Technology Research Centre for Integrated Utilization of Coal Mining Resources of Jiangsu Province
    - State-approved laboratories
      - State-approved laboratory of China Coal Zhangjiakou Mining Machinery Co., Ltd.
      - State-approved laboratory of Datun Aluminum Co., Ltd.
      - State-approved laboratory of Shandong Company
    - Post-doctoral work stations
      - Post Doctoral Technology Research Work Station of China National Coal Mining Equipment Company
      - Post Doctoral Technology Research Work Station of China Coal Zhangjiakou Mining Machinery Co., Ltd.
    - High-tech technology enterprises
      - China Coal Zhangjiakou Mining Machinery Co., Ltd.
      - China Coal Beijing Coal Mining Machinery Co., Ltd.

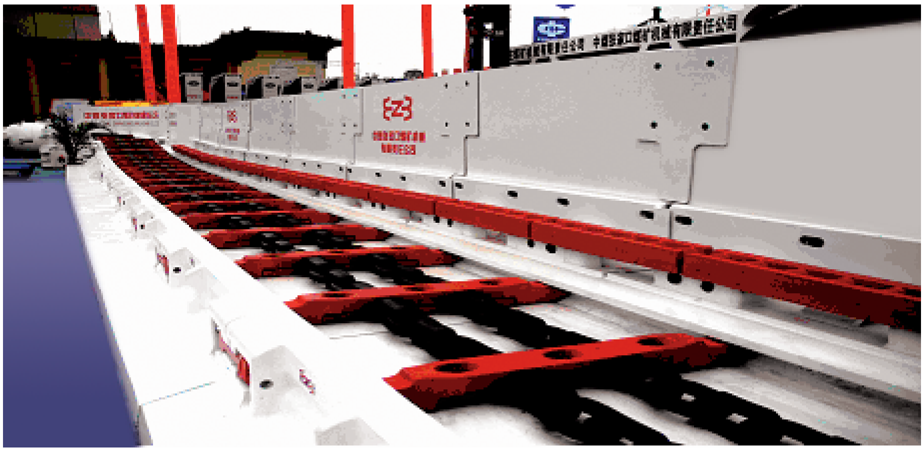
2. Remarkable results achieved through technological innovation

Outstanding achievements on major technological research and development. In 2009, the "Complete technology and equipment for 6-million-ton annual output high coal seam faces" researched and developed by the Company won a national technological improvement award; the "Optimal set-ups for end-side and near-side extraction and development and conveyor system for difficult coal bed of mega open cut mines" won the first prize in coal industry technology and oil shale project also achieved staged results. The Company received two awards for the fourth national production safety technology achievements, seven awards for improvements on coal industry technology, 15 awards for excellent engineering consultation achievements for coal industry, 13 awards for new records set by Chinese enterprises (the 14th batch).

Part of the technological achievements awarded to China Coal Energy in 2009

No.	Name of award	Name of project
1	Second prize of national technological improvement award	Complete technology and equipment for 6-million-ton annual output high coal seam faces
2	First prize for technological improvements awarded by the China National Coal Association	Optimal Set-ups for end-side and near-side extraction and development and conveyor system for difficult coal bed of mega open cut mines
3	Second prize for technological improvements awarded by the China National Coal Association	Roadheader with intelligent, constant power, auto-formation cutting and position control system
4	Second prize for technological improvements awarded by the China National Coal Association	Research on the stable mechanism and control technology for high stress and fragile rock surrounding coal roadway
5	Second prize for technological improvements awarded by the China National Coal Association	Research on complete equipment, technology and coal recovery for 10-million-ton annual output super long fully-mechanized top caving working faces
6	Third prize for technological improvements awarded by the China National Coal Association	Application of Friction Torque Limiters in underground coal mining
7	Third prize for technological improvements awarded by the China National Coal Association	Development of key technologies for monitoring and control of underground ventilation network
8	Third prize for technological improvements awarded by the China National Coal Association	Diagnosis and research on the failures of vibration screen and bearing in Majiliang Coal Washing Plant

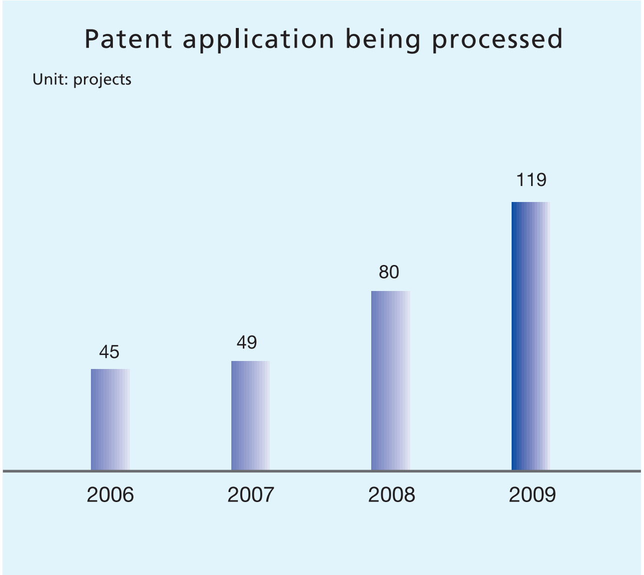
Important progress achieved on the development of new products. The Company developed China's first high-power, intelligent, fully-mechanized mining armoured face conveyor and completed the manufacturing of sample machine MG900/2210-WD shearer with AC variable frequency converter that can achieve remote intelligent monitoring, which fills the technology gap of China.



China's first SGZ1350/3x1200kw intelligent amoured face conveyor

MG900/2210—WD mining machine achieves remote intelligent monitoring

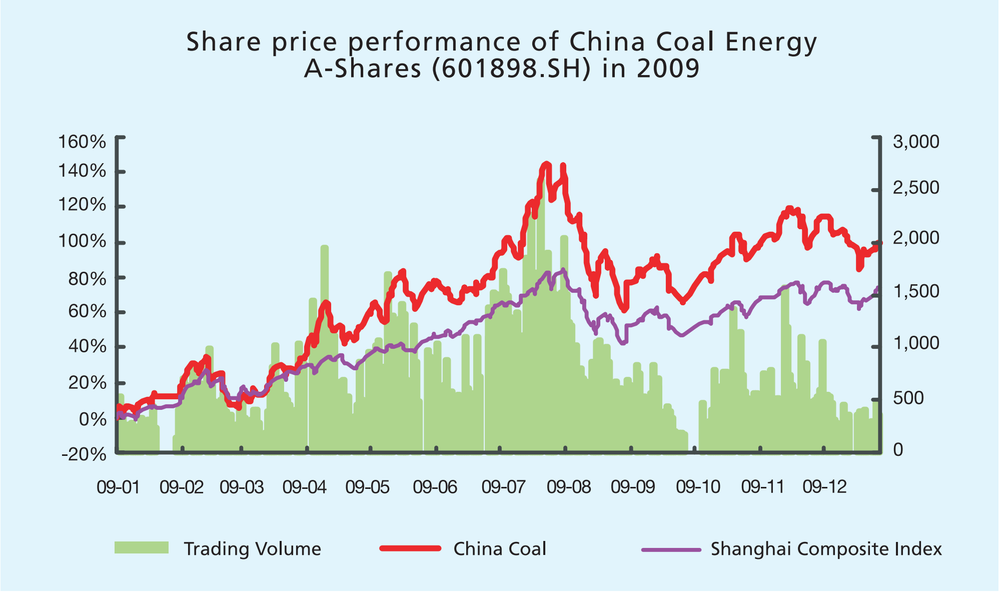
Evident progress on the development of intellectual property. In 2009, the Company continued to increase efforts on the development and protection of patented technology, with a substantial increase in both quantity and quality of patent applications. 119 patent applications have been processed throughout the year, of which 34 are invention patents, representing an increase of 48.8% and 112.5% over 2008 respectively. 86 patents were granted, representing an increase of 75% over 2008. The Company owned 209 patents in total.

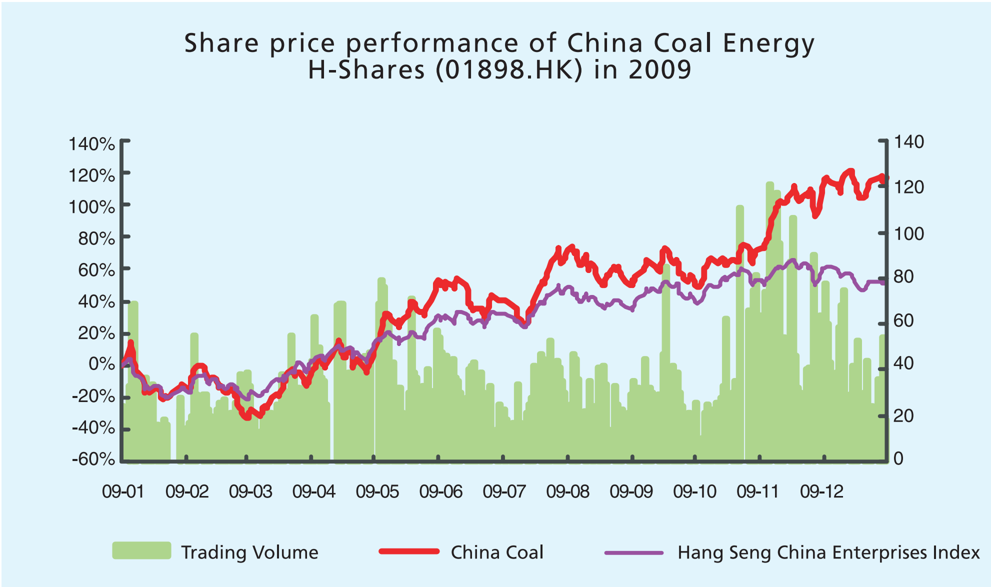


China Coal Energy has highly valued the management of investor relations at all time since its listing, considering it as part of the Company's overall strategic management behaviors. Aiming at protecting the interests of investors and enhancing corporate governance standards, the Company has been active in innovation, eager to make progress, and continuously widened its communication channels to build an all-dimensional investor communication platform. With the sustainable development of corporate strategies, the Company focuses on informing shareholders and potential investors of the operating situation, development outlook and future plans of the Company, which has effectively enhanced the understanding and recognition of the Company by the capital market, unified the intrinsic value of the Company with its market value and built up a positive image of the Company in the capital market.

1. Share price performance of China Coal Energy in 2009

2009 was an extraordinary year when China and the world economy underwent a series of upheavals. Driven by the RMB4,000 billion economic boosting plan of the central government, the macro-economy of China successfully recovered from the crisis, achieving an 8.7% annual GDP growth rate. During the latter stage of the financial crisis, Chinese coal industry outperformed expectations and witnessed an industry boom. The rising tendency of the coal-related sector is consistent with the overall development trend of the macro-economy, with evident phased rising characteristics. Following the rise of the stock market and the active trading of the coal-related sector, the share price of China Coal Energy also rose significantly in 2009: its A-Shares, which priced at RMB6.87 per share at the beginning of 2009, surged 97.7% to a closing price at RMB13.58 per share on 31 December 2009, representing a premium of 23.42% over the Shanghai Composite Index; its H-Shares, which was HK$6.55 per share at the beginning of the year soared 117.4% to close at HK$14.24 per share on 31 December 2009, representing a premium of 63.5% over the Hang Seng China Enterprises Index.





In May 2009, China Coal Energy ranked 343rd in the FT500 of the UK with its total market capitalization of US$14.66 billion. The Company was the 2nd highest ranking listed coal company in China in terms of market capitalization, and ranked 8th among all the listed mining companies globally.

With the expansion on market capitalization and stronger influence on the capital market, China Coal Energy has been selected as a constituent stock of the Hang Seng China Enterprises Index, Hang Seng Composite Index, Hang Seng China 50 Index, MSCI EM Index, Hang Seng China AH Premium Index, SSE 180 Index, SSE 50 Index, CSI 300 Index, CSI 100 Index and CSI 800 Index.

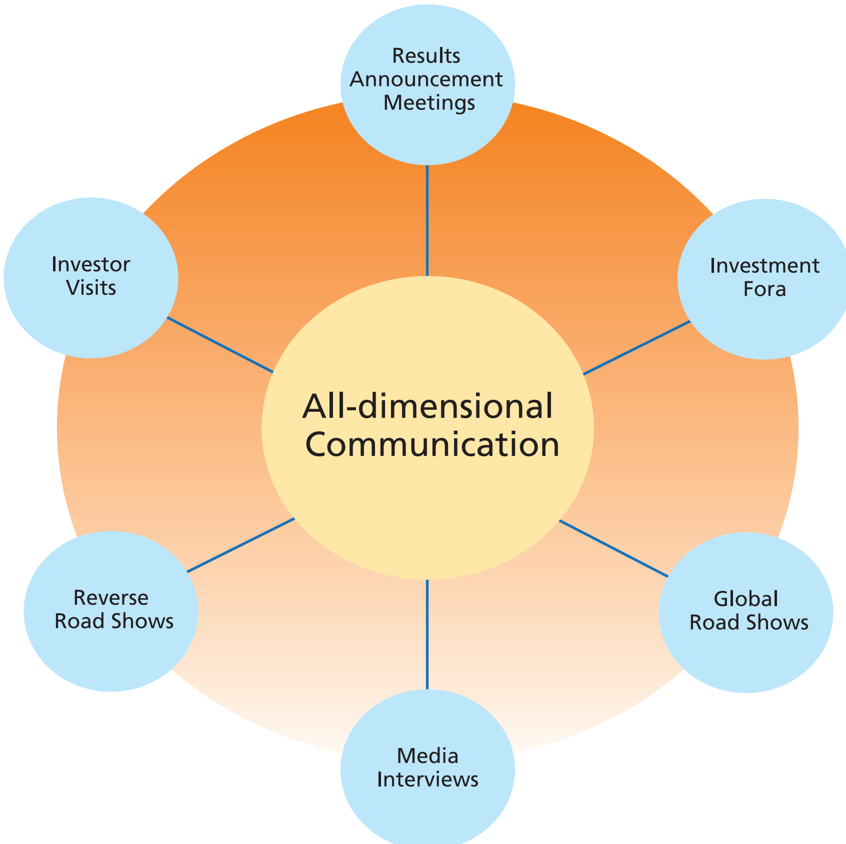
2. Major investor relations' activities conducted in 2009

Since listing, China Coal Energy has set up clear goals of managing investor relations which form the basis to guide investor relations management. The long-term goal of managing investor relations of the Company are mainly reflected in the following four areas: (1) effectively managing investors' expectations so that the shares of the Company are fairly priced in the market; (2) optimizing the Company's shareholding structure to ensure reasonable liquidity of the Company's stocks; (3) enhancing capital market's understanding and recognition in order to unify the intrinsic and market value of the Company; and (4) actively listening to and adopting the rational suggestions from all shareholders and investors in order to continuously improve the governance structure and operation management standards of the Company.

I. Continue to build a systematic and standardized investor relations framework

A properly-regulated system can provide systematic protection when embarking on investor relations management duties. Since its listing, China Coal Energy has always been committed to the establishment of fundamental systems, and has gradually made improvements on its "Information Disclosure Management System", "Investor Relations Management System" and internal information collection mechanism, etc. The Company has continuously optimized the specific work procedures for managing its investor relations so that the various tasks of investor relations management are regulated.

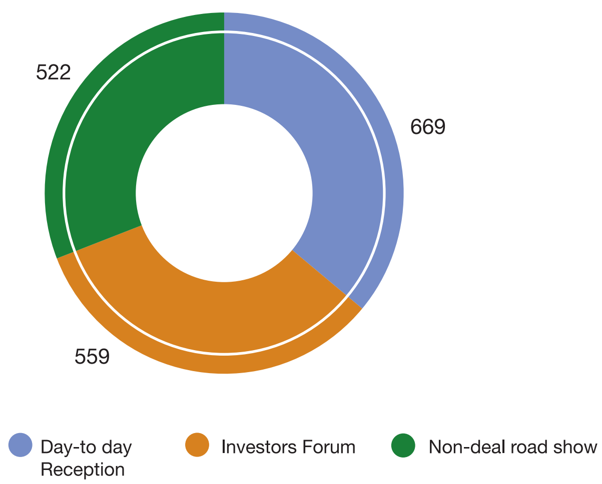
II. Continuously widen communication channels and build an all-dimensional investor communication platform



By using the combined methods of actively "going out" and "inviting in", the Company has been using modern communication tools flexibly in order to satisfy the various needs of investors. The Company has built up an all-dimensional investor communication platform which includes results announcement meetings, non-deal road shows, Shareholders' general meetings, investors fora, small-scale face-to-face meetings, reverse road-shows, day-to-day visits and teleconferencing, and IR webpages in the Company website.

In 2009, China Coal Energy enhanced its all-directional contact and communication with its shareholders and potential investors through various channels. The Company organized a total of 393 meetings for different purposes and met 1,767 attendees altogether, of which 58 were results announcement meetings, non-deal global road shows and results teleconferences involving 522 attendees. The Company also participated in 78 investment fora organized by 17 securities firms involving 559 attendees. The Company held 254 teleconferences with 669 attendees and organized 3 small-scale site visits to the mining areas involving 17 investors.

Statistics of participants of various meeting



III. Create a highly-efficient investor relations team in order to provide organizational basis for the management of investor relations of the Company

Since listing, the establishment of investor relations team has been highly valued by the Board and management of China Coal Energy, and a highly-efficient three-in-one investor relations team comprising a leadership team, an implementation team and a support team has been set up gradually. The Chairman, the President and the Secretary to the Board are personally responsible for the formulation of objectives and strategies for managing investor relations. The Chairman personally presided over and attended all of the past results announcement meetings, non-deal road shows and Shareholders' general meetings, etc., in which he had in-depth, face-to-face communications with various Shareholders. Since its listing on HKSE at the end of 2006, the Company has successfully organized 14 results announcement meetings and held 2 global non-deal road shows. The results announcement meetings and road show activities have become the most important channels of communication between the Company and the investors.

IV. Flexibly use modern communication tools such as the internet to enhance voluntary information disclosure

The internet provides the most effective and economical medium of communication for delivering corporate information and presenting the investment value of a listed company to investors. China Coal Energy website has an investor relations column, which not only provides statutory disclosure contents such as the Company's annual reports, interim reports, quarterly reports and announcements of major matters, etc., but also voluntarily posts up-to-date developments of the Company such as monthly production and operation data in order to fully meet the needs of the investors.

Each year, at the time when convening annual and interim results announcement meetings, the Company also makes available webcast of the results announcement meetings in an effective manner to ensure that those investors who are unable to attend the meetings can review the speeches and Q&A sessions presented by the management.

In addition, the Company has set up an investor enquiry hotline, fax line and mailbox, and arranged staff who are familiar with the Company's business to patiently answer different questions brought up by investors so as to stay in close contact with global investors all the time.

V. Focusing on listening to the voices of investors and actively adopting the reasonable suggestions from investors

Investor relations management is a two-way interactive communication process. When sending corporate information to investors, the Company's investor relations team focuses on collecting all feedbacks from investors and actively assimilates reasonable suggestions made by investors and timely passes them to the management of the Company in order to continuously enhance the Company's governance standards and intrinsic value.

From September 2008 to September 2009, the controlling shareholder of the Company, China Coal Group, adopted the suggestion from investors and directly increased its shareholding of China Coal Energy A-share in two occasions, acquiring a total of 7,510,114 Shares; and at the same time increased its shareholding of China Coal Energy by 120,000,000 Shares in the H-share market through China Coal Hong Kong Limited, an overseas wholly-owned subsidiary of China Coal Group, subsequent to which its shareholding in the Company increased to 57.33%. Such actions had positive effects in stabilizing market confidence.

3. Awards received by the Company in 2009

In 2009, China Center for International Economic Exchanges, Warton Economic Institute and "Shanghai Economy Monthly" magazine organized the Ninth Summit Forum for the Top 100 Chinese Listed Companies. China Coal Energy ranked 14th among the Top 100 Chinese Listed Companies in 2008. The Company's Chairman, President and Secretary to the Board were awarded "Leaders of the Top 100 Enterprises", "Star of the Top 100 Enterprises" and "Best Board Secretary" awards, respectively.

In 2009, China Coal Energy also received the 11th (2008) "Top 100 Chinese Listed Companies Golden Bull Award" organized by the China Securities Journal, "Top 100 Most Valuable Listed Companies" award and "Excellent Management Team of Listed Companies" award in 2008 by the Securities Times newspaper.

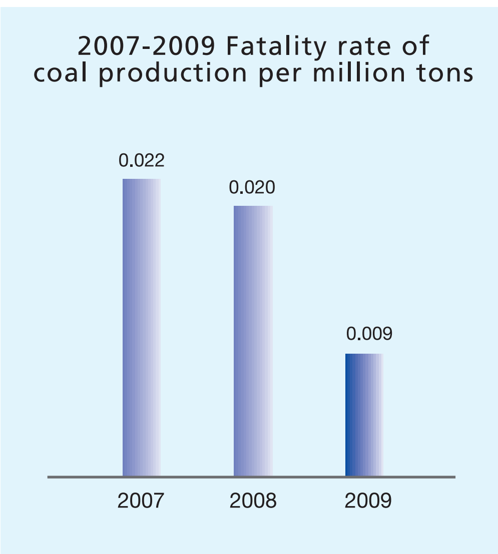
Looking forward, China Coal Energy will adhere to its principles of openness, impartiality, fairness and continue to provide investors with timely, truthful, accurate and complete production and operation information. China Coal Energy wishes to get more support and attention from investors, strengthen its communication with investors within and outside China, obtain more recognitions in the capital market and continuously enhance the intrinsic value and market value of the Company.

Investor relations activities in 2009

Activities	Time	Type	Name of activity
Major activities	March 2009	A-Shares	2008 results announcement meeting
	April 2009	H-Shares H-Shares	2008 results announcement meeting and analyst explanation meeting non-deal road shows: Hong Kong, New York, Dubai, Edinburg, London
	August 2009	A-Shares	2009 interim result announcement meeting
	August, October 2009	H-Shares	2009 interim result and third quarter report telephone explanation and communication meeting
	Sub-total	58	522 attendees
Investment Fora	January 2009	H-Shares	The ninth UBS Greater China Symposium
	January 2009	H-Shares	Deutsche Bank Access China Conference 2009
	May 2009	H-Shares	CLSA Small Investor Meetings in May
	June 2009	H-Shares	J. P. Morgan China Investment Forum 2009
		A-Shares A-Shares A-Shares	Everbright Securities Interim Strategies Meeting 2009 Great Wall Securities Interim Strategies Meeting 2009 UBS Securities A-shares Investment Seminar 2009
	September 2009	A-Shares H-Shares	CICC Listed Companies and Investors Information Exchange Meeting 2009 CLSA China Investment Forum 2009
	October 2009	H-Shares	Citibank Greater China Investors' Meeting 2009
	November 2009	H-Shares H-Shares H-Shares A-Shares A-Shares	Goldman Sachs China Investment Front Annual Meeting 2009 Macquarie Chinese Commodities Annual Meeting 2009 Merrill Lynch China Investment Summit Shenyin Wenguo Coal Economy Analysis 2009 and Coal Market Prediction Seminar 2010 CICC Forum
	December 2009	A-Shares A-Shares	Shenyin Wenguo Forum – the Urgent Re-balance of China China Securities Investment Strategies Report Meeting 2010
	Sub-total	78	559 attendees
Day-to-day receptions	January – December 2009	H-Shares + A-Shares	Day-to-day visits and teleconferences
	Sub-total	254	669 attendees
Reverse road shows	May, June, November 2009	H-Shares	3 small-scale site visits by the National Council for Social Security Fund, etc.
	Sub-total	3	17 attendees
Total		393	1,767 attendees

I. Production Safety

In 2009, the Company further implemented the Scientific Development Concept, adhered to the principles of people-oriented and safe development as well as proactively fulfilled its social responsibilities. With safety and quality standardization work as the main theme, the Company implemented the three projects of "safety and quality standardization; removal, investigation and resolution of potential problems; supervision and monitoring of safety" with full scale. With more dedicated efforts in improving the three areas of "environment, quality and responsibilities", the conditions of production safety were stabilized and showed an improving trend. All underground mines in operation achieved zero fatality rate, and the fatality rate of coal production per million tons was 0.009, which continued to stay at the international advanced safety level.

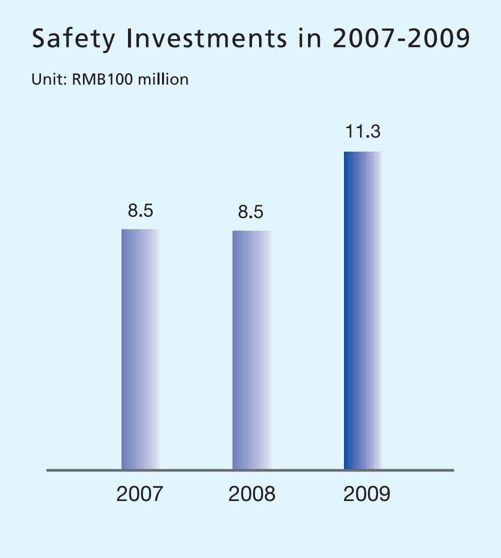


1. **The advanced concept of safety was established.** The guiding effect of a safety culture was fully utilized to promote the advanced concepts of safety vigorously, including "zero fatality rate", "implementing automation", "good working environment plus regulated operation equals to safety", "production safety can be realized with proper management", etc. by learning and with reference to advanced precedents from both domestic and overseas experiences. Efforts were made to master and apply new technologies, new equipment, new materials, new organizational structure and new management, in order to promote innovations in technology and management, improve the working environment and enhance the level of safety management.

2. **Safety and quality standardization was implemented vigorously.** At the beginning of the year, the Company held a site meeting on safety and quality standardization and formulated (amended) the standards and details of safety and quality standardization assessments for coal production, coal chemical, coal mining equipment industry. The Company's safety and quality standardization plan and annual implementation plan were prepared to strengthen inspection against indicators, carry out strict assessment and rating, establish an advanced typical model, enhance incentive measures, realize the reward and penalty measures under safety and quality standardization, in order to drive the progress of standardization work.

3. **Technology was upheld for safety.** The four major development directions, including expansion of production scale, modernization of technology and equipment, professional team development and information management methods were upheld, the "five high standards" including high starting point, high target, high quality, high efficiency and high benefits were followed, and new technology, new techniques and new equipment were sought continuously in order to enhance the safety assurance capability. Production safety were ensured through strategic measures, such as by targeting at international advanced level to learn the most advanced technologies of the world, streamlining the production system and promoting automation and information technology in mines. Investments in safety continue to increase. In 2009, RMB1.13 billion were invested in safety to reform technology, improve production system and the working environment. As a result, 9 highly efficient safe pits and 6 super safe pits were established, and the hazard prevention and resistance capabilities of mines were enhanced.

4. **Preemptive risk management was highlighted.** The safety system with a focus on risk prevention was widely promoted, hazard-alarm and risk prevention activities were carried out actively, potential problems were removed, investigated and resolved under the principle of closed-loop management. The Company strengthened the governance and control over significant sources of hazards and realized the three-tier control system at the mining pit, enterprise and company levels for joint network and real time controls. Safety assessments were conducted on the safety systems of 9 mining pits and 2 coking plants under our management. And the construction of a safety risk pre-control management system commenced in the Pingshuo Mining Area with underground mines and open pit mines as the testing spots. And the method of "showing by hands and explaining by words" was adopted in the Datun Mining Area.



5. **Efforts were made to strengthen staff training of safety.** The occupational skills and sense of safety of the staff were enhanced through safety training and education. Training sessions were organized by classification according to the principles of "learn the need and supplement the need". The training was highlighted for its specific nature and practical effectiveness. Area, team, class and group heads and staff of key work processes and positions were compulsory for training. The training highlighted the compulsory knowledge and skills of the "three main procedures", job position standards and operation skills. Safety training sessions had been organised for 13,554 participants including key executives, management personnel of production safety and special-work staff. Training was provided to 60 team heads working at the coal production frontline, and re-training education was provided to 151 registered safety engineers.

6. **Safety supervision and monitoring were enhanced.** The Company continued to enhance its safety monitoring. In 2009, it organized several large-scale safety supervision and inspection activities, highlighting the safety supervisions and inspections conducted during the important periods, for important regions and stages, and implemented with full scale the initial inspection of safety supervision systems, "ventilation and three preventions" inspection for mining pits and the special inspection project of water disaster governance, as well as the half-yearly and annual inspection and rating exercises for safety and quality standardization. Meanwhile, our enterprises also implemented the safety campaign activities of anti "3-violations", "production safety month" and "100 days safety" across the board. All units had established the safety checking groups according to the safety plans of the Company and conducted self-checking and self-monitoring on safety. Sub-groups for safety supervision were also set up during the festive seasons to conduct site inspection tours continuously, which ensured production safety.

7. **Safety responsibilities were strengthened and implemented.** The production safety system with focus on the accountability of production safety was established and improved, and responsibility letters of production safety were signed with all subsidiaries. The Company implemented the "Measures for awards and penalties to responsible officers for production safety of enterprises" and "Measures for accountability of claims in production safety events" to create a new incentive and preventive mechanism for the implementation of the safety pre-award system. The four principles of strict investigation into unclear causes of events, strict enforcement where the accountable should be disciplined, strict education for untrained staff and strict implementation of preventive measures and the Company's measures for accountability of claims in production safety events were followed to investigate and handle the safety events according to the relevant laws and regulations so as to facilitate the proper discharge of our safety responsibilities.

II. Occupational Health

The construction of an occupational health management system of enterprises was accelerated to establish a mode of occupational health management which was mainly preventive in nature with continuous improvements. Significant efforts were dedicated to the promotions and education of occupational health and the publicity program of the "Prevention and treatment of occupational diseases" promotion week was organized with the theme of "Protecting the health of rural workers is the joint responsibility of the overall community". Enterprises were actively mobilised to participate in the nationwide occupational safety and health quiz contest. Our subsidiaries, Pingshuo Coal Industry Company, Shanghai Datun and China Coal Mining Equipment, won the outstanding enterprise awards.

Trainings on occupational safety and health were strengthened to enhance the preventive management occupational hazards in enterprises and the self-protection capabilities of the working staff. Educational training on the prevention and treatment of occupational hazards was organized at the Datun Mining Area, a total of over 200 training courses were held with 8,321 participants, and the training rate reached 94%.

The supervisory protection of occupational health in enterprises and the supervisory inspection tests on working places vulnerable to occupational hazards were strengthened. Site supervisory inspection tests were conducted on 16 working sites of coking enterprises with occupational hazards from dust, benzene, ammonia, high temperature, etc. Units which failed in the test readings or failed to provide protective equipment for working staff were disciplined and revamped. Occupational health checks were conducted at the Datun Mining Area for staff working under high temperature and high above the ground, for dust collection staff, staff engaged in poisonous and hazardous working processes as well as new and departed employees in order to monitor their protection level, a total of 9,921 participants were examined and the health checking rate was 85.3%.

III. Environmental Protection

In 2009, the Company's integrated energy consumption (at current prices) per RMB10,000 production output decreased by 5.7% over 2008; the emission of sulphur dioxide was reduced by 11.1% over 2008, emission of chemical oxides was reduced by 2.2% over 2008; the integrated energy consumption for raw coal production was 3.56 kgce/ton, the utilization rate of mine water was 76.3% and the integrated utilization rate of coal gangue was 95.9%, reaching the advanced level in the domestic industry.

Name of indicator	Unit	China Coal Energy (2009)	Industry Average (2009)
Integrated energy consumption for raw coal production	kgce/ton	3.56	8.51
Utilization rate of mine water	%	76.3	61.67
Integrated utilization rate of coal gangue	%	95.9	62.5

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

The Company insisted on protecting the ecological environment and pursuing the concept of green development in harmony. The ISO14001 environmental management system certification was implemented vigorously with continuous enhancement and improvement in environmental protection management. All subsidiaries of the Company strictly implemented the requirements of environmental impact assessment for construction projects and adhered to the "three-simultaneous" principles through promoting the implementation of clean production, developing recycling economy, placing the focus of environmental protection on controlling the sources and enhanced the operation management of environmental protection facilities, in order to eliminate or reduce the adverse impact on the environment to the maximum extent.

The Company constructed the new system of integrated utilization of coal on the model of recycling economy for the implementation of clean production to enhance its sustainable development capability. Pingshuo Mining Area was the key mining spot for developing recycling economy by China Coal Energy. In October 2009, the "Master Plan of the Construction of recycling economy Exemplary Project in Pingshuo Mining Area" submitted to the National Energy Administration had initially confirmed the focus of integrated utilization would be coal gangue and associated minerals based primarily on coal mining, and the construction mainly comprised the coal-based industry chain of coal-power-aluminium-construction materials industry and the land rejuvenation dominated industry chain of agriculture-afforestation-livestock rearing-pharmaceutical-ecological tourism.

The Company continued to make investments for the purchases of both domestic and overseas advanced technologies in order to gradually phase out the obsolete production equipment and techniques of high energy consumption and low efficiency, as well as providing technological assurance and supporting funds for carrying out energy saving, emission reduction and environmental protection. In 2009, the Company invested RMB1.46 billion mainly in the implementation of the reactive power compensation technological reform of the coal preparation plant of the Pingshuo Coal Industry Company, environmental protection engineering works for the coal preparation plant and coal storage ground, construction of the penetration-proof residue ground by the Jiangsu Datun Aluminium Company Limited, and the energy saving and environmental protection projects for the coke oven smoke, gases and residual heat power generation by the China Coal and Coke Jingda Limited of Taigu County in Shanxi, which had further enhanced the work of energy saving and emission reduction.

The Company continued to develop extensive land reclamation works in the open pit mines and the subsided areas in the underground mines by improving the ecological environment in the mining areas continuously to create green mines. In 2009, investment completed in the Pingshuo Mining Area for afforestation and land rejuvenation was approximately RMB150 million. Over 3.89 million plants and trees of various species were planted and 170,000m^2 of grassland were grown. The vegetation survival rate was above 90% on average. 1,900 mu of dumping ground were rejuvenated and the green coverage rate of the mining area increased to 43.7% from 43% in the previous year. Over RMB80 million was invested to repair the collapsed underground mining area to prevent the mining area from geological disasters and ensure the production safety at the relevant mines.

Pingshuo Antaibao Mining Area

IV Social Responsibility

(1) Committed to responsibility for harmony and mutual benefits

As a large energy conglomerate, the Company adheres to integrity in operations and makes payments for taxes in compliance with the laws. During the reporting period, taxes paid by the Company amounted to RMB9.965 billion.

The Company responded actively to the government's call and worked hard in creating employment opportunities. In 2009, apart from employing some first-line production technicians based on its projects progress, the Company also employed 1,543 college graduates and deployed them in fundamental management positions in order to maximize the Company's social contributions and at the same time optimizing the Company's staff structure.

The Group upheld the principles of "Committed to responsibility and mutual benefits in development" by enhancing cooperation between the enterprise and the local community to promote economic and social development of the local community. Construction of key projects was steadily advanced, creating employment opportunities for rural labour force and township residents. By means of increasing the local purchases of materials, the local transportation, port and service industries were stimulated, contributing to the economic development and social stability of the local communities.

The taxes paid by the Pingshuo Coal Industry Company in 2009 amounted to RMB5.512 billion in total which supported the economic growth of the local community. Pingshuo Coal Industry Company attached great importance to improve the livelihood of local residents in the mining area. In 2009, Pingshuo Coal Industry Company invested RMB30 million to complete the irrigation project for Pinglu Area and resolved the drinking water problems for its residents. It also adopted various measures to ensure and improve the living standards of the residents on the acquired land which includes: (1) timely and fully pay the social security funds and various compensation fees to the residents on the acquired land to ensure their basic living standard; (2) collectively relocate the residents on the acquired land to townships for resettlement to improve their inferior living environment; and (3) accommodate the selected residents on acquired land to improve their quality of living.

(2) Social charity and caring benevolence

The Company, while pursuing its own development, has always been concerned about the livelihood of people and progress of the social community by actively participating in public charities through offering caring benevolence through supporting the backward regions, helping the unfortunate groups in society, providing aids to victims of disasters and poverty. In 2009, the Company made donations of RMB6.84 million, of which, RMB1.26 million was used for sponsoring education, RMB2.97 million was used for aiding victims of disasters and the remaining RMB2.61 million was used for other social charities.

In 2009, the Company continued to carry out poverty alleviation in the relevant areas by sponsoring the establishment of local schools, road repairs and giving aids to the local poverty groups so as to build a harmonious social community jointly with the local government, share the benefits of development with the local people and fully perform its corporate social responsibilities.

The Company fully supported the social welfare services such as local education, culture and health in its areas of operations: (1) proactively participated in the local urbanization and community building activities, the construction and maintenance of streets and roads as well as the landscaping and greening the local environment at places where the projects were located; (2) proactively participated in public interest promotional activities such as local promotions on legal knowledge, fire services and safety precautions; and (3) proactively provided various support and assistance in case of serious natural disasters and accidents in the surrounding regions.

(3) Community service and social contribution

The Company adhered to providing staff voluntary services to the social community and the public as the key tasks for building a harmonious social community relationship and supported various subsidiaries to establish their voluntary service groups to encourage staff to provide voluntary services in the communities. For example, Shanghai Datun currently has 21 volunteer groups and 3,521 volunteers performing long-term social services for residents in the social community. For the whole year of 2009, over 210 times of services were rendered by the groups and over 19,610 attendees received assistance from such services, which had resolved practical problems for the residents pragmatically.

1. Directors

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

Wang An, aged 51, is the Chairman and Executive Director of the Company. He is also the Director and General Manager of China Coal Group, a member of the Chinese Academy of Engineering and Dean of the School of Management, China University of Mining and Technology. He graduated in August 1982 from Shanxi Mining Institute with a bachelor's degree majoring in underground coal mining. He also holds a master degree in Engineering from Liaoning Technical University. He is a Professorate Senior Engineer, a Senior Professional Manager in coal industry and is entitled to special government allowance granted by the State Council. He served as the Chief Engineer of Wuda Coal Bureau, the Vice Chairman of the Board, the General Manager and Chief Engineer of Shenfu Dongsheng Coal Co., Ltd. of Shenhua Group Corporation Limited, the General Manager of Shendong Coal Branch of China Shenhua Energy Company Limited, the Deputy General Manager of Shenhua Group Corporation Limited. 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.

Yang Lieke, aged 52, is an Executive Director and President of the Company, and Chairman of Shuozhou China Coal Pingshuo Energy Company Limited. He graduated in June 1982 from Xi'an Mining Institute (now known as Xi'an University of Science and Technology), with a bachelor's degree majoring in mining engineering. 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 the General Manager of China Coal Import & Export Company, the Manager of the logistics department and planning department of China National Coal Industry Import & Export Corporation, and Director of Sunfield Resources Pty. Limited. Mr. Yang is familiar with the processes of production, operation and management of coal enterprises as well as the domestic and international coal market. He has extensive experience in enterprise production operation and management, and has more than 20 years of experience in the coal industry.

Gao Shangquan, aged 80, is an Independent Non-Executive Director of the Company, and is the honorary President of the China Society of Economic Reform. He graduated in 1952 from the Department of Economics of Shanghai St. John University. He is a Professor and Senior Researcher, enjoys a special government allowance granted by the State Council. He served as Vice Minister of the State Commission for Restructuring the Economic Systems, the President of the China Society of Economic Reform, the Chairman of China Enterprise Reform and Development Society, the head of China (Hainan) Reform and Development Institute, a member of the United Nations Development Policies Committee, an Adjunct Professor and the Professor directing PhD students at Beijing University, Shanghai Jiao Tong University and Nankai University, the Dean and Professor of the Management Department of Zhejiang University, and an Independent Director of Baoshan Iron and Steel Company Limited and Minmetals Development Company Limited, China Minsheng Bank Limited and China Unicom Limited. He has been involved in the analysis of the economic systems and reforms at the China Society of Economic Reform since 1982, and headed a number of research projects.

Zhang Ke, aged 56, is an Independent Non-Executive Director of the Company. He currently serves as the Vice President of China Institute of Certified Public Accountants, an independent Director of Air China Limited, Hua Rong Securities Company Limited and HC International, Inc. as well as the Chairman and the Principal Partner of ShineWing Certified Public Accountant Company Limited. He obtained a Bachelor's degree in Economics from the Industrial Economics Department of Renmin University of China in 1982. He is a senior 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 China Minsheng Bank Ltd. and Zhuhai Zhongfu Enterprise Co. Ltd., Vice President of Beijing Judicial Appraisal Association, Committee Member of the Examination Board of the Certified Accountants of the Ministry of Finance and Adjunct Professor at the Department of Accounting of Renmin University of China. Mr. Zhang has more than 20 years of experience in reviewing and analyzing financial statements of listed companies. He has supervised a number of domestic and overseas listings and large scale management consultation and investment projects, and has given professional opinions in the course of work. He has extensive experience in dealing with internal and external auditors regarding the supervision of internal control and the auditing of financial statements.

Peng Ru Chuan, aged 61, is an Independent Non-Executive Director of the Company. He currently serves a Director of Brescia International Ltd., Brescia International (Hong Kong) Ltd. and Artemis International Group Ltd. and the independent Non-Executive director of China Galaxy Asset Management Co., Ltd.. He has a Master of Arts degree in statistics and a master degree in biology statistics from the University of California, United States. He served as a Senior Consultant of the Nomura International (Hong Kong), a Director of The Stock Exchange of Hong Kong (China), a Senior Supervisor of the China Development and Listing Promotion Department of the HKSE, and has engaged in investment and research work in entities such as China National Aviation Corporation in China and the LAREI research institute in the United States.

Wu Rongkang, aged 70, is an Independent Non-Executive Director of the Company, and serves as senior adviser to the China National Coal Association. He graduated from the Mining Department of Huainan Mining Institute in September 1961, and is a Professorate Senior Engineer. He served as the Engineer, Chief Engineer and Deputy General Manager of Liyi Coal Mine in Huainan Mining Bureau, Deputy Director-General in Anhui Coal Mining Industry Company, Deputy Director of Huaibei Mining Bureau, Director-General of Production Coordination Department of the Ministry of Coal Industry, Director of Economic Operation Center of the State Administration of Coal Industry, and Deputy Director of China Coal Industry Technology Consulting Commission. Mr. Wu has extensive professional knowledge in the coal industry and has working experience of over 40 years related to coal production and technological management.

Li Yanmeng, aged 65, is an Independent Non-Executive Director of the Company, an External Director of China Coal Group and an independent Director of Dongfang Electric Corporation Limited. He graduated from the Electric Engineering Department of Wuhan School of Water Resource and Hydropower in September, 1981 with a major in power plant and electric system, and he is a Senior Engineer. He served as Deputy Director, Deputy Manager and Manager in the Second Engineering Department of Shandong Electric Construction Corp., the head of Huangtai Power Plant, an Assistant Director of Shandong Electricity Power Bureau, Deputy Director-General of Construction Coordination Department of the Ministry of Electric Industry, Deputy Director-General of Key Construction Department, Deputy Director-General of Investment Department, Director-General of Basic Industry Development Department of the State Planning Commission, Director of the Office of the National Electric Power System Reform Working Team, and Vice President of STATE GRID Corporation of China. Mr. Li has extensive working experience for substantive periods in various power enterprises and State departments of macro-economic controls relating to basic energy management.

2. Supervisors

Du Ji'an, aged 48, is the Chairman of the Supervisory Committee of the Company and the Deputy General Manager of China Coal Group. He is also the Vice Chairman of the China University of Mining and Technology and an Executive Director of China Association for Education in Coal Industry. He obtained a Bachelor's degree in Mine Construction from Shandong Mining Institute (now known as Shandong University of Science and Technology) in July 1983. He is a Senior Engineer and a Senior Professional Manager in the coal industry, and enjoys a special government allowance granted by the State Council. Mr. Du has extensive working experience in the Department of Infrastructure and the Department of Personnel. He joined China National Coal Industry Import and Export Corporation in 1994, and has accumulated experience in enterprise management, team building, human resources development and management.

Zhou Litao, aged 49, is a Supervisor of the Company and General Legal Counsel of China Coal Group, Executive Vice President of the Energy Law Academy of China Law Society, Deputy Chairman of Legal Issues Committee of China National Coal Association. He graduated in 1983 from Hubei Institute of Finance (now known as Zhongnan University of Economics and Law) with a Law Degree. He finished the management science and engineering course for Master's degree in the China University of Mining and Technology in September 2000, and was granted Executive MBA degree by HEC Business School Paris,France, in December 2007.He is a Senior Economist and a Qualified Consultant on Enterprise Law. He served as General Manager of Legal Affairs Department of China Coal Group. Mr. Zhou is familiar with PRC Civil Law, Commercial Law, International Commercial Principles, and has rich experience in corporate legal matters.

Chen Xiangshan, aged 54, is the Employee Representative Supervisor of the Company and Union President of the headquarter of the Company. He obtained a Master's degree in International Politics from China Communist Party School in July 2000. He once held leading positions at Silaogou Mine of Datong Mining Bureau, as well as in Datong Mining Bureau, at Antaibao Mine of Pingshuo Coal Industry Company and in Pingshuo Coal Industry Company, and served as General Manager of China Coal Products Group Corporation, Deputy General Manager and General Manager of China National Coal Production Technology Development Corporation, and the Deputy General Manager of China Coal and Coking Holdings Limited. Mr. Chen has worked in the coal mining industry for an extensive period, and has gained a thorough understanding of the coal industry.

3. Senior Management

Gao Jianjun, aged 51, is the Vice President of the Company, the Vice Chairman of Tianjin Port China Coal Huaneng Coal Terminal Co. and a Director of Huajin Coking Coal Company, GreenGen Company and Zhongtian Synergetic Energy Company. He obtained a Bachelor's degree in mining from Shandong Mining Institute (now known as Shandong University of Science and Technology) in 1982, and a Master's degree in engineering from Liaoning University of Engineering and Technology in 1998. He is a Senior Engineer and a Senior Professional Manager in the coal industry, and enjoys a special government allowance granted by the State Council. He served as the Assistant General Manager, General Manager of the enterprise development department and Manager of the human resources department of China Coal Group, and served as an officer in the Human Resources Division and New Technology Promotion Division of the China Coal Research Institute; and worked in the General Office of China National Coal Corporation and the General Office of the Ministry of Coal Industry. Mr. Gao has worked in the coal mining industry for an extensive period, has gained a thorough understanding of the coal mining industry, and has developed rich management skills in respect of enterprise development strategies, restructuring and project investment.

Li Fuyou, aged 54, is the Vice President of the Company, Chairman and General Manager of Shanghai Datun Energy Resources Co., Ltd. and Chairman of Datun Coal and Electricity (Group) Company Limited. He graduated in June 1991 from Harbin Normal University specializing in economic management. He is a Senior Engineer, Senior Economist, Senior Professional Manager in the coal industry and enjoys a special government allowance granted by the State Council. He served as the Assistant General Manager, head of the Safety Supervisory Bureau, Director of the department of production coordination for China Coal Group, the General Manager of China Coal Group Heilongjiang Branch and Qinhuangdao Branch and Chairman of China National Coal Industry Qinhuangdao Import and Export Co., Ltd. He held leading positions at mines including the Hengshan Mine and the Muleng Mine of Jixi Coal Mining Bureau. Mr. Li has been involved in the production, operation and management of coal mining work for an extensive period, and has accumulated rich knowledge of the industry, has over 30 years of operational and management experience in the industry.

Qi Hegang, aged 51, is the Vice President of the Company, and a Director of Shanghai Datun Energy Resources Co., Ltd. He graduated from Datun Coal and Electricity (Group) Company Limited Intermediate Specialized Institute in August 1986. He obtained a Master's degree in Industrial Engineering from China University of Mining and Technology in 2005. He is a Senior Engineer and a Senior Professional Manager in the coal industry. He served as the Vice Chief engineer, deputy head, and head for the Yaoqiao Mine of Datun Coal Power (Group) Company Limited, and the Chief Engineer of Datun Coal Power (Group) Company Limited. Mr. Qi has been involved in the production, operation and management of coal mining work for an extensive period and has developed extensive knowledge of the coal industry. He has over 30 years of operational and management experience in the industry.

Niu Jianhua, aged 47, is the Vice President of the Company, the Vice Chairman of Zhejiang Zheneng Zhongmei Zhoushan Coal & Electricity Company Limited and a Director of Guotou Zhongmei Tongmei Jingtang Port Company Limited. He graduated from Shandong Mining Institute (now known as Shandong University of Science and Technology) in 1984, majoring in Calculating Mathematics. He is a Senior Engineer and a Senior Professional Manager in the coal industry. He served as the Assistant General Manager and Director of the General Office of China Coal Group. He also served at the Human Resources Division of the China Coal Research Institute and as a Deputy Director of the Technical Cadre Division of the Personnel Department of the Ministry of Coal Industry, and Secretary of the General Office of the Ministry of Coal Industry. Mr. Niu has worked in the coal industry for an extensive period, has developed extensive understanding of the industry, and has rich experience in administrative management.

Pu Jin, aged 49, is the Vice President of the Company. He is also an Executive Director and General Manager of China National Coal Mining Equipment Co., Ltd., Vice-president of China National Coal Machinery Industry Association, Executive Director of China Coal Society, Deputy Director of Machinery and Electrical Experts Committee of Coal Industry Technology Committee, Deputy Director of National Coal Industry "653" Steering Committee. He graduated from the China University of Mining and Technology in 1998, majoring in engineering with a master degree in engineering, and he obtained a doctoral degree in management studies from the School of Management Science and Engineering of Tongji University in 2003. He is a Professorate Senior Engineer, a National Senior Professional Manager and a Senior Professional Manager in the coal industry, and he is entitled to special government allowance granted by the State Council. He served as Assistant to the General Manager and Deputy General Manager of automatic engineering division and overseas operations division of China National General Machinery Engineering Corp. under the Ministry of Machinery Industry, General Manager of China Coal Shenzhen Company, General Manager of China Coal Southern Energy Resources Co., Ltd. and Chairman of China National Coal Mining Equipment Group Corp.. Mr. Pu has extensive experience in enterprise management as well as solid theoretical experience in coal mining machinery.

Weng Qing'an, aged 53, is the Chief Financial Officer and General Manager of the Financial Department of the Company, and Chairman of the Supervisory Committee of Huajin Coking Coal Company. He graduated from China University of Mining and Technology in July 1998 with major in accounting. He is a Senior Accountant and a Senior Professional Manager in the coal industry and possesses the qualification of practicing as an enterprise legal counsel. He served as Section Chief, Deputy Chief accountant, Deputy Chief and Chief accountant of Finance Office of Datun Coal and Electricity (Group) Company Limited, Deputy Chief Accountant, Chief Accountant and Director of Datun Coal and Electricity (Group) Company Limited, Supervisor and Director of Shanghai Datun Energy Company Limited, and Chief Accountant of Pingshuo Coal Industry Company. Mr. Weng has been working for coal mining enterprises at the basic level and listed companies for a long period of time and has over 30 years of working experience in state-owned enterprise responsible for finance as well as rich experience in capital operation and financial management of listed companies.

Zhou Dongzhou, aged 51, is the Secretary to the Board and the Joint Company Secretary of the Company. He obtained a Bachelor's degree in English from China Mining College (now known as China University of Mining and Technology) in July 1982. He also obtained a Master degree of engineering in management science from the same university in May 1997. He is a Associate Professor of Translation and a Senior Professional Manager in the coal industry. He served at China University of Mining and Technology, the Science and Education Division of the Ministry of Coal Industry, and served as the Secretary of the General Office of the Ministry of Coal Industry and the General Office of State Administration of Coal Industry, the Manager of the Market Development Department and the deputy head of the Coal Trading Division of China Coal Group, and the Deputy General Manager of China Coal Import & Export Company.

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

After consideration and approval by the Fifth Meeting of the First Session of the Board in 2009, consent was granted to appoint Mr. Pu Jin as Vice President of the Company, the term of service started from 10 September 2009 until the date of appointment of new senior management officers upon establishment of the Second Session of the Board. And consent was also granted to appoint Mr. Weng Qing'an as the Chief Financial Officer of the Company, the term of service started from 10 September 2009 until the date of appointment of new senior management officers upon establishment of the Second Session of the Board. The independent directors of the Company expressed an independent opinion of concurring with the resolution.

On 18 November 2009, the Board of the Company received the resignation of Mr. Zhang Baoshan from his positions as Director and Vice Chairman of the Board as well as the relevant positions in the specialized committees of the Board due to personal reasons. According to the Articles of Association of the Company, the resignation of Mr. Zhang Baoshan took immediate effect upon due delivery of the resignation report to the Board.

5. Joint Company Secretary

Wang Yuanheng, aged 48, is the Joint Company Secretary of the Company. He obtained a Bachelor's degree in Laws from the University of Wales and a Postgraduate Certificate in Laws from the University of Hong Kong. He is a Registered Professional Lawyer in Hong Kong as well as in England and Wales. He is a Consultant in W.H. Chik & Co., Solicitors and a Senior Foreign Lawyer in Qiankun Law Firm in Beijing. Mr. Wang has developed expertise in mergers and acquisitions, listing and financing, project finance, international investments and commercial law for 10 years.

6. Qualified Accountant

Xu Guannan, female, aged 32, is the Qualified Accountant of the Company. She graduated from Jiangxi University of Finance and Economics with a Bachelor Degree in Economics, where she majored in international finance and international accounting and is a full member of the ACCA. Ms. Xu was responsible for the internal finance and auditing work of Jinjiang Metro Cash & Carry Co., Ltd; and served at Beijing Yongtuo Accountants' Firm and the International Business Department of the Chengjian Office of Construction Bank Beijing Branch before joining the Company.

Dear shareholders,

The board of directors of China Coal Energy Company Limited is pleased to present the directors' report of the Company and the audited consolidated financial statements of the Group for the year ended 31 December 2009 prepared in accordance with 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 the coal production, sales and trading. The coking operations of the Group include the production and sales of coke and coal chemical products. The coal mining equipment operations of the Group include the design, research and development, manufacturing, marketing and providing after-sales services of coal mining equipment. The other operations of the Group include sales of primary aluminum, electricity and the provision of coal mine design services. Details of the principal business of the Group's principal subsidiaries are set out in note 45 to the financial statements.

2 Operating results

The financial and operating results of the Group for the year ended 31 December 2009 are set out in the section headed "Financial Statements".

3 Dividends and distributable profits, Closure of Share Register

On 22 April 2010, pursuant to the relevant PRC laws and regulations, the Board recommended the payment of cash dividends of RMB1,986,650,700, equal to 30% of the net profits attributable to equity holders of the Company which was RMB6,622,169,000 as set out in the consolidated financial statements of the Company prepared in accordance with the PRC Accounting Standards of business enterprises, for the year ended 31 December 2009 to the shareholders of the Company. 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 RMB0.14984 per Share (inclusive of tax). The proposal of profit distribution is subject to Shareholders' consideration and approval at the annual general meeting of 2009 to be convened on 25 June 2010. The dividends will be paid to Shareholders whose names appear on the Company's register of members on 27 May 2010. The share registrar of the Company will be closed from 27 May 2010 to 25 June 2010 (both days inclusive). In order to qualify for attending the annual general meeting and receiving the dividends, all transfer in respect of H Shares must be lodged at the Company's share registrar for H shares in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 26 May 2010.

All dividends to be distributed will be denominated and declared in Renminbi and will be paid to holders of H Shares in Hong Kong dollars. The amount of dividends payable in Hong Kong dollars shall be based on the average exchange rate of Renminbi to Hong Kong dollars announced by the People's Bank of China on the date which is five business days prior to 22 April 2010 (Thursday), being the date of dividends declaration. The dividends are expected to be paid on or about 6 August 2010.

Under relevant regulations of China Securities Depository and Clearing Corporation Limited Shanghai Branch and in line with the market practice regarding dividends distribution for A shares, the Company will publish a separate announcement in respect of its dividends distribution to holders of A shares, which, among others, will set out the record date and ex-rights date after the annual general meeting of 2009.

4 Directors and senior management of the Company

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

Name	Age	Position held in the Company	Date of appointment
Wang An	51	Chairman, Executive Director	19 December 2008
Yang Lieke	52	Executive Director, President	18 August 2006
Gao Shangquan	80	Independent Non-Executive Director	23 August 2006
Zhang Ke	56	Independent Non-Executive Director	23 August 2006
Peng Ru Chuan	61	Independent Non-Executive Director	23 August 2006
Wu Rongkang	70	Independent Non-Executive Director	21 November 2006
Li Yanmeng	65	Independent Non-Executive Director	21 November 2006
Gao Jianjun	51	Vice-President	18 August 2006
Li Fuyou	54	Vice-President	18 August 2006
Qi Hegang	51	Vice-President	18 August 2006
Niu Jianhua	47	Vice-President	18 August 2006
Pu Jin	49	Vice-President	10 September 2009
Weng Qing'an	53	Chief Financial Officer and General Manager of Financial Department	10 September 2009
Zhou Dongzhou	51	Secretary to the Board and Joint Company Secretary	18 August 2006

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

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

The Company has received an annual confirmation on the status of independence from each of the independent non-executive directors of the Company. As at the date of this report, the Company considers all of the independent non-executive directors to be independent pursuant to the Listing Rules.

5 Supervisors of the Company

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

Name	Age	Position held in the Company	Date of appointment
Du Ji'an	48	Chairman of the Supervisory Committee	18 August 2006
Zhou Litao	49	Supervisor	18 August 2006
Chen Xiangshan	54	Employee Representative Supervisor	18 August 2006

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

6 Shareholdings of substantial Shareholders

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

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

As at 31 December 2009, none of our directors or supervisors had any interests or short position in the shares, underlying shares of equity derivatives or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which would be required to be entered in the register of interests kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or which would be required to be notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

As at 31 December 2009, the Company had not granted any rights to any directors, supervisors of the Company or their spouses or children under 18 years of age to acquire shares or debentures of the Company or any of its associated corporations, nor did any of the above-mentioned individuals exercise any such rights to acquire the aforesaid shares or debentures.

8 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 the Listing Rules.

9 Service contracts of directors and supervisors

Each of the directors and supervisors of the Company has entered into a service contract with the Company. Mr. Wang An's term of service as set out in the service contract commenced from 19 December 2008 and will end upon the election of the second session of the Board. The term of the service contracts of the other directors (including independent non-executive directors) is three years. The term of the service contracts of all supervisors is three years. Save as disclosed above, none of our directors or supervisors has entered into a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation). The service contract with Mr. Zhang Baoshan ended on 18 November 2009. Directors of the First Board of Members of the Company will continue to perform their duties before the election of the next session of Board according to the Articles of Association.

10 Directors' and supervisors' interests in contracts

Apart from the service contracts, in the year ended 31 December 2009, 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.

11 Remuneration of directors and supervisors

The details of the remuneration of directors and supervisors of the Company for the year ended 31 December 2009 are set out in note 39 to the consolidated financial statements.

In the year ended 31 December 2009, no directors or supervisors of the Company had agreed to waive any remuneration.

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

12 Purchase, sale or redemption of Shares of the Group

For the year ended 31 December 2009, the Company and its subsidiaries had not purchased, sold or redeemed any securities (the term "securities" has the prescribed meaning under the Listing Rules) of the Group.

13 Use of Proceeds

(1) Use of proceeds from H share issue

After deducting related expenses, the net proceeds from H Shares issue of the Company was RMB14.466 billion. As at 31 December 2009, all net proceeds have been used in accordance with the usage plans disclosed in the prospectus of H Shares, details of which are set out below:

1) Approximately RMB7.4 billion was applied to the construction of open pit mines and underground mines, related coal washing plants and dedicated railways in Pingshuo Mining Area;

2) Approximated RMB2.666 billion was applied to the development of the Company's coal production equipments and other ancillary facilities;

3) Approximately RMB2.82 billion was applied to repay bank loans; and

4) Approximately RMB1.58 billion was applied to fund the Company's working capital.

The applications of the above proceeds were incurred in 2007, 2008 and the reporting period. As at 31 December 2009, the progress of each of the projects is as follows:

1) The Pingshuo Antaibao underground mine has been completed and come into operation and generated revenue;

2) The Heilongjiang methanol project with a production capacity of 250,000 tons/year has commenced trial production;

3) The Pingshuo East Open Pit Mine project, related coal washing plants and dedicated railways in Pingshuo Mining Area and the comprehensive utilization project of waste materials of coal mine in Heilongjiang province were still under construction and no revenue was generated.

(2) Use of proceeds from A share issue

As at 31 December 2009, the actual application of A Shares proceeds amounted to RMB4.524 billion, representing approximately 17.9% of the net proceeds from A Shares issue, details of which are listed below:

Unit: RMB100 Million

Net Proceeds Raised	253.20	Total proceeds applied during the reporting period	1.85
		Total proceeds applied	45.24

Committed project	Any change in project	Proposed investment	Actual investment Amount	Whether meets the planned schedule	Expected revenue	Actual revenue
Ordos project and ancillary engineering facilities with an annual production capacity of 25 million tons of coal, 4.2 million tons of methanol and 3 million tons of dimethyl ether	No	41.58	3.79	No	—	—
Heilongjiang Project and ancillary engineering facilities with an annual production capacity of 10 million tons of coal, 1.8 million tons of methanol and 0.6 million tons of olefin	No	170.29	0.12	No	—	—
Supplementing the working capital of the Company for general corporate purpose or for the acquisitions of core business related assets	No	41.33	41.33	Yes	—	—
Total	—	253.20	45.24	—	—	—

Reasons for failure to meet schedule (by project)

1. Ordos project and ancillary engineering projects with an annual production capacity of 25 million tons of coal, 4.2 million tons of methanol and 3 million tons of dimethyl ether:

   In 2009, the Company planned to increase the registered capital of the project by RMB1.627 billion. In accordance with the shareholding percentage held in the project company, the Company had a plan of annual capital expenditure of RMB630 million. Due to factors such as the submission of the chemical environmental assessment report for approval, the approval of the project could not be obtained timely as planned, as a result of which, the construction commencement of the project and the capital injection plan were delayed. The Company planned to inject RMB222 million by the end of 2009 to complete 36% of the annual plan. The Company is currently in the process of applying for approval of the project and transferring the Hulusu mining right. Industrial site preparation, the installation of the temporary power supply system, the foundation of the boiler room and the water pump room at the Hulusu mine have been completed. The construction of the shaft freezing borehole has also been completed and the freezing work is in progress. Basic construction preparation work has been completed and the construction is planned to officially commence in 2010.

	2. Heilongjiang project and ancillary engineering projects with an annual production capacity of 10 million tons of coal, 1.8 million tons of methanol and 0.6 million tons of olefin: In accordance with the requirements of the "Notice relating to the commencement of preparation work for projects with an annual production capacity of 1.8 million tons of methanol and 0.6 million tons of olefin" issued by NDRC, the Company conducted project preparation work including resource allocation, general projects planning, feasibility studies for individual project and application for project approval. With the spread of the global financial crisis since the second half of 2008, the domestic and international macro-economic conditions have changed significantly. In light of current economic conditions, the Company conducted further economic feasibility studies, forecast and assessment for the project. The forecast and assessment demonstrated that the expected level of profitability of the Heilongjiang Project may not be achieved if the Company were to continue with the project in Yongqing Mining Area, Jixi, Heilongjiang. In order to maximise the Company's commercial interests and protect shareholders' interests, any further investment in the project has been suspended by the Board and the Company has urged relevant departments to work out an improved plan or an alternative plan. The Company has made relevant disclosure in accordance with relevant regulations.
Intended use of unapplied proceeds	Deposited as term deposit with the bank with which the special account for proceeds was maintained.

14 Property, plant and equipment

The details of the changes in the property, plant and equipment of the Company for the year ended 31 December 2009 are set out in note 7 to the audited financial statements for the year.

15 Donation

During the year ended 31 December 2009, the charitable and other donations made by the Company amounted to RMB6.844 million.

16 Subsidiaries and associates

The details of subsidiaries and associates of the Company as at 31 December 2009 are set out in note 45 to the audited financial statements for the year.

17 Pre-emptive rights and share option arrangement

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

18 Major customers and suppliers

For the year ended 31 December 2009, the revenues derived from the Company's largest external customer and its top five external customers accounted for 6.77% and 24.30% of the operating revenue of the Company, respectively.

For the year ended 31 December 2009, the total purchases from the Company's top five suppliers represented less than 30% of the total purchases made by the Company for the year ended 31 December 2009.

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.

19 Material Contracts

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

20 Connected transactions

The major connected transactions of the Group for the year of 2009 are set out below.

(1) Continuing connected transactions

The Company has entered into certain connected transaction agreements with China Coal Group and other connected persons of the Company. Such transactions under these agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The terms of the relevant connected transaction agreements, the 2009 annual caps and the actual amounts incurred are as follows:

i. *Coal Export and Sales Agency Framework Agreement*

On 31 December 2008, the Company entered into a coal export and sales agency framework agreement with China Coal Group. The agreement is effective until 31 December 2011 and renewable thereafter. Pursuant to the agreement, the Company has appointed China Coal Group to act as the non-exclusive coal export and sales agent of the Company to provide export quotas and export agency services. The agency services provided by China Coal Group shall be made on terms no less favorable than those available from other agents.

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

The annual cap for the coal export agency fee paid to China Coal Group for the year ended 31 December 2009 was RMB98 million. The actual agency fee incurred in 2009 was RMB6 million.

ii. Coal Supplies Framework Agreement

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

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

The annual cap of coal purchase expenditure for 2009 payable by the Company to China Coal Group in respect of the supply of coal products produced at the coal mine under restructuring by China Coal Group to the Company for the year ended 31 December 2009 was RMB1.435 billion. The actual expenses incurred were RMB44 million.

iii. Integrated Materials and Services Mutual Provision Framework Agreement

The Company and China Coal Group entered into an integrated materials and services mutual provision framework agreement on 31 December 2008. The agreement is effective until 31 December 2011 and renewable after its expiry. Pursuant to the agreement, China Coal Group and the Company shall provide to each other production material supplies and ancillary services. The Company shall provide to China Coal Group related coal export services for the export of coal by China Coal Group to third parties.

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

For the year ended 31 December 2009, (1) the annual cap of the expenses paid as a result of production materials and ancillary services provided by China Coal Group to the Company for 2009 was RMB3.340 billion and the actual expenses incurred were RMB1.219 billion; (2) the annual cap of the expenses paid as a result of social and support services provided by China Coal Group for 2009 was RMB70 million and the actual expenses incurred were RMB53 million;(3) the annual cap of the income generated as a result of integrated materials and services provided to China Coal Group by the Company for 2009 was RMB990 million and the actual income was RMB119 million; (4) the annual cap of the service fee receivable in respect of coal export related services provided by the Company to China Coal Group for 2009 was RMB225 million and the actual incurred amount was RMB29 million.

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

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

Pricing principles: in respect of mine construction, mine design and general contracting services required by either party, service providers and service price shall be selected through an independent tender process. Each party shall be selected if the price and other terms offered by this party are equivalent to or more favorable than other independent service providers.

For the year ended 31 December 2009, (1) the revised annual cap of the expenses paid by the Company in respect of the coal mine construction services provided by China Coal Group and its associates for 2009 was RMB6.280 billion, and the actual expenses incurred were RMB1.486 million; and (2) the annual cap of the income receivable as a result of providing coal mine design services to China Coal Group and its associates by the Company in 2009 amounted to RMB136 million, and the actual income generated was RMB32 million.

v. Mine Construction and General Contracting Service Framework Agreement

The Company and China Coal Group entered into an equity transfer agreement on 4 December 2009. The agreement stipulated that the Company sold the 100% equity interest in Xi'an Design Company held by the Company to China Coal Group. In view of the fact that following the completion of the equity transfer, Xi'an Design Company and its subsidiaries will become new connected persons of the Company, the Company and China Coal Group entered into a "mine design and general contracting service framework agreement" on 31 December 2009. The agreement is effective until 31 December 2011 and renewable upon its expiry. Pursuant to the agreement, China Coal Group and its subsidiaries and units shall provide coal mine design and general contracting services to the Company and its subsidiaries and units.

Pricing principles: in respect of mine design and general contracting services under the agreement, service providers shall be selected by way of tender through which the price shall also be determined. Each party shall be selected on condition that price and other terms offered by this party are equivalent to or more favorable than other independent service providers.

The annual cap of the expenses in respect of the coal mine design and general contracting services provided China Coal Group and its associates to the Company in 2009 amounted to RMB129 million. Considering that the proceeds from the transfer of the 100% equity interest in Xi'an Design Company as mentioned above was settled on 31 December 2009, there is no amount incurred under this connected transaction as of 31 December 2009.

vi. Property Leasing Framework Agreement

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

Pricing principles: the annual caps for the property rentals paid by the company or its relevant subsidiaries to China Coal Group and its associates is approximately RMB71 million. The rentals shall be paid at the end of each year and are subject to re-examination and adjustment every three years by reference to the prevailing market prices within the term of the property leasing framework agreement. The rental payable after adjustment shall not exceed comparable market rates which are to be confirmed by an independent property valuer.

With the approval of the Company's Board and shareholder's General Meeting, the annual cap for 2009 of property rentals paid by the Company to China Coal Group and its associates in respect of the structures and properties leased for the year ended 31 December 2009 amounted to RMB79 million. The actual rentals incurred were RMB66 million for the year ended 31 December 2009.

vii. Land Use Rights Leasing Framework Agreement

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

Pricing principles: the Company shall pay China Coal Group and its associates annual total rentals of approximately RMB8.9 million. The rentals shall be paid at the end of each year. The rental charges are subject to re-examination and adjustment every three years by reference to the prevailing market rates of comparable land located in the same region or area under similar situations within the term of the land use rights leasing framework agreement. The rental payable after adjustment shall not exceed comparable market rates which are to be confirmed by an independent property valuer.

With the approval of the Company's Board and shareholder's General Meeting, the annual cap for 2009 of the land use rights rental paid by the Company to China Coal Group and its associates amounted to RMB23 million. The actual rental incurred was RMB22 million for the year ended 31 December 2009.

viii. Trademark Licensing Framework Agreement

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

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

ix. *Coal and other related Products and Services Supply Framework Agreements*

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

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

For the year ended 31 December 2009, (1) the annual cap for 2009 of the expenses paid by the Company for purchasing coal and related products and services from the substantial shareholders of the Company's subsidiaries amounted to RMB4.845 billion and the actual expenses incurred were RMB427 million; and (2) the annual cap for 2009 of the income generated from sales of coal and related products and services by the Company to the substantial shareholders of the relevant subsidiaries amounted to RMB3.255 billion and the actual income generated was RMB267 million.

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

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

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

The annual cap for 2009 of the total railway leasing fees paid by Pingshuo Luda to the Company for the year ended 31 December 2009 amounted to RMB165 million, and the actual income generated were RMB103 million. The annual cap for 2009 of the total railway management entrustment service fees paid by the relevant subsidiaries of the Company to Pingshuo Luda for the same period amounted to RMB440 million, and the actual fees incurred were RMB411 million.

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

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

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

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

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

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

These continuing connected transactions were entered into

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

ii. on normal business terms; and

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

(4) Non-continuing connected transactions

Shanghai Datun, a subsidiary of the Company, acquired the 100% equity interest in Sifang Aluminum held by Datun Company, a wholly owned subsidiary of China Coal Group, and the Company sold the 100% equity interest held by it in Xi'an Design Company to China Coal Group, which constituted non-continuing connected transactions of the Company. Please refer to the section headed "Assets Transactions" in this report for details of the disposal and acquisition of the equity interests.

(5) New connected persons

During the reporting period, the following three companies and their respective associates ("associate" as defined in the Listing Rules) became connected persons of the Company under the Listing Rules (while under the SSE Listing Rules, such companies do not constitute connected persons of the Company), details of which are as follows:

1. Inner Mongolia Yuan Xing Energy Company Limited: It holds 34% of the equity interest in Mengda Mining and 25% of the equity interest in Mengda New Energy Company,which are 51%-owned and 65%-owned subsidiaries of the Company respectively. Therefore, it is a connected person of the Company. It is principally engaged in the production and sales of chemical products and their raw materials, and chemical product export.

2. Shanghai Zendai Investment Management Company Limited: It holds 15% of the equity interest in Mengda Mining and 10% of the equity interest in Mengda New Energy Company,which are 51%-owned and 65%-owned subsidiaries of the Company respectively. Therefore, it is a connected person of the Company. It is principally engaged in securities investment management, corporate asset entrusted management, asset restructuring and acquisition and merger, corporate finance consultancy, securities investment consulting and industrial investment.

3. Ordos Yihua Industrial Company Limited: It holds 49% of the equity interest in Yihua Mining, which is a 51%-owned subsidiary of the Company. Therefore, it is a connected person of the Company. It is principally engaged in the production and sales of chemical products (excluding dangerous materials), logistics and warehousing, chemical product wholesale and retail, engineering and technological research, project management services.

   Xi'an Design Company is a wholly owned subsidiary of China Coal Group, the controlling shareholder of the Company. Therefore, it is also a new connected person of the Company. It is principally engaged in coal mine design and general contracting services.

21 Significant Events

(1) Share capital structure

China Coal Group, the controlling shareholder of the Company, increased its shareholdings in the Company by 7,510,114 A shares through the Shanghai Stock Exchange during the period between 23 September 2008 and 22 September 2009. The overseas wholly-owned subsidiary of China Coal Group, China Coal Hong Kong Limited, increased its shareholding in the Company by 120,000,000 H Shares through the trading of securities on the HKSE.

Pursuant to the provisions of the "Implementing Measures for the Transfer of Some State-owned Shares from the Domestic Securities Market to the National Social Security Fund" (Cai Qi[2009]No.94), China Coal Group transferred a total of 152,533,340 state-owned Shares held by it, equivalent to 10% of the actual number of China Coal Energy A Shares issued, to National Council for Social Security Fund for holding and has completed the corresponding transfer registration procedure.

As at 31 December 2009, the structure of the share capital of the Company was as follows:

Type of Shares	Number of Shares	Percentage %
A Shares	9,152,000,400	69.03
Inclusive of A Shares held by China Coal Group	7,481,643,774	56.43
H Shares	4,106,663,000	30.97
Total	13,258,663,400	100.00

(2) Distribution of final dividends for 2008

The Company's 2008 final profit distribution plan was considered and approved by the Company's 2008 annual general meeting on 26 June 2009. The total profits of the Company available for distribution as at 31 December 2008 were RMB2,043,558,900. Dividends were distributed based on the Company's total issued share capital of 13,258,663,400 Shares, with a dividend of RMB0.15413 per share. The amount of distributed dividends for 2008 was RMB2,043,984,249.75 in total.

As at the date of this report, all above final dividends for 2008 had been duly paid to the shareholders of the Company.

(3) Profits available for distribution

On 22 April 2010, pursuant to the relevant laws and regulations of the PRC, the Board recommended the payment of cash dividends of RMB1,986,650,700 for 2009 to the Shareholders of the Company, equal to 30% of the net profit attributable to equity holders of the Company as of 31 December 2009, which was RMB6,622,169,000 as set out in the consolidated financial statement of dividends prepared in accordance with the PRC Accounting Standards of business enterprises. The distribution will be made based on the Company's entire issued share capital of 13,258,663,400 shares, representing a dividend of RMB0.14984 per Share.

(4) Amendments to the Articles of Association

During the reporting period, the Company made two amendments to the Articles of Association with details as follows:

First amendment to the Articles of Association in 2009:

Whereas:

1. "The SSE Listing Rules " (revised in 2008) newly promulgated by the Shanghai Stock Exchange in 2008 added two external guarantee items requiring consideration and approval by the general meeting.

2. Rule 2.07A of the Listing Rules newly revised by the HKSE stipulates that a listed company may provide newsletters to its shareholders by way of electronic notification or disseminating information on the Company's web site provided that it obtains the prior explicit or implicit consent from the relevant shareholders;

3. The "Decision regarding Amendment to Certain Provisions for Cash Dividend of Listed Companies" promulgated by China Securities Regulatory Commission in October 2008 requires a listed company to clarify its cash dividend policy in the articles of association and to maintain a consistent and stable profit distribution policy ;

   The Company made corresponding amendments to Articles 66, 249 and 288 of the Articles of Association and made certain text amendments to Articles 149 and 160 of the Articles of Association so as to ensure the compliance with the Articles of Association and the listing rules of both domestic and overseas listing places and the requirements of the relevant regulatory authorities. The above amendments to the Articles of Association were approved at the 2008 Annual General Meeting of the Company held on 26 June 2009 and were approved by SASAC on 14 August 2009.

Second amendment to the Articles of Association in 2009:

Whereas:

1. The old "qualification certificate of coal business" of the Company has expired and needs to be renewed and extended. The Company is required to specify the effective term of the new "qualification certificate of coal business" in the Articles of Association;

2. China National Coal Group Corporation (中國中煤能源集團公司), the controlling shareholder of the Company, has changed its name to "China National Coal Group Corporation (中國中煤能源集團有限公司)" and the name of the controlling shareholder in the Articles of Association has to be amended accordingly;

3. Pursuant to the Listing Rules and the relevant clauses of the "Guiding Opinions on Establishing the Independent Director System in Listed Companies" of China Securities Regulatory Commission, the provisions regarding the composition of the board of directors in the Articles of Association shall be amended accordingly;

4. Pursuant to the relevant provisions of the "Mandatory Provisions for the Articles of Association of Companies Listed Overseas", the vice-chairman shall be elected and removed by the majority of all directors and shall no longer be elected by the general meeting.

5. The SSE Listing Rules revised in 2008 amended the rules regarding the appointment of independent directors;

The Company made corresponding amendments to Articles 2, 13, 19, 139, 140 and 154 of the Articles of Association. The above amendments to the Articles of Association were approved at the 2009 First Extraordinary General Meeting of the Company held on 18 December 2009 and were approved by SASAC prior to the date of this report.

(5) Assets transactions

1. Asset acquisitions:

(1) The acquisition of the 100% equity interest in Xuzhou Sifang Aluminum Group Company Limited by Shanghai Datun Energy Resources Co., Limited

On 10 September 2009, Shanghai Datun, a subsidiary of the Company, and Datun Group, a wholly-owned subsidiary of China Coal Group, entered into an equity transfer agreement. The equity value of Sifang Aluminum as appraised by China United Appraisal and filed with SASAC was RMB93,197,600. Shanghai Datun acquired the 100% equity interest in Sifang Aluminum for RMB93,197,600. The transaction has been approved by SASAC, and the consideration for the equity transfer was fully paid on 19 October 2009, and the procedures for the change of business registration in respect of the equity transfer were completed on 27 October 2009.

(2) The acquisition of the 51% equity interest in Wushenqi Mengda Mining Company Limited by the Company

On 10 December 2009, the Company and Yuan Xing Energy Company as well as Zendai Company entered into an agreement of equity transfer and share subscription by way of capital increase. The equity value of Mengda Mining as appraised by Pan-China Appraisal as at the valuation date of 30 June 2009 was RMB2,932,082,100. The Company acquired the 51% equity interest in Mengda Mining for RMB1,495,361,900 and injected capital proportionally with other shareholders. The Company paid the first installment of equity transfer consideration of RMB975,784,700 on 24 December 2009 and paid the capital increase consideration of RMB174,114,000. The procedures for the change of business registration were completed on 31 December 2009. Following the completion of this acquisition, the Company will have an additional coal resources of 1.231 billion tons.

(3) The acquisition of the 51% equity interest in Ordos Yihua Mining Resources Company Limited by the Company through purchase and capital increase

On 10 December 2009, the Company and Yihua Industrial Company entered into an agreement of equity transfer and share subscription by way of capital increase. The equity value of Yihua Mining as appraised by Pan-China Appraisal Company as at the valuation date of 30 June 2009 was RMB2,940,302,000. The Company acquired 37.45% equity interests in Yihua Mining for RMB1,101,184,000. On this basis, the Company unilaterally injected capital of RMB813,000,000 into the company. After the share acquisition and capital injection, the Company totally acquired 51% equity interests in Yihua Mining. The Company paid the first installment of equity transfer consideration of RMB605,651,200 on 24 December 2009 and paid the capital increase consideration of RMB813,000,000. The procedures for the change of business registration in respect of the equity transfer and capital increase were completed on 31 December 2009. Following the completion of this acquisition, the Company will have an additional coal resources of 977 million tons.

2. *Disposal of assets*

On 4 December 2009, the Company and China Coal Group entered into an agreement of equity transfer. The market value of all the interests of shareholders of Xi'an Design Company as appraised by Zhongshui Appraisal using the equity method as at the valuation date of 31 July 2009 was RMB472,279,100. The Company transferred the 100% equity interest in Xi'an Design Company to China Coal Group for RMB472,279,100. The transaction was approved by SASAC and all equity transfer consideration was received on 31 December 2009. Up to the present, the procedures for the change of business registration in respect of the disposal of the equity interest in Xi'an Design Company by the Company were completed. Following the completion of the disposal, the Company no longer held any equity interest in Xi'an Design Company.

The premium arising from valuation based on the income approach has been prepared in accordance with the following principal bases and assumptions ("Assumptions"):

1) there will be no material changes in existing political, legal, fiscal, market or economic conditions in the PRC, Hong Kong or any other countries or territories in which Xi'an Design Company currently operates or otherwise are material to Xi'an Design Company's design operations;

2) there will be no changes in laws, regulations or rules of the PRC, Hong Kong or other countries or territories covered or to be covered by the design operations of Xi'an Design Company;

3) there will be no material changes in inflation rate, interest rates or foreign currency exchange rates from those currently prevailing in respect of the design operations of Xi'an Design Company;

4) there will be no material changes in the bases or applicable rates of taxation or other government levies in countries in which the design operations of Xi'an Design Company are located;

5) there will be no wars, military events, epidemics or natural disasters which may have a material impact on the design operations of Xi'an Design Company;

6) there will be no adverse effect on the design operations of Xi'an Design Company as a result of a shortage in the supply of labour and labour disputes or any other factors which are beyond the control of the management of Xi'an Design Company. In addition, Xi'an Design Company will be able to recruit sufficient employees to meet the operating needs of its design operations;

7) the PRC government will continue to adopt macroeconomic policies similar to that adopted in 2009 to maintain steady economic growth; and

8) there will be no material changes in the set design fees, project contracting cost and supervision fees which will have a material adverse impact on the design operations of Xi'an Design Company.

The Company appointed RSM Nelson Wheeler to examine the arithmetic accuracy of the business valuation report on the fair value of the 100% equity interest of Xi'an Design Company as at the reference date of 31 July 2009 prepared by Zhongshui Appraisal on 17 October 2009.

RSM Nelson Wheeler examined the above business valuation report in accordance with the Hong Kong Standard on Assurance Engagement (HKSAE) 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA and with reference to the procedures stipulated in the Auditing Guideline 3.341 on "Accountants' Report on Profit Forecasts" issued by the HKICPA.

After examination, RSM Nelson Wheeler was of the view that the valuation in the business valuation report on the fair value of the 100% equity interest of Xi'an Design Company as at the reference date of 31 July 2009 prepared by Zhongshui Appraisal on 17 October 2009 was made properly in accordance with the Assumptions.

The Board confirmed that the above profit forecast has been prepared by them after making due and careful enquiries.

The acquisition of the 100% equity interest in Sifang Aluminum by Shanghai Datun was considered and approved at the Fourth Meeting of the First Board of Directors for 2009 convened on 14 August 2009. The disposal of the 100% equity interest in Xi'an Design Company by the Company was considered and approved at the seventh meeting of the first Board convened on 4 December 2009. Announcements on the above transactions and the consideration results of the Board were published on the web site of the HKSE, the web site of the Shanghai Stock Exchange, China Securities Journal and Shanghai Securities News.

22 Material Legal Proceeding

As at 31 December 2009, the Company had not been involved in any material litigations or arbitrations, and to the best knowledge of the Company, there was no pending, threatened or ongoing material litigation or claim against the Company as at 31 December 2009.

23 Auditors

The Company has appointed PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company as its international and domestic auditor, respectively, for the year ended 31 December 2009. The financial statements for the year 2009 prepared by the Company in accordance with International Financial Reporting Standards have been audited by PricewaterhouseCoopers.

24 Taxation

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

Pursuant to provisions of the "Notice Regarding Questions on Withholding Enterprise Income Tax When PRC Resident Enterprises Distribute Dividend to Foreign Non-resident Enterprise Shareholders of H Shares" (Guo Shui Han [2008] No. 897) issued by the State Administration of Taxation of the PRC, enterprise income tax is withheld at a unified tax rate of 10% on dividends for 2008 and subsequent years paid by a PRC resident enterprise to foreign non-resident enterprises as shareholders of H shares. Non-resident enterprises may apply for a tax refund in accordance with the relevant requirements such as the tax agreement (arrangement). Shareholders are recommended to consult their taxation advisors regarding owning and disposing H shares in the PRC and in Hong Kong and other tax effects.

25 Reserves

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

As at 31 December 2009, the reserves available for distribution to Shareholders by the Company in accordance with the laws and regulations of the PRC were RMB6.328 billion.

26 Financial Summary

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

27 Subsequent Events

Details on the Group's subsequent events are set out in note 47 to the financial statements.

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

Beijing, China
22 April 2010

As at the date of this directors' report, the executive directors of the Company are Wang An, Yang Lieke; and the independent non-executive directors of the Company are Gao Shangquan, Zhang Ke, Peng Ru Chuan, Wu Rongkang and Li Yanmeng.

During the reporting period, all members of the supervisory committee of the Company have duly discharged their duties, effectively fulfilled their obligations and endeavoured to safeguard the interests of Shareholders in accordance with the relevant requirements of the Company Law of the People's Republic of China ("Company Law"), the Articles of Association and the rules of procedures for the supervisory committee of the Company ("Supervisory Committee").

I. The meetings of the Supervisory Committee

Sessions of Meetings	Dates of Meetings	Newspapers for disclosure of the Resolutions	Date for disclosure of the Resolutions
First meeting for 2009 of the first session of the Supervisory Committee	27 February 2009	China Securities Journal, Shanghai Securities News	28 February 2009
Second meeting for 2009 of the first session of the Supervisory Committee	27 March 2009	China Securities Journal, Shanghai Securities News	30 March 2009
Third meeting for 2009 of the first session of the Supervisory Committee	27 April 2009	China Securities Journal, Shanghai Securities News	28 April 2009
Fourth meeting for 2009 of the first session of the Supervisory Committee	14 August 2009	This resolution has not been disclosed according to the relevant provision of the Shanghai Stock Exchange	15 August 2009
Fifth meeting for 2009 of the first session of the Supervisory Committee	10 September 2009	China Securities Journal, Shanghai Securities News	11 September 2009
Sixth meeting for 2009 of the first session of the Supervisory Committee	28 October 2009	China Securities Journal, Shanghai Securities News	29 October 2009
Seventh meeting for 2009 of the first session of the Supervisory Committee	4 December 2009	China Securities Journal, Shanghai Securities News	5 December 2009

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

The first meeting for 2009 of the first session of the Supervisory Committee convened on 27 February 2009 considered and approved the "Resolution on Change in Accounting Policies and Amendment to Accounting and Auditing Methods of the Company" and "Resolution on Amendment to Internal Control and Auditing System of the Company".

The second meeting for 2009 of the first session of the Supervisory Committee convened on 27 March 2009 considered and approved seven resolutions in relation to 2008 annual report and its summary, 2008 annual results announcement, report of the Supervisory Committee, 2008 annual financial accounts, proposed profits distribution plan for 2008, report of the Board for 2008 on the self-assessment of the Company's internal control, 2008 annual social responsibility reports, and suspension of the investment in "Projects regarding 10 million tons of coal/year, 1.8 million tons of methanol/year, 0.6 million tons of olefin/year and its ancillary works in Heilongjiang province".

The third meeting for 2009 of the first session of the Supervisory Committee convened on 27 April 2009 considered and approved the "Resolution on the First Quarterly Report for 2009 of the Company."

The fourth meeting for 2009 of the first session of the Supervisory Committee convened on 14 August 2009 considered and approved the "Resolution on 2009 Interim Report of the Company" and the resolution on change in accounting policies and amendment to "Accounting and Auditing Methods of the Company".

The fifth meeting for 2009 of the first session of the Supervisory Committee convened on 10 September 2009 considered and approved the "Resolution on Acquisition of 100% Equity Interest in Xuzhou Sifang Aluminum Group Co., Ltd. by Shanghai Datun Energy Co., Ltd."

The sixth meeting for 2009 of the first session of the Supervisory Committee convened on 28 October 2009 considered and approved the "Resolution on the Third Quarterly Report for 2009 of the Company".

The seventh meeting for 2009 of the first session of the Supervisory Committee convened on 4 December 2009 considered and approved the "Resolutions on the Disposal of 100% Equity Interest in China Coal Xi'an Design Engineering Co., Ltd. to China Coal Group by the Company and the cap for the transaction amount for 2009 to 2010 relating to the Provision of Coal Mine Design and General Contracting Services to the Company by China Coal Group."

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

In 2009, the Company actively coped with the severe challenges brought by the international financial crisis, and took effective measures by making adjustment, strengthening management, tapping potentials and increasing efficiency to ensure the steady and rapid development of the Company. Several operating indicators set the historical records, while the levels of safety, quality and standardization also enhanced significantly. Comprehensive risk management continued to improve and internal management standards were further strengthened. The Supervisory Committee is satisfied with the Company's performance and has full confidence in the Company's future development.

III. Independent opinions have been given by the Supervisory Committee in respect of the following issues of the Company in 2009:

(1) Legitimate Operation of the Company in 2009

The Company was able to operate in compliance with laws and regulations, and the Articles of Association, and the Company's decision-making process is legitimate. Through a complete restructuring of internal control system and operating procedures, the Company enhanced the construction of its information system, regulated management behaviors, continuously enhanced risk control ability and promoted the development of a solid internal control system. The Supervisory Committee is not aware of any act of the current directors or senior management of the Company which is in violation of any laws, regulations and the Articles of Association or is detrimental to the interests of the Company.

(2) Examination on the financial affairs of the Company

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

(3) Use of proceeds

During the reporting period, the Company has not carried out any fund raising activities. With respect to the suspension of the investment in the "Projects regarding 10 million tons of coal/year, 1.8 million tons of methanol/year, 0.6 million tons of olefin/year and its ancillary works in Heilongjiang Province" which has been considered and passed in the second meeting for 2009 of the first session of the Supervisory Committee, the actual expenditure of the proceeds was not consistent with the undertaking in the prospectus of the Company.

(4) Acquisition or disposal of assets by the Company

During the reporting period, Shanghai Datun, a subsidiary of the Company, acquired 100% equity interest in Sifang Aluminum Company held by Datun Coal and Electricity Company Limited a wholly-owned subsidiary of China Coal Group; and the Company sold its 100% equity interest in Xi'an Design Company to China Coal Group at fair and reasonable prices. The Supervisory Committee did not identify any insider dealing or any circumstances that were detrimental to the interests of Shareholders or resulted in a dissipation of assets of the Company.

(5) Connected transactions

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

During the reporting period, Shanghai Datun acquired 100% equity interest in SiFang Aluminum and the Company sold 100% equity interest in Xi’an Design Company to China Coal Group, which constituted significant one-off connected transactions of the Company and have been considered and approved by the Board and the Supervisory Committee.

All connected transactions of the Company in 2009 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

During the reporting period, the Supervisory Committee has conducted supervision over the Board's implementation of the resolutions passed by the Shareholders' general meeting, and is of the opinion that the Board has been able to duly perform its duties, strengthen scientific decision-making as well as actively and consistently implement the relevant resolutions of the Shareholders' general meeting, hence promoted the sustainable and harmonious development of the Company.

In 2010, the Supervisory Committee will continue to duly perform its duties in strict compliance with the Company Law, the Articles of Association and the relevant provisions, to excel in their work and further enhance supervision so as to play a greater role in the sustainable and harmonious development of the Company.

By Order of the Supervisory Committee
China Coal Energy Company Limited
Du Ji'an
Chairman of the Supervisory Committee

Beijing, China
22 April 2010

The Company has maintained a well-established and sound corporate governance structure and always endeavoured to strengthen its corporate governance foundation for the purpose of developing highly-efficient management and standardized operation. The Company considers that good corporate governance is the key for its future sustainable development, continuous enhancement of the Company's and Shareholders' value. In 2009, the Company's corporate governance structure was further improved, and its business and internal control systems were further clarified and optimized. The development of the Company's information systems was accelerated. Our operating efficiency and corporate governance level were continuously enhanced.

1. OVERVIEW OF CORPORATE GOVERNANCE

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

In 2009, the Company further amended and improved its financial management measures, accounting measures and internal control and auditing system. It also formulated fundamental management systems such as investment management measures and internal reporting system of material information, as a result of which, the Company's corporate governance system had been further improved. Currently, the regulatory documents governing the operation of the Company include but not limited to the Articles of Association; Rules of Procedures governing Shareholder's General Meetings, the Board of Directors; the Supervisory Committee and the Management; Work Manual of the sub-committees under the Board; Work System of Independent Directors, Work Regulations of the Audit Committee and Independent Directors; Accounting Measures, Financial Management Measures and Investment Management Measures involving Risk Management and Financial Affairs; External Guarantee Management System; Internal Control and Auditing System; Management Measures on Connected Transactions; Implementation Rules for the Management Measures on Connected Transactions; Management Measures on the Shares (and its changes thereof) of the Company held by its directors, supervisors, senior management and company insiders; management system of information disclosure and investor relations; internal reporting system of material information; management system of investor relations, etc..

The Board has reviewed the documents regarding corporate governance adopted by the Company, and believes that such documents have met the relevant code provisions as set out under the "Code on Corporate Governance Practices" of the Listing Rules. As at 31 December 2009, the Company strictly complied with the code provisions under the "Code on Corporate Governance Practices" set out in Appendix 14 of the Listing Rules.

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

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

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

2. SUBSTANTIAL INTERESTS AND SHORT POSITIONS OF THE COMPANY HELD BY SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, according to the records required to be entered in the register as referred to under section 336 of the Securities and Futures Ordinance, the interests or short position of the parties (excluding directors or supervisors) who are entitled to exercise or control the exercise of 5% or more of the voting rights in the Company's general meetings in the Company's shares or underlying shares of the Company's equity derivatives were as follows:

Name of Shareholders	Number of shares	Class of Shares	Nature of Interest	Capacity	Percentage of the respective type of shares %	Percentage in the total shares in issue %
China National Coal Group Corporation	7,481,643,774	A Shares	N/A	Beneficial owner	81.75	56.43
JPMorgan Chase&Co	323,641,325	H Shares	Long position	of which 40,920,025 shares were held by beneficial owners, 83,748,000 shares were held by Investment Manager, 198,973,300 were held by custodian – corporation/ approved lending agents	7.88	2.44
	21,183,641		Short position	Beneficial owners	0.52	0.16
	198,973,300		Lending pool	custodian – corporation/ approved lending agents	4.85	1.50
Davis Selected Advisors L.P.	248,098,000	H Shares	Long position	Investment Manager	6.04	1.87
UBS AG	246,182,383	H Shares	Long position	of which 161,592,281 shares were held by beneficial owners, 25,313,219 shares were held by persons holding guaranteed interest, 59,276,883 were interests held by corporation controlled by substantial shareholders	5.99	1.86
	18, 236, 548		Short position	of which 16,088,548 were held by beneficial owners and 2,148,000 were interests in corporation controlled by substantial shareholders	0.44	0.14

Note: The information disclosed is based on the information provided on the website of the HKSE (www.hkex.com.hk).

Save as disclosed above, as at 31 December 2009, according to the records required to be maintained in the register of interests 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 of the Listing Rules as at 31 December 2009. The Company confirmed that all Directors, following a specific enquiry conducted by the Company, had complied with the Model Code then in force all the time for the year of 2009.

4. BOARD OF DIRECTORS

(1) Composition and term of office

Name	Age	Position in the Company	Day of service
Wang An	51	Chairman, Executive Director	From 19 December 2008 to the completion of election of the second session of the Board
Yang Lieke	52	Executive Director, President	18 August 2006
Gao Shangquan	80	Independent Non-Executive Director	23 August 2006
Zhang Ke	56	Independent Non-Executive Director	23 August 2006
Peng Ru Chuan	61	Independent Non-Executive Director	23 August 2006
Wu Rongkang	70	Independent Non-Executive Director	21 November 2006
Li Yanmeng	65	Independent Non-Executive Director	21 November 2006

Notes:

1. The term of service of the first session of the Board and Mr. Wang An starts from 19 December 2008 until the completion of election of the second session of the Board. The term of service of the remaining directors is 3 years. The term of service of the members of the Supervisory Committee is 3 years. According to the requirements of the Articles of Association, the members of the first session of the Board of the Company will continue to perform their duties until the election of the next session of the Board.

2. On 18 November 2009, the Board received a notification from Mr. Zhang Baoshan regarding his resignation, due to personal reason, of the positions of Director, vice chairman and the relevant duties of specific committees under the Board.

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

The Board is responsible for supervising the preparation of financial statements for every financial period so as to enable the financial statements gives 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 2009, the Board has selected applicable accounting policies, and made prudent, fair and reasonable judgment and estimations and prepared the financial statements on a going concern basis. The responsibilities of the international auditors is set out in the independent auditor's report of this annual report.

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

(2) CONVENING OF THE BOARD OF DIRECTORS' MEETINGS IN 2009

In 2009, the Company convened seven meetings of the Board, with average attendance rate of 100% (including attendance by written proxy). The table below sets out the attendance of the Company's directors at the Board meetings:

Names	Position in the Company	Attendance in person	Attendance by proxy	Attendance rate %
Wang An	Chairman, Executive Director	7/7		100
Zhang Baoshan*	Vice Chairman, Non-Executive Director	5/6	1/6	100
Yang Lieke	Executive Director, President	7/7		100
Gao Shangquan	Non-Executive Director	6/7	1/7	100
Zhang Ke	Non-Executive Director	7/7		100
Peng Ru Chuan	Non-Executive Director	7/7		100
Wu Rongkang	Non-Executive Director	7/7		100
Li Yanmeng	Non-Executive Director	6/7	1/7	100

Note: Mr. Zhang Baoshan resigned all his duties in the Board and the specific committees under the Board on 18 November 2009 and attended only 6 board of directors' meetings in 2009 in person.

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

1. The first meeting for 2009 of the first session of the Board convened on 27 February 2009 considered and approved eight resolutions, which mainly amended the Articles of Association, Management Measures for proceeds raised through A shares, Financial Management Measures, Internal Control and Auditing System, and formulated Investment Management Measures, Internal Reporting System of Material Information as well as resolution regarding the provision of guarantee to Mengji Railway Company Limited.

2. The second meeting for 2009 of the first session of the Board convened on 27 March 2009 considered and approved eleven resolutions , which were the annual report of the Company for 2008 and its summary; results announcement for 2008, Directors' report, final accounts, proposed profit distribution plan, capital expenditure plans for 2008; remunerations of Directors and Supervisors for 2009; engagement of auditors to review interim financial report and audit annual report for 2009; self-assessment report regarding the Company's internal control of the Board; social responsibility report for 2008; suspension of investment in the projects regarding 10,000,000 tons coal per year, 1,800,000 tons of methanol per year, 600,000 tons of olefin and ancillary projects and the convening of 2008 Annual General Meeting of Shareholders.

3. The third meeting for 2009 of the first session of the Board convened on 27 April 2009 considered and approved four resolutions, which were the Company's first quarterly report for 2009, the value of performance appraisal measures of senior management for 2009, the amendments to "provisional measures for annual performance evaluation of the Company's senior management" as well as the amendment to "provisional measures for the remunerations of the Company's senior management."

4. The fourth meeting for 2009 of the first session of the Board convened on 14 August 2009 considered and approved two resolutions, which were the interim report of the Company for 2009, the changes to the accounting policies and the amendments to the accounting calculation method. In addition to the above resolutions, the specific reports regarding the completion status of the Company's capital expenditure plans in the first half of 2009 and the arrangements for the second half of the year, the completion status of the Company's safety, health and environmental work in the first half of 2009 and the arrangements for the second half of the year as well as the completion status of the Company's audit work in the first half of 2009 and the arrangements for the second half of the year were also heard.

5. The fifth meeting for 2009 of the first session of the Board convened on 10 September 2009 considered and approved two resolutions, which were the Shanghai Datun acquisition of the entire equity interests in Sifang Aluminum as well as the appointment of the Company's Vice-president and Chief Financial Officer.

6. The sixth meeting for 2009 of the first session of the Board convened on 28 October 2009 considered and approved three resolutions, which were the Company's third quarterly report for 2009, the amendments to the Company's Article of Association as well as the convening of the Company's first extraordinary meeting for 2009.

7. The seventh meeting for 2009 of the first session of the Board convened on 4 December 2009 considered and approved two resolutions, which were the disposal of 100% equity interests of China Coal Xi'an Design Engineering Company Ltd. to China Coal Group by the Company and the cap for the transaction amount for 2009 to 2011 relating to the provision of coal mine design and general contracting services to the Company by China Coal Group.

During the reporting period, all relevant matters (such as the number of Board Meetings, board meeting procedures, Board meeting minutes and records and rules for convening the meetings) of the Company complied with the provisions of relevant codes. The attendance condition reflected the fact that all directors of the Company were diligent and responsible, and were dedicated to promoting the interests of the Company and shareholders as a whole.

(3) IMPLEMENTATION OF RESOLUTIONS OF SHAREHOLDER'S GENERAL MEETING BY THE BOARD

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

5. THE CHAIRMAN AND THE PRESIDENT

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

6. INSURANCE ARRANGEMENT

Pursuant to the Recommended Best Practice A1.9 under the "Code on Corporate Governance Practices", the Company should purchase appropriate insurance to cover potential legal actions against its directors. The Company has renewed its liability insurance purchased for its directors, supervisors and senior management.

7. REMUNERATION COMMITTEE

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

In 2009, the remuneration committee held three meetings which mainly considered the remunerations of Directors and supervisors for 2009, remunerations of senior management for 2008, the value of performance appraisal measures of senior management for 2009, the amendments to "provisional management measures for the remuneration of the Company's senior management", annual report of the Company for 2008.

The terms of the members of the remuneration committee are the same as the terms of Directors, and upon expiry, the members may be eligible for re-election. According to the Articles of Association, the members of the first audit committee of the Company continue to perform their duties before the election of the second audit committee of the Board.

The attendance details of the remuneration committee in 2009 (including attendance by written proxy) are as follows:

Member of the Committee	Attendance in person	Attendance by proxy	Attendance Rate %
Peng Ru Chuan (Chairman of the Committee)	3	0	100
Zhang Ke	3	0	100
Li Yanmeng	3	0	100

8. NOMINATION COMMITTEE

The nomination committee comprises two independent non-executive Directors and one executive Director. "The work manual of the nomination committee" clearly defines the status, composition, responsibilities and functions, decision procedures as well as rules of procedures of the nomination committee. It particularly requires that the chairman of the nomination committee is to be elected from independent directors. The major responsibilities of the nomination committee are to study the election criteria and procedure of the Company's directors and senior management, examine the candidates of 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 complies with the relevant requirements of the Listing Rules. The nomination committee is accountable to the Board.

In 2009, the nomination committee held one meeting which considered the appointment of one Vice President and Chief Financial Officer.

The terms of the members of the nomination committee are the same as the terms of Directors, and upon expiry, the members may be eligible for re-election. According to the requirement of the Articles of Association, the members of the first session of the nomination committee of the Company continue to perform their duties before the election of the second nomination committee of the Board.

The attendance details of the nomination committee in 2009 (including attendance by written proxy) are as follows:

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

9. AUDIT COMMITTEE

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

In 2009, the audit committee held six meetings which considered the annual, interim and quarterly reports of the Company for 2008, the profits distribution plan of the Company for 2008, amendments to the " Internal Control and Auditing System" of the Company, "Management Measures on proceeds raised through A shares", "Financial Management Rules", "Accounting Calculation Method" and changes to the accounting policies, production, operational plans and financial plans of the Company for 2009, the appointment of the auditing firm for 2009 as well as the self-assessment report regarding the Company's internal control for 2008. According to "Regulations for Reviewing the Annual Financial Report by the Audit Committee under the Board", the report regarding the preliminary findings on the audit of financial accounts for 2008, the completion status of the Company's audit work in the first half of 2009 and the arrangements for the second half of the year, the commencement of 2009 internal self-assessment of the Company as well as the planning matters of the audit work of the Company for 2009 were heard.

The term of service of the members of the audit committee are the same as that of Directors, and upon expiry, the members may be eligible for re-election. On 18 November 2009, Mr. Zhang Baoshan resigned all his duties in the Board and the specific committees under the Board. Currently, the number of members of the first audit committee of the board is three. According to the requirements of the Articles of Association, the members of the first audit committee of the Company will continue to perform their duties until the election of the second audit committee of the Board.

The attendance details of the audit committee in 2009 (including attendance by written proxy) are as follows:

Member composition	Attendance in person	Attendance by proxy	Attendance Rate %
Zhang Ke (Chairman of the committee)	6	0	100
Gao Shangquan	5	1	100
Peng Ru Chuan	6	0	100
Zhang Baoshan*	4	0	100

*Note: On 18 November 2009, Mr. Zhang Baoshan resigned all his duties in the Board and the specific committees under the Board and attended only 4 meetings of the audit committee of the board convened in 2009.

The audit committee has reviewed the annual report of the Company for the year ended 31 December 2009.

10. STRATEGIC PLANNING COMMITTEE

The strategic planning committee of the Company comprises 5 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 procedures as well as rules of procedures of the strategic planning committee. The strategic planning committee is mainly responsible for conducting study regarding the Company's long term development strategy, material investment, financing, capital operation plan, 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 Listing Rules. The strategic planning committee is accountable to the Board.

In 2009, the strategic planning committee held three meetings which considered the 2008 annual report, capital expenditure plans of the Company for 2009, suspension investment in the projects of "Heilongjiang 10,000,000 tons of coal per year, 1,800,000 tons of methanol per year, 600,000 tons of olefin per year and ancillary projects" as well as "investment management measures" of the Company. The report regarding the completion status of the Company's capital expenditure plans in the first half of 2009 and the arrangements for the second half of the year was heard.

The term of service of the members of the strategic planning committee are the same as that of Directors, and upon expiry, the members may be eligible for re-election. On 18 November 2009, Mr. Zhang Baoshan resigned all his duties in the Board and the specific committees under the Board. According to the requirements of the Articles of Association, the members of the first strategic planning committee of the Company will continue to perform their duties until the election of the second strategic planning committee of the Board.

The attendance details of the strategic planning committee in 2009 (including attendance by written proxy) are as follows:

Member composition	Attendance in person	Attendance by proxy	Attendance Rate %
Wang An (Chairman of the Committee)	3	0	100
Gao Shangquan	2	1	100
Wu Rongkang	3	0	100
Li Yanmeng	3	0	100
Zhang Baoshan*	3	0	100
Yang Lieke	3	0	100

*Note: On 18 November 2009, Mr. Zhang Baoshan resigned all his duties in the Board and the specific committees under the Board.

11. SAFETY, HEALTH AND ENVIRONMENTAL PROTECTION COMMITTEE

The safety, health and developmental protection committee of the Company comprises two Directors, of which one is independent non-executive Director. "The work manual of the safety, health and environmental protection committee" clearly defines the status, composition, terms of reference, decision procedures as well as rules of procedures of the safety, health and environmental protection committee. The safety, health and environmental protection committee is mainly responsible for the implementation of the Company's safety, health and environmental protection plans, supervision of the potential responsibilities, changes to laws and regulations and technological changes related to safety, health and environmental protection issues. The safety, health and environmental protection committee is accountable to the Board.

In 2009, the safety, health and environmental protection committee held two meetings which considered the annual report and the social responsibility report of the Company for 2008. The report regarding the completion status of the Company's safety, health and environmental protection in the first half of 2009 and the arrangements for the second half of the year was heard.

The term of service of the members of the safety, health and environmental protection committee are the same as that of Directors, and upon expiry, the members may be eligible for re-election. On 18 November 2009, Mr. Zhang Baoshan resigned from all posts he held in the Board of the Company and board committees. According to the requirements of the Company's Articles of Association, the members of the first session of the safety, health and environmental protection committee of the Company continue to perform their duties until the election of the next session of the safety, health and developmental protection committee.

The attendance details of the safety, health and environmental protection committee in 2009 (including attendance by written proxy) are as follows:

Member composition	Attendance in person	Attendance by proxy	Attendance Rate %
Wu Rongkang (Chairman of the committee)	2	0	100
Zhang Baoshan*	2	0	100
Yang Lieke	2	0	100

*Note: Mr. Zhang Baoshan resigned from all posts he held in the Board of the Company and board committees on 18 November 2009.

12. INDEPENDENCE OF INDEPENDENT DIRECTORS AND THEIR DUTIES

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

During the reporting period, the independent Directors strictly complied with laws and regulations such as the Company Laws, Guidelines in relation to the Establishment of the System of Independent Directors, Certain Rules regarding Strengthening Protection of the Interests of the Public Shareholders and Articles of Association, the requirements and demands of the Work System of Independent Directors and Annual Work System of Independent Directors. The independent Directors performed their duties independently and attended relevant meetings in 2009, investigated thoroughly its subsidiaries, seriously took part in the decision of the Company's significant matters, expressed independent opinions on relevant matters of the Company, gave constructive advices and recommendations regarding the governance of the Company, reform development and production and operation. During the course of the duty performance, independent Directors upheld the legal rights of Shareholders, especially the minority Shareholders independently and objectively, fully exploiting the usefulness of independent Shareholders.

In 2009, the Company convened a total of four meetings of independent Directors at which the independent Directors considered the following resolutions: the acquisition of 100% equity interests in Sifang Aluminum by Shanghai Datun under the Company, the disposal of the 100% equity interests in Xi'an Design Company by the Company to China Coal Group, the resolution on the three connected transactions relating to the application for the transaction amount cap for the years from 2009 to 2011 in respect of the provision of coal mine design and general contracting services by China Coal Group to the Company, annual report for 2008, financial accounts for 2008, financial plan for 2009, Production and Operation Plans for 2009, the appointment of accounting firm for the review of 2009 interim financial report and annual financial report, suspension investment in the projects of "Heilongjiang 10 million tons of coal per year, 1,800,000 tons of methanol per year, 600,000 tons of olefin per year and ancillary projects". The independent Directors also heard the report regarding the preliminary findings on the financial accounts of the Company for 2009 by PricewaterhouseCoopers.

The attendance details of the meetings of the independent directors in 2009 (including attendance by written proxy) are as follows:

Names of independent directors	Attendance in person (no.)	Attendance by proxy (no.)	Attendance Rate %
Gao Shangquan	4	0	100
Zhang Ke	4	0	100
Peng Ru Chuan	4	0	100
Wu Rongkang	4	0	100

Li Yanmeng	3	1	100

13. Remuneration of Auditors

In 2009, the Company's international auditor was PricewaterhouseCoopers, and domestic auditor was PricewaterhouseCoopers Zhong Tian CPAs Limited Company. The Company's annual audit fees for the year ended 31 December 2009 were RMB19.8 million. The Company did not incur any non-audit fees in 2009.

14. SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETING

In order to ensure that all shareholders of the Company can be equally treated and effectively exercise their own rights, the Company convenes shareholders' general meetings every year in accordance with the Articles of Association. In 2009, two Shareholders' general meetings were held, including the 2008 annual Shareholders' general meeting and one extraordinary Shareholders' general meeting.

1. At the 2008 annual Shareholders' general meeting held on 26 June 2009, the following 8 resolutions were approved and one report was heard: " Resolution on Directors' Report of the Company for 2008", "Resolution on Report of Supervisory Committee of the Company for 2008", "Resolution on Final Accounts of the Company for 2008", "Resolution on Proposed Profit Distribution Plan of the Company for 2008", "Resolution on Capital Expenditure Plans of the Company for 2009", "Resolution on Remuneration of directors and the Supervisors of the Company for 2009", "Resolution on Engaging Auditors to Review Interim Financial Report and Audit Annual Report for 2009", "Resolution on Amendments to the Articles of Association of the Company". The independent non-executive Directors submitted "2008 Work Report of independent directors of the Company" to the annual general meeting and reported their performance of duties in 2008.

2. At the first extraordinary Shareholders' general meeting held on 18 December 2009, "Resolution on amending the Articles of Association" was considered and approved by poll.

15. SUPERVISORS AND SUPERVIRORY COMMITTEE

The supervisory committee of the Company comprises three supervisors, including chairman Mr. Du Ji'an and Mr. Zhou Litao as Shareholders representative supervisors; another supervisor, Mr. Chen Xiangshan is an employee representative supervisor. The supervisory committee is accountable to the Shareholder's general meeting and reports its work to the general meeting.

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

The attendance details of the supervisory committee (including attendance by written proxy) are as follows:

Name	Attendance in person	Attendance by proxy	Attendance Rate %
Du Ji'an	7	0	100
Zhou Litao	6	1	100

Chen Xiangshan	7	0	100

16. ESTABLISHMENT AND IMPLEMENTATION OF ANCILLARY MECHANISM

1. Management of Connected Transaction

During the reporting period, the Company further strengthened its management on connected transactions, strictly complied with the various agreements signed with the connected parties and managed connected transactions in accordance with the requirements of the Listing Rules and the SSE Listing Rules and the "Management Measures on Connected Transactions of the Company".

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

In order to further strengthen its management on connected transactions, the Company formulated "Detailed Rules for the Implementation of the Management Measures for Connected Transactions" during the reporting period which requires the connected transactions to implement budget management, monthly monitoring, early warning for caps, regular consultation system and further clarify the managing departments and the duties of various departments of the connected transactions, the confirmation of the connected parties and connected persons, as well as the content of management flow of the exempted continuing connected transactions and newly entered connected transactions.

The Company continued to enhance its routine management over continuing connected transactions and to ensure that the caps for each type of continuing connected transaction were not exceeded. Firstly, the Company and all its affiliates were required to review the necessity and rationality of each proposed continuing connected transaction. All necessary continuing connected transactions were performed, priced, and conducted by the Company in strict compliance with the framework agreements signed with the connected parties at the time of listing and, in accordance with the price determination principles and the general commercial principles. Secondly, the actual value of continuing connected transactions were controlled and budgeted in advance. In order to control the actual amount of the connected transaction for 2009, the Company re-forecasted the caps for 2009 on the basis of the exempted caps according to the macro-economics, especially the actual situation after price fall of materials. As regards to the daily management, A monthly reporting system and an early alarming system were implemented by each affiliate to the continuing connected transactions budgeted. The Company requires each affiliate to submit unbudgeted connected transaction to the connected transaction management team prior to its occurrence, whereupon the internal control and approval procedure and the information disclosure of the Company will be followed after consideration and approval by the connected transaction management team.

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

In addition, the Company entered into a "Non-Competition Agreement" with China Coal Group on 5 September 2006 to set up a decision-making mechanism to avoid confliction of interests.

2. Development of Internal Control System

In 2009, the Company placed more emphasis on the establishment of its internal control system and seriously adopted "Basic Standard for Enterprise Internal Control" promulgated by five parties such as the Ministry of Finance and China Securities Regulatory Commission, etc.. By comprehensively consolidating its internal control system and business flow, the Company further improved its internal control system and continuously promoted the construction of ERP information system in accordance with five aspects, namely, planning and strategic management, management of core business, management of production and operation, compliance management as well as administrative management. The Company adopted various measures to enhance its management and control on each type of economic activity and increased its management strength to important business parts such as funds, purchases and sales. The Company also increased its strength in the supervision on the implementation of laws and regulations and systems. In addition, the Company also increased strength in the assessment, reward and punishment on the completion status of operating indicators. Besides, it established a good rewarding and constraint mechanism. By initiating self-assessment for internal control, the Company continuously checked for control deficiency in management and enhanced its corporate governance level.

The Board, after its self-assessment under the internal control system of the Company in 2009, is of the opinion that during the period from 1 January, 2009 to the end of the current reporting period, the internal control system of the Company complied with laws, regulations and regulatory requirements and no significant deficiency has been discovered in the design or implementation of the internal control system of the Company. The Company will continue to amend and improve its internal control system to increase the internal control management standard on a continued basis.

The Company has appointed PricewaterhouseCoopers Zhong Tian CPAs Limited Company to examine the effectiveness of the Company's internal control system. PricewaterhouseCoopers Zhong Tian CPAs Limited Company is of the opinion that the Company has maintained effective internal control related to the financial statements formed by "Basic Standard for Enterprise Internal Control" on 31 December 2009.

3. Risk Management System

In 2009, the Company continued to strengthen its efforts in risk management. Based on the internal and external environments, the Company conducted risk assessment and used risk assessment models to identify risk incidents. The risks identified were divided into class I: including strategic, financial, market, legal and operating categories. The class I was sub-divided into class II and approximately 10 major risks were identified. These major risks included economic cycle fluctuation risks, industry policy adjustment risks, market supply and demand change risks, investment decision making risks, safe production risks and cost control risks. Most of these risks belonged to external risks and inherent industry risks, which fully reflected the characteristics of the risks facing the coal industry in which the Company is operating and the current stage of development. Through risk identification and process rationalization, the Company further strengthened risk management by improving and optimizing the business management process so that the process became effective and reasonable.

4. Information Disclosure System

The Company attaches great importance to the construction of information disclosure system. The "Information Disclosure Management System of the Company" and "Internal Reporting System of Significant Information of the Company" approved by the Board constitute the information disclosure management system together with other relevant systems. Under "Information Disclosure Management System of the Company", basic principles of information transmission and disclosure, duty division, procedures, information should be transmitted and disclosed and relevant requirements are formulated. Among others, specific preparation requirements were set up for the content for annual reports, interim reports and other period reports, and accountability system. It also provided the procedures and management requirements for the submission of unrevealed information from insiders to external unit.

The Company has strictly complied with the information disclosure requirements on listed companies by regulatory authorities and the above information disclosure systems of the Company, and made disclosures on important information of the Company to investors through various channels in a timely manner. During the reporting period, the Company made a total of 232 announcements on the Company's website, a total of 206 disclosures including announcements, overseas regulatory announcements, circulars to shareholders and notices on the website of the HKSE, a total of 42 disclosures including temporary reports and regular reports on the website of the Shanghai Stock Exchange and a total of 31 disclosures in newspapers designated by the China Securities Regulatory Commission. Apart from statutory information disclosures, the Company also, in compliance with relevant overseas and domestic regulatory requirements and the principles of fairness and openness, voluntarily disclosed key monthly operational data through the websites of the Shanghai Stock Exchange, the Stock Exchange and the Company, with an aim to enhancing the transparency of the corporate governance of the Company and facilitate the investors' understanding of the operation status of the Company from time to time, which guaranteed the openness, fairness and impartiality of information disclosure.

Overview

In 2009, sticking to the people-oriented concept in human resources work, the Company actively strengthened the building of a talented workforce, continuously adjusted and optimized staff structure and improved staff quality. The innovation of the human resources system has progressed significantly, and the Company has basically set up its human resources policies and system that can fully grasp talent development trend, effectively follow the laws of human resources work, meet the requirement for building a large energy company with international competitiveness, and fulfill the system for “Strengthening the Enterprise with Talents” development. In improving staff quality, the Company actively innovated the training approach surrounding its development objectives, with emphasis on the building of three teams of "management, technology and skills”, on creating a fair atmosphere of learning knowledge, valuing safety, competing technologies and enhancing skills. In deploying workforce, the Company thoroughly organized and continuously refined relevant rules and regulations, established comprehensive access mechanisms, promoted rational mobility of personnel, increased efforts on internal and external recruitment and competing for positions, so as to form a dynamic selection and employment mechanism within the Company. With respect to the income allocation, the Company strived to establish a more scientific, rational and effective income allocation system, and continuously improved management methods of enterprise total wages and remuneration allocation methods of senior management, aiming to form a payroll system with safe-production as a principle, and efficiency as an orientation within the Company.

Protection of employees’ rights and benefits

The Company legally employed staff in strict compliance with the “Labor Law of the People's Republic of China”, “Employment Contract Law of the People's Republic of China” and other laws and regulations, conscientiously implemented systems of staff representative meetings, maintained publicization of factory affairs, and protected employees’ right to know. The Company also promoted democratic evaluation and cadre appraisal system to safeguard employees’ rights of supervision and participation and fully exploit their participation and the initiativeness of supervision.

In promoting relations between the Company and its employees, affiliated entities actively carried out labor competition, technological innovation and rationalization proposal activities to mobilize all staff to contribute to the enterprise development. In the growth of employees, the Company actively carried out on-job trainings, technical competitions and built learning team activities to help employees improve their professional skills and meet the need of business development of the Company, while the staff actively participated in decision-making and formulation of relevant rules and regulations for important matters concerning the vital interests of employees, thus promoting harmonious and stable labor relations. Meanwhile, the Company cared and concerned about the work and lives of staff, met their needs and solved their difficulties, and wholeheartedly advocated the development of employees.

Care for employee health

The Company attached great importance to health and safety of employees. The Group has established health and safety protection mechanisms for employees, adhering to the objective of "prevention first as well as combining prevention with control" and the principle of "classified management and integrated governance", and earnestly safeguarding the health benefits of all employees. Occupational Disease Prevention Law and other laws and regulations were implemented, the occupational health management system was improved, and system of occupational health management was refined. Medical checks for employees were conducted on a regular basis, and an occupational health management model which focused on prevention first and continuous improvement was gradually established. 15 enterprises of the Company have obtained Occupational Health System Certification. The Company also refined the protection facilities of operation sites, improved operation environment and working conditions, and reduced noise and dust and employees’ labor intensity. Currently, the occupational disease prevention standards of the Company are in line with the world’s leading standard.

Compensation and benefit ensurance

The Company treated all employees fairly and impartially, strengthened the dynamic monitoring of labor costs, and established a scientific and reasonable compensation management system, with a view to forming a company-wide performance-oriented model of determining remuneration and a comprehensive way of budget management. On the basis of improving the self-restriction and adjustment mechanism of compensation, performance evaluation results and efficiency indicators of personnel were included in the decision-making mechanism. Affiliated enterprises were guided to establish internal income allocation systems in line with staff contributions. Allocation of incomes was tilted towards front-line personnel, senior technicians and high-skilled operation personnel. Incomes of employees were increased steadily to enhance the compensation incentive effect.

In accordance with laws, the Company timely paid the insurance premiums of basic pension, unemployment, work injury, medical and maternity for employees as well as established and paid housing provident fund. The Company has participated in a number of retirement schemes organized by provincial and municipal governments, details of which are set out in note 35 to the audited financial statements for the year.

Reinforced performance management

The Company continued to enhance and improve the performance management system, and adopted a 360-degree assessment-based approach for staff evaluation. The Company also strengthened the use of assessment results and insisted on the organic integration of assessment results with staff positions adjustment, performance-based wage level, job promotion, study and training and other areas, so as to give full play to the incentive and restriction mechanisms, to promote staff awareness of their sense of duty, and to enhance work efficiency as well as job performance of its staff.

Strengthened human capital

The Company firmly established the concept that human resources are the primary resources and talent advantage is the greatest advantage, regarding the development of human resources as the first driving force for reform and development of the Company. The concept that everyone can become a talent was firmly instilled and everyone was provided with opportunities of development and realizing one's potential and value. Guided by the Company's overall planning, channels for talent acquisition were broadened, and market-oriented talent allocation was markedly promoted. According to the different characteristics of talents, market-oriented approaches such as competing for job openings, open recruitment and "hunting" in talent markets were adopted for deployment of talents. Internal exchange and movement in market of talents had order and magnitude. In 2009, the Company also actively encouraged movement of talents among affiliated companies to achieve an effective equilibrium of personnel allocation among the various companies, thus to a certain extent realizing rational allocation of human resources within the Company. While promoting internal movement of talents, the Company actively introduced high-end demanding talent from outside and diversified the channels to meet the needs of new industries and new businesses. After rational deployment of talents, management of key positions and key personnel was strengthened, while building of backup teams for key positions was stepped up and building of human resources management teams was reinforced.

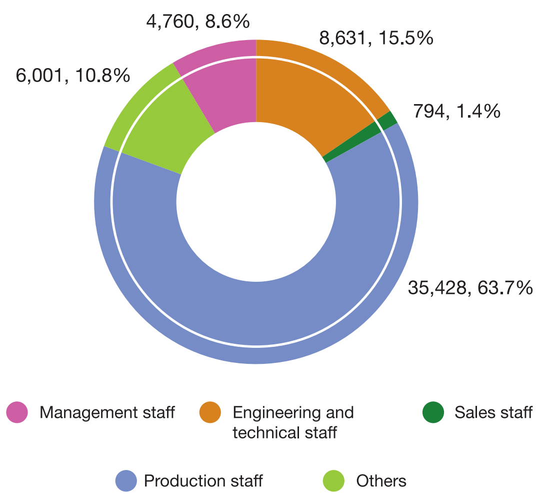
The concept of "strengthening the enterprise by talents" was actively promoted and staff training was highly emphasized. The Company strived for the mutual development of the enterprise and its employees, and staff training and development were integrated into the enterprise development plan for coordinated promotion to continuously create conditions for the growth and development of employees, hence realizing value preservation and appreciation of human capital. In recent years, the Company steadily increased its investment in staff training and arranged special funds for training of key personnel each year as well. As regards training approaches, the single classroom training pattern was gradually replaced by patterns that are flexible, diversified and rich in contents. To resolve contradictions between work and study and to increase training efficiency, the Company introduced the online training mode and established the China Coal E-learning School, with training covering management, marketing, strategy, finance, human resources, production and other areas.

Through a series of measures to strengthen human capital, the quality of talent workforce has been significantly improved. The knowledge and ability of talents have been further utilized and developed with coordination, and the overall quality of the workforce can effectively meet the Company's strategic needs for building a large energy group with international competitiveness. As a result, a group of domestically leading and high-quality personnel who are pioneering as well as innovative and good at tackling difficulties in market competitions have emerged in major business areas.

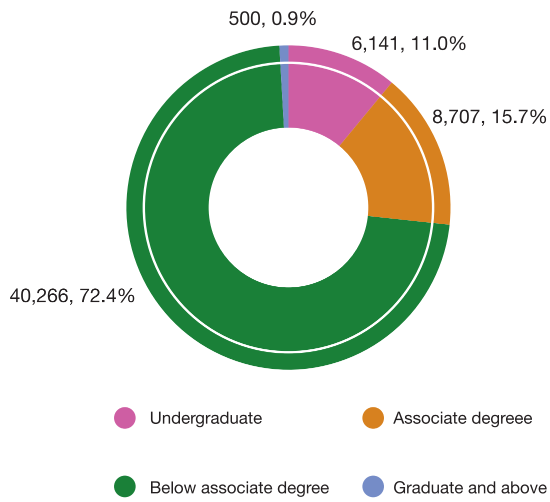
As of the end of 2009, the Company had 3,604 senior staff, 7,863 medium staff, and 9,341 junior staff.

Staff data

Function categories	Staff number	Percentage (%)
Management staff	4,760	8.6
Engineering and technical staff	8,631	15.5
Sales staff	794	1.4
Production staff	35,428	63.7
Others	6,001	10.8
Total	55,614	100.0



Education categories	Staff number	Percentage (%)
Graduate and above	500	0.9
Undergraduate	6,141	11.0
Associate degree	8,707	15.7
Below associate degree	40,266	72.4
Total	55,614	100.0



PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong
Tel: (852) 2289 8888
Fax: (852) 2810 9888
pwchk.com

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 105 to 228, which comprise the consolidated and company balance sheets as of 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as of 31 December 2009, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other matters

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 April 2010

As at 31 December 2009
(Amounts expressed in thousands of RMB)

		Group		Company	
	Note	2009	2008 (restated-Note 2(e))	2009	2008
ASSETS					
Non-current assets					
Property, plant and equipment	7	36,729,099	29,010,371	23,791	4,072,499
Investment properties	8	32,403	33,725	—	—
Land use rights	9	711,189	615,268	—	56,345
Mining rights	10	12,176,414	3,680,836	—	535,678
Intangible assets	11	42,388	41,374	13,222	15,151
Investments in subsidiaries	12	—	—	38,710,815	31,745,198
Investments in associates	13	2,029,934	1,301,783	1,446,110	1,217,259
Investments in jointly controlled entities	14	412,305	596,109	8,416	8,416
Available-for-sale financial assets	16	936,787	558,268	545,000	170,062
Deferred income tax assets	28	251,077	787,781	—	455,985
Loans to subsidiaries	17	—	—	5,869,320	4,375,820
Long-term receivables	18	626,894	701,022	3,851,215	60,000
		53,948,490	37,326,537	50,467,889	42,712,413
Current assets					
Inventories	19	4,978,327	4,239,638	196,812	86,648
Trade and notes receivables	20	4,963,537	5,635,129	906,879	1,052,993
Prepayments and other receivables	21	3,679,013	3,617,690	7,013,736	7,088,331
Derivative financial instruments and other financial assets at fair value through profit or loss	22	—	300,000	—	300,000
Restricted bank deposits	23	1,844,098	2,121,593	—	286,703
Term deposits with initial terms of over three months	23	22,813,484	27,383,030	22,600,000	27,187,000
Cash and cash equivalents	23	12,628,413	7,888,283	6,699,541	3,964,402
		50,906,872	51,185,363	37,416,968	39,966,077
TOTAL ASSETS		104,855,362	88,511,900	87,884,857	82,678,490

Balance Sheets

As at 31 December 2009
(Amounts expressed in thousands of RMB)

		Group		Company	
	Note	2009	2008 (restated- Note 2(e))	2009	2008
EQUITY					
Equity attributable to the equity holders of the Company					
Share Capital	24	13,258,663	13,258,663	13,258,663	13,258,663
Reserves	25	37,299,283	36,544,532	47,684,192	47,140,099
Retained earnings					
– Dividends proposed after the balance sheet date	38	1,986,651	2,043,559	1,986,651	2,043,559
– Others		11,683,897	6,730,449	4,548,217	1,604,983
		64,228,494	58,577,203	67,477,723	64,047,304
Minority interests		9,214,509	4,250,125	—	—
Total equity		73,443,003	62,827,328	67,477,723	64,047,304

As at 31 December 2009
(Amounts expressed in thousands of RMB)

		Group		Company	
	Note	2009	2008 (restated- Note 2(e))	2009	2008
LIABILITIES					
Non-current liabilities					
Long-term borrowings	26	11,286,700	10,193,510	4,300,000	4,361,000
Long-term payables	27	192,302	336,432	—	319,347
Deferred income tax liabilities	28	2,744,873	875,725	—	—
Deferred revenue		237,779	29,099	—	9,949
Provision for employee benefits		275,990	202,331	—	14,072
Provision for close down, restoration and environmental costs	31	1,155,530	1,054,703	—	—
		15,893,174	12,691,800	4,300,000	4,704,368
Current liabilities					
Trade and notes payables	29	6,801,448	6,813,713	1,139,576	2,155,812
Accruals and other payables	30	7,085,494	3,963,052	14,866,479	11,355,546
Taxes payable		610,177	1,296,984	40,079	415,460
Short-term borrowings	26	386,981	368,296	—	—
Current portion of long-term borrowings	26	602,658	518,715	61,000	—
Current portion of provision for close down, restoration and environmental costs	31	32,427	32,012	—	—
		15,519,185	12,992,772	16,107,134	13,926,818
Total liabilities		31,412,359	25,684,572	20,407,134	18,631,186
TOTAL EQUITY AND LIABILITIES		104,855,362	88,511,900	87,884,857	82,678,490
NET CURRENT ASSETS		35,387,687	38,192,591	21,309,834	26,039,259
TOTAL ASSETS LESS CURRENT LIABILITIES		89,336,177	75,519,128	71,777,723	68,751,672

These financial statements have been approved for issue by the Board of Directors on 22 April 2010.

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

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

Consolidated Income Statement

For the year ended 31 December 2009
(Amounts expressed in thousands of RMB, except per share data)

	Note	Year ended 31 December 2009	2008 (restated-Note 2(e))
Revenue	6	53,187,027	51,753,092
Cost of sales			
Materials		(21,551,324)	(21,200,215)
Staff costs		(3,171,833)	(2,550,093)
Depreciation and amortisation		(1,888,017)	(1,386,034)
Repair and maintenance		(550,549)	(671,396)
Transportation costs		(6,905,137)	(7,022,177)
Sales taxes and surcharges		(918,900)	(1,253,126)
Others		(5,710,208)	(4,104,471)
Cost of sales		(40,695,968)	(38,187,512)
Gross profit		12,491,059	13,565,580
Selling, general and administrative expenses		(2,887,198)	(2,867,267)
Loss from fair value changes of other financial assets	22	—	(1,406,400)
Other income	34	1,418,895	1,671,433
Other gains, net		249,165	435,208
Profit from operations		11,271,921	11,398,554
Finance costs, net	33	(445,117)	(1,006,317)
Share of profits of associates and jointly controlled entities		89,935	106,142
Profit before income tax		10,916,739	10,498,379
Income tax expense	36	(2,535,718)	(2,493,950)
Profit for the year		8,381,021	8,004,429
Profit attributable to:			
Equity holders of the Company		7,834,332	7,131,007
Minority interests		546,689	873,422
		8,381,021	8,004,429
Basic and diluted earnings per share for the profit attributable to the equity holders of the Company (RMB)	37	0.59	0.54
Dividends distributed	38	2,043,559	825,484
Dividends proposed after the balance sheet date attributable to all shareholders of the Company	38	1,986,651	2,043,559

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

For the year ended 31 December 2009
(Amounts expressed in thousands of RMB, except per share data)

	Year ended 31 December	
	2009	2008 (restated- Note 2(e))
Profit for the year	8,381,021	8,004,429
Other comprehensive income:		
Fair value gains on available-for-sale financial assets, net of tax	10,147	5,762
Disposal of available-for-sale financial assets, net of tax	(5,219)	—
Currency translation differences	(129)	(12,975)
Other comprehensive income/(expense) for the year, net of tax	4,799	(7,213)
Total comprehensive income for the year	8,385,820	7,997,216
Total comprehensive income attributable to:		
Equity holders of the Company	7,839,131	7,123,794
Minority interests	546,689	873,422
	8,385,820	7,997,216

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009
(Amounts expressed in thousands of RMB)

	Attributable to equity holders of the Company				Minority interests	Total equity
	Share capital	Reserves	Retained earnings	Subtotal		
Balance at 1 January 2008 (as previously reported)	11,733,330	12,119,839	4,197,306	28,050,475	2,954,375	31,004,850
Acquisition of a subsidiary under common control	—	86,498	(41,060)	45,438	27,345	72,783
Balance at 1 January 2008 (restated)	11,733,330	12,206,337	4,156,246	28,095,913	2,981,720	31,077,633
Profit for the year	—	—	7,131,007	7,131,007	873,422	8,004,429
Other comprehensive income	—	(7,213)	—	(7,213)	—	(7,213)
Issuance of new A shares (Note 24)	1,525,333	23,794,576	—	25,319,909	—	25,319,909
Appropriations	—	1,687,761	(1,687,761)	—	—	—
Acquisition of a subsidiary under common control (Note 2(g))	—	(1,123,898)	—	(1,123,898)	—	(1,123,898)
Purchase of equity from a minority shareholder and others	—	(13,031)	—	(13,031)	3,682	(9,349)
Contributions	—	—	—	—	444,600	444,600
Dividends (Note 38)	—	—	(825,484)	(825,484)	(53,299)	(878,783)
Balance at 31 December 2008 (restated)	13,258,663	36,544,532	8,774,008	58,577,203	4,250,125	62,827,328
Profit for the year	—	—	7,834,332	7,834,332	546,689	8,381,021
Other comprehensive income	—	4,799	—	4,799	—	4,799
Appropriations	—	894,233	(894,233)	—	—	—
Acquisition of a subsidiary under common control (Note 2(e))	—	(58,183)	—	(58,183)	(35,015)	(93,198)
Purchase of equity from minority shareholders and others	—	(86,098)	—	(86,098)	(84,580)	(170,678)
Acquisition of subsidiaries (Note 2(a), 2(b), 2(c), 2(d))	—	—	—	—	4,142,017	4,142,017
Contributions	—	—	—	—	439,645	439,645
Dividends (Note 38)	—	—	(2,043,559)	(2,043,559)	(44,372)	(2,087,931)
As at 31 December 2009	13,258,663	37,299,283	13,670,548	64,228,494	9,214,509	73,443,003

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

For the year ended 31 December 2009
(Amounts expressed in thousands of RMB)

	Note	2009	2008 (restated)
		Year ended 31 December	
Cash flows from operating activities			
Cash generated from operations	40	13,147,781	11,790,883
Interest paid		(622,441)	(697,827)
Interest income received		1,884,675	445,754
Income tax paid		(2,721,959)	(1,864,803)
Net cash generated from operating activities		11,688,056	9,674,007
Cash flows from investing activities			
Purchases of property, plant and equipment		(8,225,329)	(7,952,057)
Proceeds from disposal of property, plant and equipment		24,443	71,139
Purchases of land use rights, mining rights and intangible assets		(741,357)	(320,068)
Proceeds from disposal of other financial assets at fair value through profit or loss		465,367	355,998
Purchases of available-for-sale financial assets		(380,468)	(170,345)
Prepayment for investments		(325,227)	(271,530)
Purchase of minority interest in a subsidiary		(51,200)	(9,881)
Acquisition of subsidiaries (Note 2(a), 2(b), 2(c), 2(d), 2(h))		(1,275,174)	(57,010)
Acquisition of subsidiaries under common control (Note 2(e), 2(g))		(93,197)	(1,123,898)
Increase in investments in associates		(494,938)	(154,615)
Dividends received		1,871	37,442
Proceeds from disposal of available-for-sale financial assets		22,978	7,897
Increase in investments in a jointly controlled entity		—	(245,000)
Loans to jointly controlled entities		—	(151,192)
Decrease/(increase) in placement of term deposits with initial terms of over three months		4,569,546	(21,336,911)
Deposit for a future investment		(360,000)	—
Disposal of a subsidiary (Note 2(f))		332,612	—
Net cash used in investing activities		(6,530,073)	(31,320,031)

Consolidated Cash Flow Statements

For the year ended 31 December 2009
(Amounts expressed in thousands of RMB)

	Year ended 31 December	
	2009	2008 (restated)
Cash flows from financing activities		
Proceeds from short-term borrowings	590,085	786,200
Repayments of short-term borrowings	(577,240)	(853,600)
Proceeds from long-term borrowings	1,895,900	1,605,000
Repayments of long-term borrowings	(681,367)	(836,860)
Contributions from minority shareholders	439,645	230,000
Issue of new A shares	—	25,671,361
Dividends paid to the Company's shareholders	(2,043,559)	(825,484)
Dividends paid to minority shareholders	(39,205)	(72,669)
Share issue expenses	—	(351,451)
Net cash (used in)/generated from financing activities	(415,741)	25,352,497
Net increase in cash and cash equivalents	4,742,242	3,706,473
Cash and cash equivalents, at beginning of the year	7,888,283	4,314,280
Net foreign exchange losses	(2,112)	(132,470)
Cash and cash equivalents at end of the year	12,628,413	7,888,283

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

1 ORGANISATION AND PRINCIPAL ACTIVITIES

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

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

2 BASIS OF PRESENTATION

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

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

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

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

2 BASIS OF PRESENTATION (continued)

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

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

	Book value	Fair value adjustment	Fair value
Cash and cash equivalents	171,008	—	171,008
Trade and other receivables	258,406	—	258,406
Inventories	346,569	31,692	378,261
Property, plant and equipment	57,236	21,209	78,445
Land use rights	66,085	4,406	70,491
Deferred income tax assets/(liabilities)	4,317	(12,079)	(7,762)
Trade and other payables	(413,014)	—	(413,014)
Tax payables	(723)	—	(723)
	489,884	45,228	535,112
Attributable to minority interests	244,942	22,614	267,556
Attributable to the equity holders of the Company	244,942	22,614	267,556
	489,884	45,228	535,112
Cash and cash equivalents acquired from accounting for Xi'an Mining Machinery as a subsidiary			171,008
Net cash inflow from accounting for Xi'an Mining Machinery as a subsidiary			171,008

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

2 BASIS OF PRESENTATION (continued)

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

On 10 December 2009, the Company entered into a share purchase agreement with a third-party company, Ordos Yihua Industrial Company Limited ("Yihua Industrial Company"), pursuant to which Yihua Industrial Company transferred its 37.45% equity interest in Ordos Yihua Mining Resources Company Limited ("Yihua Mining") to the Company for a total consideration of RMB1,101,184,000. Up to 31 December 2009, RMB605,651,200 has been paid and the remaining consideration will be paid within year 2010. In addition, according to the share purchase agreement, the Company contributed RMB813,000,000 to Yihua Mining as additional capital, resulting in an increase in the Company's total shareholdings in Yihua Mining to 51%. The contribution of RMB813,000,000 has been fully paid by 31 December 2009. The acquisition date was 31 December 2009, the date that the Company was able to govern the financial and operating policies of Yihua Mining. Yihua Mining is principally engaged in coal mining and manufacture and sale of chemical products.

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

	Book value	Fair value adjustment	Fair value
Cash and cash equivalents	816,420	—	816,420
Restricted bank deposits	25,000	—	25,000
Trade and other receivables	34,592	—	34,592
Property, plant and equipments	378,261	—	378,261
Mining rights	241,893	3,657,180	3,899,073
Short term borrowings	(9,000)	—	(9,000)
Trade and other payables	(476,749)	—	(476,749)
Deferred income tax liabilities	—	(914,295)	(914,295)
	1,010,417	2,742,885	3,753,302
Attributable to minority interests			1,839,118
Attributable to the equity holders of the Company			1,914,184
			3,753,302
Cash paid for the acquisition			(1,418,651)
Cash and cash equivalents acquired from the acquisition			816,420
Net cash outflow from the acquisition			(602,231)

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

2 BASIS OF PRESENTATION (continued)

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

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

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

	Book value	Fair value adjustment	Fair value
Cash and cash equivalents	341,728	—	341,728
Trade and other receivables	12,111	—	12,111
Property, plant and equipments	339,407	—	339,407
Mining rights	306,407	3,700,725	4,007,132
Intangible assets	38	—	38
Trade and other payables	(501,753)	—	(501,753)
Deferred income tax liabilities	—	(925,181)	(925,181)
	497,938	2,775,544	3,273,482
Attributable to minority interests			1,604,006
Attributable to the equity holders of the Company			1,669,476
			3,273,482
Cash paid for the acquisition			(1,149,899)
Cash and cash equivalents acquired from the acquisition			341,728
Net cash outflow from the acquisition			(808,171)

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

2 BASIS OF PRESENTATION (continued)

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

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

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

	Book value	Fair value adjustment	Fair value
Cash and cash equivalents	764,370	—	764,370
Trade and other receivables	368,870	—	368,870
Investment in associates	198,195	—	198,195
Available-for-sale financial assets	500	—	500
Property, plant and equipments	225,885	11,136	237,021
Land use right	280	—	280
Intangible assets	45	—	45
Deferred income tax assets/(liabilities)	53	(2,784)	(2,731)
Trade and other payables	(335,063)	—	(335,063)
	1,223,135	8,352	1,231,487
Attributable to minority interests			431,337
Attributable to the equity holders of the Company			800,150
			1,231,487
Cash paid for the acquisition			(800,150)
Cash and cash equivalents acquired from the acquisition			764,370
Net cash outflow from the acquisition			(35,780)

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

2 BASIS OF PRESENTATION (continued)

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

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

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

The Group's comparative information for the year ended 31 December 2008 has been restated as if the operations of Sifang Aluminium had been under the control of the Company since the day that Sifang Aluminium was first acquired by China Coal Group.

The effects of the acquisition of Sifang Aluminium to the Group's financial information are as follows:

	As at 31 December 2008 (as previously reported)	Acquisition of Sifang Aluminium	As at 31 December 2008 (restated)
Non-current assets	37,132,046	194,491	37,326,537
Current assets	51,052,121	133,242	51,185,363
	88,184,167	327,733	88,511,900
Non-current liabilities	12,669,773	22,027	12,691,800
Current liabilities	12,744,105	248,667	12,992,772
	25,413,878	270,694	25,684,572
Net assets	62,770,289	57,039	62,827,328

	Year ended 31 December 2008 (as previously reported)	Acquisition of Sifang Aluminium	Year ended 31 December 2008 (restated)
Revenue	50,992,807	760,285	51,753,092
Profit/(loss) from operations	11,399,229	(675)	11,398,554
Net Profit/(loss)	8,020,173	(15,744)	8,004,429

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

2 BASIS OF PRESENTATION (continued)

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

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

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

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

	As at 31 December 2009 (date of disposal)
Cash and cash equivalents	139,667
Trade and other receivables	434,271
Inventories	10,023
Available-for-sale financial assets	100
Property, plant and equipment	154,786
Land use rights	1,547
Intangible assets	139
Deferred income tax assets	18,022
Trade and other payables	(473,755)
Tax payables	(3,833)
Provision for employee benefits	(3,113)
Net assets disposed	277,854

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

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

2 BASIS OF PRESENTATION (continued)

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

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

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

(h) Acquisition of Shijiazhuang Coal Mining Machinery Company Limited in April 2008

On 1 April 2008, the Group acquired additional shares issued by Shijiazhuang Coal Mining Machinery Company Limited ("Shijiazhuang Coal Mining Machinery") for a consideration of RMB185,000,000, resulting in the Group holding 50% of the enlarged equity of Shijiazhuang Coal Mining Machinery. The consideration has been fully paid by 31 December 2008. As the Group was able to govern the financial and operating policies of Shijiazhuang Coal Mining Machinery, it was accounted for as a subsidiary of the Group.

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

	Book value	Fair value
Cash and cash equivalents	127,990	127,990
Trade and other receivables	194,720	194,720
Inventories	154,648	161,605
Available-for-sale financial assets	7,720	7,771
Property, plant and equipment	43,089	57,678
Land use rights	95,235	139,195
Deferred income tax assets/(liabilities)	3,539	(11,111)
Trade and other payables	(260,275)	(260,275)
Tax payables	(17,973)	(17,973)
Net assets acquired	348,693	399,600
Attributable to minority interests		214,600
Attributable to the equity holders of the Company		185,000
		399,600
Cash paid for the acquisition		(185,000)
Cash and cash equivalents acquired from the acquisition		127,990
Net cash outflow from the acquisition		(57,010)

For the year ended 31 December 2009
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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

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

3.1.1Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended IFRSs as of 1 January 2009.

- IAS 1 (revised). 'Presentation of financial statements' - effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income.

  As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, while non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- IAS 23 (revised), 'Borrowing costs' (effective 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed.

  The Group's current policy is to capitalise eligible borrowings costs, including borrowing costs of funds borrowed generally and used for the purpose of obtaining a qualifying asset. Therefore the revised standard will have no impact on the presentation of the Group's consolidated financial statement.

- IFRS 7 (amendment), 'Financial instruments - Disclosures' (effective 1 January 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by levels under a fair value measurement hierarchy. As this change in accounting policy only results in additional disclosures, there is no impact on earnings per share. The Group has accordingly made such additional disclosures in its financial statements for the year ended 31 December 2009.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of preparation (continued)

3.1.1 Changes in accounting policy and disclosures (continued)

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

- IFRS 8, 'Operating segments' (effective 1 January 2009). IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. Applying IFRS 8 did not result in significant changes in the Group's disclosure of segment information, as such information were previously presented in a manner consistent with the basis used for internal reporting purpose.

  The segment information is reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM has been identified as the President Office（總裁辦公會）that makes strategic decisions, comprising the president and all the vice presidents of the Company. There is no impact on the measurement of the Group's profits, assets and liabilities. Comparatives for 2008 segment information have been restated according to the requirements of IFRS 8.

(b) The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group.

- IFRS 2 (amendment), 'Share-based payment'.
- IAS 32 (amendment), 'Financial instruments: presentation'.
- IFRIC 9 (amendment), 'Reassessment of embedded derivatives' and IAS 39 (amendment), 'Financial instruments: recognition and measurement'.
- IFRIC 13, 'Customer loyalty programmes'.
- IFRIC 15, 'Agreements for the construction of real estate'.
- IFRIC 16, 'Hedges of a net investment in a foreign operation'.
- IAS 39 (amendment), 'Financial instruments: recognition and measurement'.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of preparation (continued)

3.1.1 Changes in accounting policy and disclosures (continued)

(c) The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

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

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. This is not currently applicable to the Group as no such non-cash distributions have been proposed.

- IAS 24 (revised), 'Related Party Disclosures' exempts disclosures in relation to related party transactions and outstanding balances, including commitments, with a government that has control, joint control or significant influence over the reporting entity and another entity that is related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity. IAS 24 (revised) is effective for annual periods commencing on or after 1 January 2011. The Group will apply IAS 24 (revised) in relation to related party transactions and outstanding balances from 1 January 2011.

- IFRIC 18, 'Transfers of Assets from Customers' (effective for transfers on or after 1 July 2009). The interpretation clarifies that an asset received from a customer should be recognised initially at fair value, and the related income should be recognised immediately or if there is a future service obligation, over the relevant service period. This Interpretation also applies to cash received from a customer for the acquisition or construction of an asset. IFRIC 18 is not relevant to the Group's operations because the Group have not received any assets transferred from customers.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of preparation (continued)

3.1.1 Changes in accounting policy and disclosures (continued)

(c) The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted (continued):

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments' (effective on or after 1 July 2010). The interpretation clarifies the accounting by the debtor when the debtor renegotiates the terms of its debt with the result that the liability is extinguished through issuing its own equity instruments to the creditor. A gain or loss recognised in profit or loss is the difference between the fair value of the equity instruments issued and the carrying amount of the financial liability. If the fair value of the equity instruments cannot be reliably measured then the fair value of the existing financial liability is used to measure the gain or loss. The amount of the gain or loss should be separately disclosed on the face of the statement of comprehensive income or in the notes. This interpretation is not currently relevant for the Group.

(d) IASB's annual improvements project published in April 2009:

- Amendment to IFRS 2 'Share-based payments', effective for periods beginning on or after 1 July 2009. This clarification confirms that IFRS 3 (revised) does not change the scope of IFRS 2. This is not currently relevant for the Group as no transactions have taken place of issuing equity instruments for business combination under common control or for the formation of a joint venture.

- Amendment to IFRS 5 'Non-current Assets held for sale and discontinued operations', effective for periods beginning on or after 1 January 2010. Disclosures in standards other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs specifically require disclosures for them. Additional disclosures about these assets or discontinued operations may be necessary to comply with the general requirements of IAS 1 'Presentation of financial statements'. This is not relevant to the Group, as it does not have discontinued operations or non-current assets which are classified as held for sale.

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

- Amendment to IAS 1 'Presentation of financial statements', effective for periods beginning on or after 1 January 2010. Current/non-current classification of the liability component of convertible instruments is not affected by the holder's option which if elected, will result in the settlement by the issuance of equity instruments. This is not relevant to the Group, as it does not have any convertible instruments.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of preparation (continued)

3.1.1 Changes in accounting policy and disclosures (continued)

(d) IASB's annual improvements project published in April 2009: (continued)

- Amendment to IAS 7 'Statement of cash flows', effective for periods beginning on or after 1 January 2010. Only expenditures that result in a recognized asset are eligible for classification as investing activities. The Group will apply IAS 7 (amendment) from 1 January 2010. This amendment is not expected to have material impact on the Group's statement of cash flows.

- Amendment to IAS 17 'Leases', effective for periods beginning on or after 1 January 2010. The amendment removes the specific guidance on the classification of long-term leases of land as operating lease. When classifying land leases, the general principles applicable to the classification of leases should be applied. The classification of land leases has to be reassessed on adoption of the amendment on the basis of information existing at inception of the leases. The Group will apply IAS 17 (amendment) from 1 January 2010. Currently the Group classifies lease of land as operating lease, and account for prepaid lease payment for leasehold land as land use rights. The amendment is not expected to have material impact on the Group's classification of land leases.

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

- Amendment to IAS 36 'Impairment of assets', effective for periods beginning on or after 1 January 2010. This clarifies that the largest unit permitted for the goodwill impairment test is the lowest level of operating segment before any aggregation as defined in IFRS. The Group will apply IAS 36 (amendment) from 1 January 2010. This is not relevant to the Group as it does not have any goodwill.

- Amendment to IAS 38 'Intangible assets', effective for periods beginning on or after 1 July 2009. The Group will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. Applying this amendment is not expected to have material impact on the Group's financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of preparation (continued)

3.1.1 Changes in accounting policy and disclosures (continued)

(d) IASB's annual improvements project published in April 2009: (continued)

- Amendment to IAS 39 'Financial instruments: recognition and measurement', effective for periods beginning on or after 1 January 2010. Loan prepayment penalties are treated as closely related embedded derivatives, only if the penalties are payments that compensate the lender for loss of interest by reducing the economic loss from reinvestment risk. In addition, the scope exemption to business combination contracts only applies to forward contracts that are firmly committed to be completed between the acquirer and a selling shareholder to buy or sell an acquiree in a business combination at a future acquisition date. This amendment also clarifies that in a cash flow hedge of a forecast transaction a reclassification of the gains or losses on the hedged item from equity to profit or loss is made during the period the hedged forecast cash flows affect profit or loss. The Group will apply IAS (amendment) from 1 January 2010. The Group is currently assessing the impact of this amendment on its financial statements.

- Amendment to IFRIC 9 'Reassessment of embedded derivatives', effective for periods beginning on or after 1 July 2009. This amendment aligns the scope of IFRIC 9 to the scope of IFRS 3 (revised): the interpretation does not apply to embedded derivatives in contracts acquired in a business combination, a common control combination or the formation of a joint venture. This is not relevant to the Group, as it does not have such embedded derivatives.

- Amendment to IFRIC 16 'Hedges of a net investment in a foreign operation', effective for periods beginning on or after 1 July 2009. The amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. This is not currently relevant to the Group as it does not have such hedges.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Other accounting policies

(a) *Consolidation*

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December 2009.

(i) Subsidiaries

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

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

The Group defines "common control business combination" as a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

To account for the material common control business combination, the combined entity recognises the assets, liabilities and equity of the combining entities or businesses at the carrying amounts in the consolidated financial statements of the controlling party or parties prior to the common control combination, and financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the consolidated financial statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first under the control of the controlling party or parties.

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

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses (Note 3.2(l)). The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Other accounting policies (continued)

(a) Consolidation (continued)

(ii) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases of minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Disposals to minority interests which increase the level of minority interest in a subsidiary result in gains and losses for the Group and are recorded in equity.

(iii) Associates

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

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

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

In the Company's balance sheet, investments in associated companies are stated at cost less provision for impairment losses (Note 3.2(l)). The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Other accounting policies (continued)

(a) Consolidation (continued)

(iv) Jointly controlled entities

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established among the participating venturers whereby the Group together with the other venturers undertakes an economic activity which is subject to joint control and none of the venturers has unilateral control over the economic activity. The Group's interest in jointly controlled entities is accounted for by using the equity method of accounting and is initially recognized at cost.

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

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

In the Company's balance sheet, investments in jointly controlled entities are stated at cost less provision for impairment losses (Note 3.2(l)). The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

(b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Other accounting policies (continued)

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Other accounting policies (continued)

(d) *Exploration and evaluation expenditure*

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

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

(e) *Property, plant and equipment*

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

Subsequent costs are included in the asset's carrying amount or recognized 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 derecognized. 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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Other accounting policies (continued)

(e) *Property, plant and equipment (continued)*

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.2(l)).

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

(f) *Deferred overburden removal costs*

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

(g) *Construction in progress*

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Other accounting policies (continued)

(h) *Investment Properties*

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

Investment properties are initially recognized at cost and subsequently accounted for under the cost model in accordance with the requirements of IAS 16 Property, Plant and Equipment (Note 3.2(e)).

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

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

(i) *Land use rights*

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

(j) *Mining rights*

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

(k) *Intangible assets*

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Other accounting policies (continued)

(l) Impairment of non-financial assets

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

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

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Other accounting policies (continued)

(m) Financial assets

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

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

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

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

The Company's financial assets designated as fair value through profit or loss are investments in listed securities in the PRC (Note 22(a)), which is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the financial assets are provided internally on that basis to the entity's key management personnel.

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Other accounting policies (continued)

(m) Financial assets (continued)

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

Regular purchases and sales of financial assets are recognized on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognized 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 recognized at fair value and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Other accounting policies (continued)

(m) Financial assets (continued)

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

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

(n) Derivative financial instruments

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

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

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

(o) Inventories

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Other accounting policies (continued)

(p) Receivables

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

(q) Cash and cash equivalents

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

(r) Share capital

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

(s) Trade payables

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

(t) Borrowings

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Other accounting policies (continued)

(u) Current and deferred income tax

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Other accounting policies (continued)

(v) Employee benefits

(i) Pension obligations

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

(ii) Early retirement benefits

Employee early retirement benefits are recognized 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.

(iii) Housing benefits

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

(w) Provisions

Provisions are recognized 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 recognized 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 recognized as interest expense.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Other accounting policies (continued)

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

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

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

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

(y) Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the 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.

For the year ended 31 December 2009
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Other accounting policies (continued)

(y) Revenue recognition (continued)

(i) Sales of goods

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

(ii) Sales of services

The Group provides design and transportation services. The design services are provided on fixed-price contract, with contract terms generally ranging from less than one year to three years. The transportation services are provided based on market-price contract, with contract terms generally less than one year.

Revenue from fixed-price contracts for delivering design services is recognised under the percentage-of-completion method and measured based on the services performed to date as a percentage of the total services to be performed.

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

(iii) Interest income

Interest income is recognized 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 recognized using the original effective interest rate.

(iv) Dividend income

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

(z) Borrowing costs

Borrowing costs, including those pertaining to general borrowings, incurred for the construction of any qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Other accounting policies (continued)

(aa) Leases

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

(ab) Government grants

Grants from the government are recognized 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 recognized in the income statement over the periods necessary to match them with the related costs that they are intended to compensate.

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

(ac) Dividend distributions

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

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

(a) Market risk

(i) Price risk

— Securities price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as available for sale financial assets.

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

In 2008, the Group's major equity investment was in a listed company in the PRC. In February 2009, the Company disposed of all of these shares (Note 22(a)).

— Commodity price risk

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

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

(ii) Foreign exchange risk

The Group's operations (such as export sales, imports of machinery and equipment, foreign currency deposits (Note 23(c)), and trade and notes receivables (Note 20(c)) and borrowings (Note 26(g)) denominated in foreign currency) expose it to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar ("USD") and Japanese Yen ("JPY"). In addition, the RMB is not freely convertible into other foreign currencies and conversion of the RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

4 FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Foreign exchange risk (continued)

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 RMB105,622,000 in 2009 (2008: RMB129,956,000), with all other variables held constant. If USD had appreciated/depreciated by 10% against RMB, the Group's net profit attributable to the equity holders of the Company would have increased/decreased approximately by RMB52,852,000 in 2009 (2008: RMB141,046,000), with all other variables held constant.

(iii) Cash flow and fair value interest rate risk

The Group's exposure to cash flow and interest rate risks arises from the Group's interest bearing bank deposits and bank borrowings whose interest rates are subjected to adjustments by the 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.

At 31 December 2009, if interest rates on RMB-denominated borrowings had been 0.1% higher/lower with all other variables held constant, post-tax profit for the year would have been RMB3,935,000 (2008: RMB3,134,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

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

As at 31 December 2009, the Group holds approximately 79% (2008: 78%) of bank deposits in state-owned banks and the rest of deposits are placed with other financial institutions located mainly in the PRC 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.

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of borrowing facilities (Note 26(i)). Due to the dynamic nature of the underlying businesses, the Group maintains a reasonable level of cash and cash equivalents, and further supplements this by keeping committed credit lines available.

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

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility (Note 26(i)) and cash and cash equivalents (Note 23)) on the basis of expected cash flow.

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Group				
At 31 December 2009				
Bank borrowings	1,665,929	1,601,017	5,435,054	8,045,876
Trade and other payables	13,886,942	—	—	—
Long-term payables	—	208,860	2,508	15,274
At 31 December 2008 (restated)				
Bank borrowings	1,498,981	1,177,455	3,873,363	9,218,624
Trade and other payables	10,776,765	—	—	—
Long-term payables	—	150,000	225,896	—
Company				
At 31 December 2009				
Bank borrowings	294,139	309,878	1,203,973	4,629,450
Trade and other payables	16,006,055	—	—	—
Long-term payables	—	—	—	—
At 31 December 2008				
Bank borrowings	243,901	304,901	946,741	5,274,514
Trade and other payables	13,511,358	—	—	—
Long-term payables	—	150,000	208,811	—

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Capital risk management

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

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

The gearing ratios at 31 December 2009 and 2008 were as follows:

	2009	2008 (restated)
Total borrowings (Note 26)	12,276,339	11,080,521
Total equity	73,443,003	62,827,328
Total capital	85,719,342	73,907,849
Gearing ratio	14.32%	14.99%

The change in the gearing ratio during 2009 resulted primarily from the increase in equity contributed by the Group's net profit earned in 2009. Therefore, the Group has no further plan to use special measures to adjust its gearing ratio in the foreseeable future.

4.3 Fair value estimation

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2009:

	Level 1	Total Balance
Assets		
Available-for-sale financial assets		
-Equity Securities	27,441	27,441
Total assets	27,441	27,441

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. These instruments are included in level 1. Instruments included in level 1 are equity investments which classified as available-for-sale.

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 Fair value estimation (continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) 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.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

Note that all of the resulting fair value estimates are included in level 1.

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

(i) Carrying value of non-current assets

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

(ii) Useful lives of property, plant and equipment

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

(iii) Reserve estimates

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

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

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

(iii) Reserve estimates (continued)

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

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

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

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

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

(iv) Trade and other receivables

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

(v) Income taxes

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

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

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

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

(vii) Fair value determination in acquisitions

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

(viii) Deferred overburden removal costs

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

6 SEGMENT INFORMATION

1) General information

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

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

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

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

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

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

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

2) Information about reportable segment profit, assets and liabilities

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

The measurement of profit or loss, assets and liabilities of the operating segments are the same as those described in the summary of significant accounting policies. The CODM evaluates performance on the basis of profit or loss before income tax expense. The Group accounts for intersegment 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.

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

6 SEGMENT INFORMATION (continued)

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

b. Reportable segments' profit, assets and liabilities

For the year ended and as at 31 December 2009

	Coal	Coke and coal-chemical product	Machinery	Others (note (a))	Total
Revenue					
Total Revenue	41,175,385	3,589,970	5,949,127	4,197,519	54,912,001
Inter-segment revenue	(265,919)	—	(694,097)	(764,958)	(1,724,974)
Revenue from external customers	40,909,466	3,589,970	5,255,030	3,432,561	53,187,027
Profit from operations	9,693,904	83,995	447,387	142,227	10,367,513
Profit before tax expense	9,435,421	25,532	399,571	81,341	9,941,865
Interest revenue	73,861	55,040	5,378	4,424	138,703
Interest expense	(207,479)	(1,641)	(5,366)	(7,666)	(222,152)
Depreciation and amortisation	(1,749,461)	(116,359)	(110,984)	(281,390)	(2,258,194)
Share of profits of associates and jointly controlled entities	24,710	68,662	6,853	—	100,225
Income tax expense	(2,447,884)	4,141	(35,677)	(38,276)	(2,517,696)
Other material non-cash items					
Reversal of/(provision for) impairment of assets	1,402	(8,005)	(20,813)	(2,423)	(29,839)
Segment assets and liabilities					
Segment assets	58,081,775	6,633,475	7,202,438	5,398,766	77,316,454
Include: investment in associates and jointly controlled entities	420,013	510,376	44,592	—	974,981
Expenditures for non-current assets	8,052,225	396,441	276,839	1,029,578	9,755,083
Segment liabilities	20,383,955	836,849	3,420,181	3,444,578	28,085,563

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

6 SEGMENT INFORMATION (continued)

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

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

	For the year ended and as at 31 December 2008 (restated)				
	Coal	Coke and coal-chemical product	Machinery	Others (note (a))	Total
Revenue					
Total Revenue	38,009,916	6,653,252	4,633,497	4,244,284	53,540,949
Inter-segment revenue	(657,478)	—	(499,905)	(630,474)	(1,787,857)
Revenue from external customers	37,352,438	6,653,252	4,133,592	3,613,810	51,753,092
Profit/(loss) from operations	11,284,843	283,660	340,842	(261,593)	11,647,752
Profit/(loss) before tax expense	10,489,222	191,779	299,603	(290,602)	10,690,002
Interest revenue	44,131	16,246	3,044	5,702	69,123
Interest expense	(237,708)	(8,524)	(768)	(574)	(247,574)
Depreciation and amortisation	(1,210,786)	(112,257)	(73,975)	(246,811)	(1,643,829)
Share of profits of associates and jointly controlled entities	19,882	89,543	1,895	—	111,320
Income tax expense	(2,370,922)	(54,748)	(62,374)	(5,906)	(2,493,950)
Other material non-cash items					
Reversal of/(provision for) impairment of assets	(13,283)	(11,470)	5,461	(194,871)	(214,163)
Segment assets and liabilities					
Segment assets	34,989,237	4,848,639	5,979,545	6,179,761	51,997,182
Include: investment in associates and jointly controlled entities	360,281	243,519	283,056	16,799	903,655
Expenditures for non- current assets	6,752,329	880,276	331,984	842,908	8,807,497
Segment liabilities	17,064,994	605,938	2,596,976	3,031,192	23,299,100

note:

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

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

6 SEGMENT INFORMATION (continued)

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

a. Revenue

	Year ended 31 December	
	2009	2008 (restated)
Total revenue for reportable segments	54,912,001	53,540,949
Elimination of inter-segment revenue	(1,724,974)	(1,787,857)
Entity's revenue	53,187,027	51,753,092

b. Profit from operations

	Year ended 31 December	
	2009	2008 (restated)
Total profit from operations for reportable segments	10,367,513	11,647,752
Elimination of inter-segment profits	(96,145)	(55,950)
Other corporate income/(expense)	1,000,553	(193,248)
Profit from operations	11,271,921	11,398,554

c. Profit before tax

	Year ended 31 December	
	2009	2008 (restated)
Total profit before tax expense for reportable segments	9,941,865	10,690,002
Elimination of inter-segment profits	(96,145)	(55,950)
Other corporate income/(expense)	1,071,019	(135,673)
Profit before tax expense	10,916,739	10,498,379

For the year ended 31 December 2009
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

6 SEGMENT INFORMATION (continued)

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

d. Assets

	31 December 2009	31 December 2008 (restated)
Total assets for reportable segments	77,316,454	51,997,182
Elimination of inter-segment accounts	(2,855,969)	(2,478,580)
Other unallocated amounts	30,394,877	38,993,298
Entity's assets	104,855,362	88,511,900

e. Liabilities

	31 December 2009	31 December 2008 (restated)
Total liabilities for reportable segments	28,085,563	23,299,100
Elimination of inter-segment accounts	(2,379,564)	(2,108,522)
Other unallocated amounts	5,706,360	4,493,994
Entity's liabilities	31,412,359	25,684,572

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

6 SEGMENT INFORMATION (continued)

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

f. Other material items

	Year ended 31 December 2009		
	Reportable segment totals	Others (note a)	Entity's totals
Interest revenue	138,703	760,248	898,951
Interest expense	(222,152)	(185,777)	(407,929)
Depreciation and amortisation	(2,258,194)	—	(2,258,194)
Share of profits/(losses) of associates and jointly controlled entities	100,225	(10,290)	89,935
Income tax expense	(2,517,696)	(18,022)	(2,535,718)
Provision for impairment of assets	(29,839)	—	(29,839)
Investment in associates and jointly controlled entities	974,981	1,467,258	2,442,239
Expenditures for non-current assets	9,755,083	562	9,755,645

	Year ended 31 December 2008 (restated)		
	Reportable segment totals	Others (note a)	Entity's totals
Interest revenue	69,123	1,475,151	1,544,274
Interest expense	(247,574)	(310,665)	(558,239)
Depreciation and amortisation	(1,643,829)	(100)	(1,643,929)
Share of profits/(losses) of associates and jointly controlled entities	111,320	(5,178)	106,142
Income tax expense	(2,493,950)	—	(2,493,950)
Provision for impairment of assets	(214,163)	—	(214,163)
Investment in associates and jointly controlled entities	903,655	994,237	1,897,892
Expenditures for non-current assets	8,807,497	3,194	8,810,691

note:

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

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

6 SEGMENT INFORMATION (continued)

4) Geographical information

Analysis of revenue

	Year ended 31 December	
	2009	2008 (restated)
Domestic markets	52,446,952	42,737,015
Asia Pacific markets	739,945	8,704,030
Other overseas markets	130	312,047
	53,187,027	51,753,092

note:

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

Analysis of non-current assets

	31 December 2009	31 December 2008 (restated)
Domestic markets	52,694,816	35,908,397
Asia Pacific markets	8,568	8,764
Other overseas markets	57,242	63,327
	52,760,626	35,980,488

5) Information about major customers

Revenue from the top five customers of the Group for the year ended 31 December 2009 represents approximately 24% of the Group's total revenue (for the year ended 31 December 2008: 21%).

For the year ended 31 December 2009
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

7 PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Mining structures	Plant, machinery and equipment	Railway structures	Motor vehicles, fixtures and others	Construction in progress	Total
At 1 January 2008 (as previously reported)	4,885,919	2,493,795	7,641,204	393,162	439,645	6,148,893	22,002,618
Acquisition of a subsidiary under common control	39,283	—	117,929	—	2,084	431	159,727
At 1 January 2008 (restated)	4,925,202	2,493,795	7,759,133	393,162	441,729	6,149,324	22,162,345
At 1 January 2008 (restated)							
Cost	6,419,796	3,784,459	13,016,339	715,107	701,800	6,149,324	30,786,825
Accumulated depreciation	(1,494,594)	(1,290,664)	(5,257,206)	(321,945)	(260,071)	—	(8,624,480)
Net book amount	4,925,202	2,493,795	7,759,133	393,162	441,729	6,149,324	22,162,345
Year ended 31 December 2008 (restated)							
Opening net book amount	4,925,202	2,493,795	7,759,133	393,162	441,729	6,149,324	22,162,345
Acquisition of a subsidiary	19,493	—	28,752	—	9,433	—	57,678
Additions	113,739	1,786,988	580,761	—	323,959	5,685,068	8,490,515
Transfer upon completion	691,798	264,902	2,399,660	—	21,294	(3,377,654)	—
Transfer to investment property (Note 8)	(34,949)	—	—	—	—	—	(34,949)
Disposals	(1,475)	(1,259)	(63,686)	—	(9,165)	—	(75,585)
Depreciation charge (Note 32)	(214,461)	(162,322)	(1,094,269)	(16,241)	(102,340)	—	(1,589,633)
Closing net book amount	5,499,347	4,382,104	9,610,351	376,921	684,910	8,456,738	29,010,371
At 31 December 2008 (restated)							
Cost	7,208,402	5,835,090	15,961,826	715,107	1,047,321	8,456,738	39,224,484
Accumulated depreciation	(1,709,055)	(1,452,986)	(6,351,475)	(338,186)	(362,411)	—	(10,214,113)
Net book amount	5,499,347	4,382,104	9,610,351	376,921	684,910	8,456,738	29,010,371

For the year ended 31 December 2009
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

7 PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Buildings	Mining structures	Plant, machinery and equipment	Railway structures	Motor vehicles, fixtures and others	Construction in progress	Total
Year ended 31 December 2009							
Opening net book amount	5,499,347	4,382,104	9,610,351	376,921	684,910	8,456,738	29,010,371
Acquisition of subsidiaries (Note 2(a), 2(b), 2(c), 2(d))	61,629	—	60,611	—	27,724	883,170	1,033,134
Disposal of a subsidiary (Note 2(f))	(60,062)	—	(15,836)	—	(21,531)	(57,357)	(154,786)
Additions	385,362	1,106,363	1,321,430	—	102,186	6,149,232	9,064,573
Transfer upon completion	1,515,751	329,444	3,755,988	—	33,660	(5,634,843)	—
Disposals	—	—	(4,829)	(3,174)	(17,862)	—	(25,865)
Depreciation charge (Note 32)	(371,097)	(177,987)	(1,421,695)	(44,007)	(183,542)	—	(2,198,328)
Closing net book amount	7,030,930	5,639,924	13,306,020	329,740	625,545	9,796,940	36,729,099
At 31 December 2009							
Cost	9,111,082	7,270,897	21,079,190	711,933	1,171,498	9,796,940	49,141,540
Accumulated depreciation	(2,080,152)	(1,630,973)	(7,773,170)	(382,193)	(545,953)	—	(12,412,441)
Net book amount	7,030,930	5,639,924	13,306,020	329,740	625,545	9,796,940	36,729,099

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

7 PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Buildings	Plant, machinery and equipment	Motor vehicles and others	Construction in progress	Total
At 1 January 2008					
Cost	998,793	743,587	101,082	1,383,882	3,227,344
Accumulated depreciation	(219,110)	(149,031)	(50,691)	—	(418,832)
Net book amount	779,683	594,556	50,391	1,383,882	2,808,512
Year ended 31 December 2008					
Opening net book amount	779,683	594,556	50,391	1,383,882	2,808,512
Additions	17,159	339,079	33,674	1,024,659	1,414,571
Transfer upon completion	184,001	88,448	12,002	(284,451)	—
Depreciation charge	(25,759)	(106,812)	(18,013)	—	(150,584)
Closing net book amount	955,084	915,271	78,054	2,124,090	4,072,499
At 31 December 2008					
Cost	1,199,953	1,171,114	146,758	2,124,090	4,641,915
Accumulated depreciation	(244,869)	(255,843)	(68,704)	—	(569,416)
Net book amount	955,084	915,271	78,054	2,124,090	4,072,499
Year ended 31 December 2009					
Opening net book amount	955,084	915,271	78,054	2,124,090	4,072,499
Transfer to a subsidiary	(955,084)	(914,432)	(66,163)	(2,124,090)	(4,059,769)
Additions	—	206	13,273	—	13,479
Depreciation charge	—	—	(2,418)	—	(2,418)
Closing net book amount	—	1,045	22,746	—	23,791
At 31 December 2009					
Cost	—	2,024	29,942	—	31,966
Accumulated depreciation	—	(979)	(7,196)	—	(8,175)
Net book amount	—	1,045	22,746	—	23,791

During the year ended 31 December 2009, the depreciation charges of the Group were recorded in cost of sales with an amount of RMB1,846,059,000 (2008: RMB1,345,196,000), selling, general and administrative expenses with an amount of RMB213,358,000 (2008: RMB182,945,000), cost of inventories which remained unsold as at year end with an amount of RMB82,114,000 (2008: RMB61,492,000) and other gains with an amount of RMB56,797,000 (2008: Nil) respectively.

For the year ended 31 December 2009
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

8 INVESTMENT PROPERTIES

	Group
At 1 January 2008	
Cost	—
Accumulated depreciation	—
Net book amount	—
Year ended 31 December 2008	
Opening net book amount	—
Transfer from property, plant and equipment (Note 7)	34,949
Depreciation charge	(1,224)
Closing net book amount	33,725
At 31 December 2008	
Cost	34,949
Accumulated depreciation	(1,224)
Net book amount	33,725
Year ended 31 December 2009	
Opening net book amount	33,725
Depreciation charge	(1,322)
Closing net book amount	32,403
At 31 December 2009	
Cost	34,949
Accumulated depreciation	(2,546)
Net book amount	32,403

The following amounts are recognized in the consolidated income statement:

	Group	
	2009	2008
Rental income	2,381	4,759
Direct operating expenses arising from rental-generating investment properties	1,399	1,482

The rental income, related depreciation charge and direct operating expenses are recorded in other gains for the year ended 31 December 2008 and 2009.

The fair value of investment properties as at 31 December 2009 is approximately RMB83,596,000 (2008: RMB47,876,000).

For the year ended 31 December 2009
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

9 LAND USE RIGHTS

	Group	Company
At 1 January 2008 (as previously reported)	350,700	36,166
Acquisition of a subsidiary under common control	24,294	—
Balance at 1 January 2008 (restated)	374,994	36,166
Balance at 1 January 2008 (restated)		
Cost	398,316	42,737
Accumulated amortisation	(23,322)	(6,571)
Net book amount	374,994	36,166
Year ended 31 December 2008 (restated)		
Opening net book amount	374,994	36,166
Acquisition of a subsidiary (Note 2(h))	139,195	—
Additions	107,668	20,788
Amortisation charge	(6,589)	(609)
Closing net book amount	615,268	56,345
At 31 December 2008 (restated)		
Cost	645,179	63,525
Accumulated amortisation	(29,911)	(7,180)
Net book amount	615,268	56,345
Year ended 31 December 2009		
Opening net book amount	615,268	56,345
Transfer to a subsidiary	—	(56,345)
Acquisition of subsidiaries (Note 2(a), 2(d))	70,771	—
Additions	57,139	—
Amortisation charge	(15,286)	—
Disposal	(16,703)	—
Closing net book amount	711,189	—
At 31 December 2009		
Cost	756,386	—
Accumulated amortisation	(45,197)	—
Net book amount	711,189	—

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 RMB5,788,000 (2008: RMB2,636,000) and selling, general and administrative expenses with an amount of RMB9,498,000 (2008: RMB3,953,000).

For the year ended 31 December 2009
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

10 MINING RIGHTS

	Group	Company
At 1 January 2008		
Cost	3,578,226	535,678
Accumulated amortisation	(66,800)	—
Net book amount	3,511,426	535,678
Year ended 31 December 2008		
Opening net book amount	3,511,426	535,678
Additions	207,612	—
Amortisation charge	(38,202)	—
Closing net book amount	3,680,836	535,678
At 31 December 2008		
Cost	3,785,838	535,678
Accumulated amortisation	(105,002)	—
Net book amount	3,680,836	535,678
Year ended 31 December 2009		
Opening net book amount	3,680,836	535,678
Transfer to a subsidiary	—	(535,678)
Acquisition of subsidiaries (Note 2(b), 2(c))	7,906,205	—
Additions	625,543	—
Amortisation charge	(36,170)	—
Closing net book amount	12,176,414	—
At 31 December 2009		
Cost	12,317,586	—
Accumulated amortisation	(141,172)	—
Net book amount	12,176,414	—

The amortisation charge was recorded in cost of sales for the year ended 31 December 2008 and 2009.

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

11 INTANGIBLE ASSETS

	Group	Company
At 1 January 2008		
Cost	55,806	19,106
Accumulated amortisation	(11,047)	(2,789)
Net book amount	44,759	16,317
Year ended 31 December 2008		
Opening net book amount	44,759	16,317
Additions	4,896	696
Amortisation charge	(8,281)	(1,862)
Closing net book amount	41,374	15,151
At 31 December 2008		
Cost	60,702	19,802
Accumulated amortisation	(19,328)	(4,651)
Net book amount	41,374	15,151
Year ended 31 December 2009		
Opening net book amount	41,374	15,151
Acquisition of subsidiaries (Note 2 (c), 2(d))	83	—
Additions	8,390	1
Amortisation charge	(7,088)	(1,930)
Disposal	(371)	—
Closing net book amount	42,388	13,222
At 31 December 2009		
Cost	68,804	19,803
Accumulated amortisation	(26,416)	(6,581)
Net book amount	42,388	13,222

Intangible assets mainly represent computer software.

The amortisation charge was recorded in selling, general and administrative expenses for the year ended 31 December 2008 and 2009.

For the year ended 31 December 2009
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

12 INVESTMENTS IN SUBSIDIARIES

	Company	
	2009	2008
Investments, at cost:		
Shares listed in the PRC	2,197,058	2,197,058
Unlisted shares	36,513,757	29,548,140
	38,710,815	31,745,198
Market value of listed shares	9,203,926	3,198,502

Particulars of principal subsidiaries as at 31 December 2009 are set out in Note 45(i).

13 INVESTMENTS IN ASSOCIATES

	Group		Company	
	2009	2008	2009	2008
Beginning of the year	1,301,783	1,146,263	1,217,259	1,092,879
Additions	510,465	154,615	228,851	124,380
Acquisition of a subsidiary (Note 2(d))	198,195	—	—	—
Share of profits	19,491	905	—	—
End of the year	2,029,934	1,301,783	1,446,110	1,217,259

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

	Group	
	2009	2008
Total assets	5,408,761	3,271,726
Total liabilities	(3,378,827)	(1,969,943)
	2,029,934	1,301,783
Revenue	558,801	610,352
Net profits	19,491	905

Particulars of the Group's associates are set out in Note 45(iii).

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

14 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2009	2008	2009	2008
Beginning of the year	596,109	260,003	8,416	8,416
Additions	—	245,000	—	—
Change of Xi'an Mining Machinery to a subsidiary (Note 2(a))	(244,942)	—	—	—
Share of movements in reserve	(54)	(14,131)	—	—
Dividends	(9,252)	—	—	—
Share of profits	70,444	105,237	—	—
End of the year	412,305	596,109	8,416	8,416

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

	Group	
	2009	2008
Current assets	584,793	835,990
Non-current assets	829,698	706,232
	1,414,491	1,542,222
Current liabilities	(516,720)	(623,494)
Non-current liabilities	(485,466)	(322,619)
	(1,002,186)	(946,113)
Net assets	412,305	596,109
Revenue	1,826,435	1,903,723
Expenses	(1,755,991)	(1,798,486)
Net profit	70,444	105,237

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 2009 are set out in Note 45(ii).

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

15 FINANCIAL INSTRUMENTS

(a) Financial instruments by category

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

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

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

15 FINANCIAL INSTRUMENTS (continued)

(a) Financial instruments by category (continued)

	Group			
	Loans and receivables	Assets at fair value through the profit and loss	Available-for-sale financial assets	Total
31 December 2008 (restated)				
Assets as per balance sheet				
Available-for-sale financial assets	—	—	558,268	558,268
Trade and other receivables excluding pre-payments	7,509,085	—	—	7,509,085
Financial assets at fair value through profit or loss	—	300,000	—	300,000
Long term receivables	701,022	—	—	701,022
Restricted bank deposits and term deposits	29,504,623	—	—	29,504,623
Cash and cash equivalents	7,888,283	—	—	7,888,283
Total	45,603,013	300,000	558,268	46,461,281

	Other financial liabilities at amortised cost
31 December 2008 (restated)	
Liabilities as per balance sheet	
Borrowings	11,080,521
Trade and other payables excluding statutory liabilities	10,668,934
Total	21,749,455

For the year ended 31 December 2009
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

15 FINANCIAL INSTRUMENTS (continued)

(b) Credit quality of loans and receivables

	Group	
	2009	2008 (restated)
Trade receivables		
Counterparties without external credit rating		
Group 1	250,518	278,428
Group 2	2,137,580	3,635,607
Group 3	866,595	558,773
Total unimpaired trade receivables	3,254,693	4,472,808
Loans to related parties		
Group 2	626,894	626,894
	626,894	626,894

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

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

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

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2009	2008 (restated)	2009	2008
Beginning of the year	558,268	380,072	170,062	11,667
Acquisition of subsidiaries (Note 2(d), 2(h))	500	7,771	—	—
Additions	380,468	170,346	380,000	165,000
Provision for impairment	(1,636)	—	—	—
Disposals	(14,342)	(7,603)	(3,062)	—
Transfer to a subsidiary	—	—	(2,000)	—
Increase/(decrease) in fair value credited/(charged) to equity	13,529	7,682	—	(6,605)
End of the year	936,787	558,268	545,000	170,062

Available-for-sale financial assets include the following:

	Group		Company	
	2009	2008 (restated)	2009	2008
Listed securities, at fair value - equity securities - listed in the PRC	27,441	22,700	—	3,062
Unlisted securities, at cost	909,346	535,568	545,000	167,000
	936,787	558,268	545,000	170,062

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.

Unlisted equity securities, which do not have a quoted market price and whose fair value cannot be reliably measured, are measured at cost.

Dividend income from available-for-sale investments amounted to RMB636,000 in 2009 (2008: RMB10,048,000).

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

17 LOANS TO SUBSIDIARIES

The Company borrowed bank loans from PRC banks and on-lent such loans to its subsidiaries at interest rates ranging from 5.35% to 7.05% per annum with maturities from 3 years to 11 years. The loans are neither past due nor impaired as at 31 December 2009 and 2008. Such loan balances and the related interest income and expenses have been eliminated in the consolidated balance sheet and income statement.

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

18 LONG-TERM RECEIVABLES

Long-term receivables of the Group mainly include entrusted loans of RMB626,894,000 (2008: RMB626,894,000) to a jointly controlled entity via Bank of Communications to fund its construction projects.

These amounts are secured by certain property, plant and equipment of the jointly controlled entity with a carrying value of RMB639,297,000 as at 31 December 2009 (2008: RMB751,935,000). These amounts bear interest rates ranging from 7.47% to 8.18% per annum during the year and are repayable in 2 to 3 years.

In addition, the amount of RMB74,128,000 in 2008 represented a loan to a third party entity. This amount bears interest rate of 3.60% per annum during the year and is repayable by 2010.

Long term receivables of the Company also include amounts due from subsidiary companies.

The receivables are neither past due nor impaired as at 31 December 2009 and 2008.

19 INVENTORIES

	Group		Company	
	2009	2008 (restated)	2009	2008
Coal	756,832	585,955	196,812	63,558
Coke	217,502	197,218	—	—
Machinery for sale	1,506,021	1,301,671	—	—
Auxiliary materials, spare parts and tools	2,497,972	2,154,794	—	23,090
	4,978,327	4,239,638	196,812	86,648

The provisions for impairment of inventories of the Group amounted to RMB11,723,000 as at 31 December 2009 (2008: RMB186,110,000) and the carrying amount of inventories carried at fair value less costs to sale are RMB195,872,000 as at 31 December 2009 (2008: RMB681,853,000).

20 TRADE AND NOTES RECEIVABLES

	Group		Company	
	2009	2008 (restated)	2009	2008
Trade receivables, net (note (a))	3,254,693	4,472,808	770,105	1,052,993
Notes receivables (note (b))	1,708,844	1,162,321	136,774	—
	4,963,537	5,635,129	906,879	1,052,993

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

20 TRADE AND NOTES RECEIVABLES (continued)

notes:

(a) Trade receivables are analysed as follows:

	Group		Company	
	2009	2008 (restated)	2009	2008
Trade receivables				
- Subsidiaries	—	—	96,804	306,579
- Fellow subsidiaries	175,823	335,065	—	11,095
- Associates	20,145	7,836	11,112	—
- Other related parties	50,900	126,751	—	—
- Other state-owned enterprises	2,307,122	2,643,375	539,706	732,170
- Third parties	700,703	1,359,781	122,483	3,149
Trade receivables, net	3,254,693	4,472,808	770,105	1,052,993

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

	Group		Company	
	2009	2008 (restated)	2009	2008
Within 6 months	2,755,968	4,056,411	714,433	1,045,875
6 months - 1 year	290,107	263,804	7,828	325
1 - 2 years	213,102	147,391	47,844	—
2 - 3 years	57,117	64,933	—	—
Over 3 years	238,032	173,571	—	21,570
Trade receivables, gross	3,554,326	4,706,110	770,105	1,067,770
Less: Impairment of receivables	(299,633)	(233,302)	—	(14,777)
Trade receivables, net	3,254,693	4,472,808	770,105	1,052,993

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

	Group		Company	
	2009	2008 (restated)	2009	2008
At the beginning of the year	233,302	226,982	14,777	14,767
Provision for impairment of receivables	37,391	25,725	—	10
Reversal of provision for impairment of receivables	(8,834)	(25,281)	—	—
Receivables written off during the year as uncollectable	(2,149)	(59)	—	—
Acquisition of certain subsidiaries and disposal of a subsidiary	39,923	5,935	—	—
Transfer to a subsidiary	—	—	(14,777)	—
At the end of the year	299,633	233,302	—	14,777

For the year ended 31 December 2009
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

20 TRADE AND NOTES RECEIVABLES (continued)

notes: (continued)

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

Trade receivables are with credit terms of six months. For receivables that are more than 180 days past due, impairment provision is assessed. The individually impaired receivables relate to customers which are in unexpected difficult economic situations.

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

The Group does not hold any collateral as security.

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

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

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

	Group		Company	
	2009	2008 (restated)	2009	2008
RMB	4,712,781	4,641,404	906,879	1,052,993
USD	250,756	993,725	—	—
	4,963,537	5,635,129	906,879	1,052,993

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

21 PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2009	2008 (restated)	2009	2008
Advances to suppliers (note (a))	1,524,529	1,434,452	171,717	231,419
Interest receivable (note (b))	343,715	1,329,439	647,108	1,329,212
Dividends receivable	21,817	13,745	5,012,212	3,292,691
Amounts due from related parties, gross (note (c))	350,313	419,820	1,160,462	1,844,694
Prepayment for future investment (note (g))	360,000	—	—	—
Prepayment for investments	376,959	317,626	—	317,626
Prepayment for mining rights	340,520	—	—	—
Amounts due from third parties, gross	704,560	476,347	52,247	116,250
	4,022,413	3,991,429	7,043,746	7,131,892
Less: Impairment of other receivables (note (d))	(343,400)	(373,739)	(30,010)	(43,561)
Prepayments and other receivables, net (note (e))	3,679,013	3,617,690	7,013,736	7,088,331

For the year ended 31 December 2009
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

21 PREPAYMENTS AND OTHER RECEIVABLES (continued)

notes:

(a) Advances to suppliers are analysed as follows:

	Group		Company	
	2009	2008 (restated)	2009	2008
Advances to suppliers				
- Subsidiaries	—	—	75,000	75,000
- Fellow subsidiaries	46,531	52,168	—	4,246
- Associates	1,498	713	—	—
- Other related parties	9,735	15,951	—	—
- Other state-owned enterprises	713,355	631,380	78,896	21,383
- Third parties	753,410	734,240	17,821	130,790
	1,524,529	1,434,452	171,717	231,419

(b) The amount as at 31 December 2008 represents interest receivable pertaining to several structured deposits with certain China banks (Note 23) which were carried at an interest rate of 11.99% to 13% per annum, both the principal and the interest had been recovered in year 2009. The amount as at 31 December 2009 represents interest receivable from several term deposits with interest rate range from 1.71% to 3.87% per annum.

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

	Group		Company	
	2009	2008 (restated)	2009	2008
Amounts due from related parties, gross				
- Subsidiaries	—	—	1,104,117	1,760,757
- Fellow subsidiaries	53,485	34,881	74	16,782
- Jointly controlled entities	12,713	72,713	—	—
- Associates	42,138	51,541	210	21,816
- Other related parties	13,811	1,040	56,061	—
- Other state-owned enterprises	228,166	259,645	—	45,339
	350,313	419,820	1,160,462	1,844,694

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

For the year ended 31 December 2009
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

21 PREPAYMENTS AND OTHER RECEIVABLES (continued)

notes: (continued)

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

	Group		Company	
	2009	2008 (restated)	2009	2008
At the beginning of the year	373,739	345,067	43,561	12,073
Provision for impairment of receivables	13,732	51,485	—	31,488
Reversal of provision for impairment of receivables	(18,251)	(15,814)	—	—
Receivables written off during the year as uncollectible	(20,314)	(8,407)	—	—
Acquisition of certain subsidiaries and disposal of a subsidiary	(5,506)	1,408	—	—
Transfer to a subsidiary	—	—	(13,551)	—
At the end of the year	343,400	373,739	30,010	43,561

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

(f) There are no collaterals for other receivables.

(g) The amount as at 31 December 2009 represents deposit paid to the government for guaranteeing potential investment, which will be repaid if the investment was achieved.

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

Group

	Derivative financial instruments	Other financial assets at fair value through profit and loss (note (a))	Total
Year ended 31 December 2008			
Opening balance	331,172	1,706,400	2,037,572
Additions	39,862	—	39,862
Increase/(decrease) in fair value through profit or loss	42,916	(1,406,400)	(1,363,484)
Settled	(413,950)	—	(413,950)
Closing balance	—	300,000	300,000
Year ended 31 December 2009			
Opening balance	—	300,000	300,000
Decrease in fair value through profit or loss	(10,427)	—	(10,427)
Disposal	10,427	(300,000)	(289,573)
Closing balance	—	—	—

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

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

Company

	Derivative financial instruments	Other financial assets at fair value through profit and loss (note (a))	Total
Year ended 31 December 2008			
Opening balance	331,172	1,706,400	2,037,572
Increase/(decrease) in fair value through profit or loss	24,826	(1,406,400)	(1,381,574)
Settled	(355,998)	—	(355,998)
Closing balance	—	300,000	300,000
Year ended 31 December 2009			
Opening balance	—	300,000	300,000
Disposal	—	(300,000)	(300,000)
Closing balance	—	—	—

note:

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

For the year ended 31 December 2009
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

23 CASH AND BANK DEPOSITS

	Group		Company	
	2009	2008 (restated)	2009	2008
Restricted bank deposits (note (a))	1,844,098	2,121,593	—	286,703
Term deposits with initial terms of over three months	22,813,484	27,383,030	22,600,000	27,187,000
Cash and cash equivalents - Cash on hand	1,857	1,232	3	30
- Deposits with banks and other financial institutions	12,626,556	7,887,051	6,699,538	3,964,372
	37,285,995	37,392,906	29,299,541	31,438,105

notes:

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

(b) For the year ended 31 December 2009, the weighted average effective interest rates on deposits ranged from 0.36% to 3.87% per annum (2008: 0.36% to 13%).

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

	Group		Company	
	2009	2008 (restated)	2009	2008
RMB	36,993,499	36,502,949	29,299,541	31,436,049
USD	260,705	886,543	—	2,056
JPY	3,705	1,942	—	—
Other currencies	28,086	1,472	—	—
	37,285,995	37,392,906	29,299,541	31,438,105

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.

For the year ended 31 December 2009
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

24 SHARE CAPITAL

	2009		2008	
	Number of shares (thousands)	Nominal Value	Number of shares (thousands)	Nominal Value
Registered, issued and fully paid:				
Domestic shares of RMB1.00 each				
- held by China Coal Group	7,481,644	7,481,644	7,634,177	7,634,177
- held by other A share shareholders	1,670,356	1,670,356	1,517,823	1,517,823
H shares of RMB1.00 each				
- held by a wholly owned subsidiary of China Coal Group	120,000	120,000	—	—
- held by other H share shareholders	3,986,663	3,986,663	4,106,663	4,106,663
	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
As at 1 January 2008	7,626,667	—	—	4,106,663	11,733,330
Issue of new shares upon listing (note (b))	—	1,525,333	—	—	1,525,333
Share transaction (note (c))	7,510	(7,510)	—	—	—
As at 31 December 2008	7,634,177	1,517,823	—	4,106,663	13,258,663
Share transaction (note (d))	(152,533)	152,533	120,000	(120,000)	—
As at 31 December 2009	7,481,644	1,670,356	120,000	3,986,663	13,258,663

notes:

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

(b) On 1 February 2008, the Company issued 1,525,333,400 new A shares at RMB16.83 per share. Net proceeds resulting from such share issuance amounted to approximately RMB25,319,909,400 after deducting the share issuance costs, out of which RMB1,525,333,400 was recorded in share capital and RMB23,794,576,000 was recorded in capital reserve. The listing and trading of the A shares on the Shanghai Stock Exchange commenced on 1 February 2008.

(c) In September 2008, China Coal Group purchased 7,510,114 A shares via the Shanghai Stock Exchange, resulting in increase its shareholdings to 57.58%.

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

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

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

25 RESERVES

	Group								
	Capital reserve	Statutory reserve funds	Future develop -ment fund	Safety fund	Transformation and environmental restoration fund	Translation reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2008 (as previously reported)	6,725,796	338,218	256,775	1,020,774	176,058	(11,787)	3,614,005	4,197,306	16,317,145
Acquisition of a subsidiary under common control	—	—	—	—	—	—	86,498	(41,060)	45,438
Balance at 1 January 2008 (restated)	6,725,796	338,218	256,775	1,020,774	176,058	(11,787)	3,700,503	4,156,246	16,362,583
Balance at 1 January 2008 (restated)	6,725,796	338,218	256,775	1,020,774	176,058	(11,787)	3,700,503	4,156,246	16,362,583
Profit for the year	—	—	—	—	—	—	—	7,131,007	7,131,007
Issuance of new A shares (Note 24(b))	23,794,576	—	—	—	—	—	—	—	23,794,576
Fair value change in available-for-sale financial assets, net of deferred tax	—	—	—	—	—	—	5,762	—	5,762
Cumulative translation adjustment	—	—	—	—	—	(12,975)	—	—	(12,975)
Appropriations	—	383,792	(178,373)	376,207	1,106,135	—	—	(1,687,761)	—
Common control business combination	—	—	—	—	—	—	(1,123,898)	—	(1,123,898)
Purchase of equity from minority shareholder and others	—	—	—	—	—	—	(13,031)	—	(13,031)
Dividends (Note 38)	—	—	—	—	—	—	—	(825,484)	(825,484)
Balance at 31 December 2008 (restated)	30,520,372	722,010	78,402	1,396,981	1,282,193	(24,762)	2,569,336	8,774,008	45,318,540
Profit for the year	—	—	—	—	—	—	—	7,834,332	7,834,332
Disposal of available-for-sale financial assets, net of deferred tax	—	—	—	—	—	—	(5,219)	—	(5,219)
Fair value change in available-for-sale financial assets, net of deferred tax	—	—	—	—	—	—	10,147	—	10,147
Cumulative translation adjustment	—	—	—	—		(129)	—	—	(129)
Appropriations	—	546,337	46,181	135,338	166,377	—	—	(894,233)	—
Purchase of equity from minority shareholders and others	—	—	—	—	—	—	(86,098)	—	(86,098)
Dividends (Note 38)	—	—	—	—	—	—	—	(2,043,559)	(2,043,559)
Common control business combination	—	—	—	—	—	—	(58,183)	—	(58,183)
Balance at 31 December 2009	30,520,372	1,268,347	124,583	1,532,319	1,448,570	(24,891)	2,429,983	13,670,548	50,969,831

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

25 RESERVES (continued)

	Company				
	Capital reserve	Statutory reserve funds	Other reserves	Retained earnings	Total
Balance at 1 January 2008	22,089,660	338,218	534,678	890,487	23,853,043
Profit for the year	—	—	—	3,967,331	3,967,331
Issuance of new A shares (Note 24(b))	23,794,576	—	—	—	23,794,576
Fair value change in available-for-sale financial assets, net of deferred tax	—	—	(4,953)	—	(4,953)
Appropriations	—	383,792	—	(383,792)	—
Dividends (Note 38)	—	—	—	(825,484)	(825,484)
Others	—	—	4,128	—	4,128
Balance at 31 December 2008	45,884,236	722,010	533,853	3,648,542	50,788,641
Profit for the year	—	—	—	5,476,222	5,476,222
Disposal of available-for-sale financial assets, net of deferred tax	—	—	(2,244)	—	(2,244)
Appropriations	—	546,337	—	(546,337)	—
Dividends (Note 38)	—	—	—	(2,043,559)	(2,043,559)
Balance at 31 December 2009	45,884,236	1,268,347	531,609	6,534,868	54,219,060

notes:

(a) Statutory reserve funds

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

For the year ended 31 December 2009, the Company appropriated RMB546,337,000 (2008: RMB383,792,000) to the statutory surplus reserve fund, representing 10% of the Company's profit after tax for the year ended 31 December 2009, 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 RMB8 per ton of raw coal mined. The fund can be used for future development of the coal mining operations, and is not available for distribution to shareholders. Upon incurring qualifying development expenditure, an equivalent amount is transferred from future development fund to retained earnings.

For the year ended 31 December 2009
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

25 RESERVES (continued)

notes: (continued)

(c) Safety fund

Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC, the Group is required to set aside an amount to a safety fund at RMB6 to RMB60 per ton of raw coal mined. The fund can be used for improvements of safety at the mines, and is not available for distribution to shareholders. Upon incurring qualifying safety expenditure, an equivalent amount is transferred from safety fund to retained earnings.

(d) Transformation and environmental restoration fund

Pursuant to two regulations issued by the Shanxi municipal government on 15 November 2007, both of which are effective from 1 October 2007, mining companies of the Group located in Shanxi Province are required to set aside an amount to a coal mine industry transformation fund and environmental restoration fund at RMB5 and RMB10 per ton of raw coal mined respectively. According to the relevant rules, such funds will be specifically utilised for the transformation costs of the coal mine industry and for the land restoration and environmental cost, and is not available for distribution to shareholders. Upon incurring qualifying transformation and environmental restoration expenditures, an equivalent amount is transferred from transformation and environmental restoration fund to retained earnings.

26 BORROWINGS AND BANKING FACILITIES

	Group		Company	
	2009	2008 (restated)	2009	2008
Long-term borrowings				
Bank loans and loans from other financial institutions				
- Secured (note (h))	823,255	863,915	—	—
- Unsecured	11,050,103	9,832,302	4,361,000	4,361,000
	11,873,358	10,696,217	4,361,000	4,361,000
Other unsecured loans from				
- Minority shareholders of certain subsidiaries (note (c))	16,000	16,008	—	—
	11,889,358	10,712,225	4,361,000	4,361,000
Less: Amount due within one year under current liabilities	(602,658)	(518,715)	(61,000)	—
	11,286,700	10,193,510	4,300,000	4,361,000
Short-term borrowings				
Bank loans and loans from other financial institutions				
- Unsecured	386,381	367,696	—	—
Other unsecured loans from				
- Minority shareholders of certain subsidiaries	600	600	—	—
	386,981	368,296	—	—

For the year ended 31 December 2009
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

26 BORROWINGS AND BANKING FACILITIES (continued)

notes:

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

	Group		Company	
	2009	2008	2009	2008
Wholly repayable within five years				
- Bank loans and loans from other financial institutions	3,060,748	827,864	—	—
- Loans from minority shareholders of certain subsidiaries	16,000	16,008	—	—
	3,076,748	843,872	—	—
Not wholly repayable within five years				
- Banks loans and loans from other financial institutions	8,812,610	9,868,353	4,361,000	4,361,000
	11,889,358	10,712,225	4,361,000	4,361,000

(b) At 31 December 2009, the Group's long-term borrowings were repayable as follows:

	Group		Company	
	2009	2008	2009	2008
Banks loans and loans from other financial institutions				
- Within one year	602,658	518,715	61,000	—
- In the second year	971,658	610,305	80,000	61,000
- In the third to fifth year	3,841,432	2,343,791	540,000	240,000
- After the fifth year	6,457,610	7,223,406	3,680,000	4,060,000
	11,873,358	10,696,217	4,361,000	4,361,000
Loans from minority shareholders of certain subsidiaries				
- In the third to fifth year	16,000	16,008	—	—
	11,889,358	10,712,225	4,361,000	4,361,000

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

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

	Group		Company	
	2009	2008	2009	2008
Long-term borrowings				
Floating rate (6 months or less)	8,598,960	8,959,215	4,361,000	4,361,000
Fixed rate	3,290,398	1,753,010	—	—
	11,889,358	10,712,225	4,361,000	4,361,000

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

26 BORROWINGS AND BANKING FACILITIES (continued)

notes: (continued)

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

	Group				Company			
	Carrying amount		Fair value		Carrying amount		Fair value	
	2009	2008	2009	2008	2009	2008	2009	2008
Borrowings	11,286,700	10,193,510	11,168,846	10,017,136	4,300,000	4,361,000	4,300,000	4,361,000

The fair values of non-current borrowings are based on discounted cash flows using applicable discount rates based on the prevailing market interest rates available to the Group for borrowings with substantially the same terms at the balance sheet date, which ranged from 5.40% to 5.94% per annum as at 31 December 2009 (2008: 5.40% to 5.94%).

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

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

	Group		Company	
	2009	2008	2009	2008
Banks loans and loans from other financial institutions				
- RMB loan	4.50%-12.21%	4.50% - 8.32%	5.35%	5.35% - 7.05%
- JPY loan	2.28%	2.28%	—	—
Loans from minority shareholders of certain subsidiaries				
- RMB loan	5.60%	5.60%	—	—

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

	Group		Company	
	2009	2008 (restated)	2009	2008
Long-term borrowings:				
RMB	10,480,716	8,979,482	4,361,000	4,361,000
JPY	1,408,642	1,732,743	—	—
	11,889,358	10,712,225	4,361,000	4,361,000
Short-term borrowings:				
RMB	386,981	368,296	—	—
	12,276,339	11,080,521	4,361,000	4,361,000

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

26 BORROWINGS AND BANKING FACILITIES (continued)

notes: (continued)

(h) The secured borrowings are as follows:

	Group	
	2009	2008
Secured by:		
- Property, plant and equipment	—	3,160
- Equity interest in a subsidiary/jointly controlled entity	823,255	860,755
	823,255	863,915
Guaranteed by:		
- Minority shareholders of certain subsidiaries	455,000	414,500
	1,278,255	1,278,415

All the borrowings of the Company are unsecured bank loans.

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

	Group		Company	
	2009	2008	2009	2008
Floating rates				
- Expiring within one year	26,652,330	25,511,540	26,652,330	25,511,540
- Expiring over one year	840,000	—	—	—
	27,492,330	25,511,540	26,652,330	25,511,540

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

27 LONG-TERM PAYABLES

	Group		Company	
	2009	2008	2009	2008
Payable for mining rights (note (a))	177,684	279,825	—	279,825
Others	14,618	56,607	—	39,522
	192,302	336,432	—	319,347

notes:

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

Antaibao mining right was purchased by the Company in 2007. According to the agreement with the PRC authority, the contract cost of the mining right is approximately RMB619.3 million, which is to be paid by instalment in 5 years, from 2007 to 2011, with no interest. The mining right was initially recognized by the Company based on the discounted cash flow of future payments. The Group has paid RMB100,000,000 by the end of 2009 (2008: RMB100,000,000). The current portion of the payables amounting to RMB350,000,000 as at 31 December 2009 (2008: RMB155,853,000) is recorded in accruals and other payables (Note 30).The non-current portion of RMB140,601,000 as at 31 December 2009 (2008: RMB279,825,000) is recorded in long-term payables .

Another mining right was purchased by Shanxi Shuozhou Wantongyuan Jingdong Coal Industry Company Limited ("Jingdong Coal"). According to the agreement with the PRC authority, the contract cost of the mining right is approximately RMB234.5 million, which is to be paid by instalment in 3 years, from 2009 to 2011, with no interest. The mining right was initially recognized by Jingdong Coal based on the discounted cash flow of future payments. The Group has paid RMB156,340,000 by the end of 2009. The current portion of the payables amounting to RMB39,085,000 as at 31 December 2009 is recorded in accruals and other payables (Note 30) and the non-current portion of RMB37,083,000 as at 31 December 2009 is recorded in long-term payables.

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

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

28 DEFERRED INCOME TAX

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

	Group		Company	
	2009	2008 (restated)	2009	2008
Deferred income tax assets:				
Deferred income tax assets to be recovered after more than 12 months	30,826	600,050	—	406,491
Deferred income tax assets to be recovered within 12 months	220,251	187,731	—	49,494
	251,077	787,781	—	455,985
Deferred income tax liabilities:				
Deferred income tax liabilities to be settled after more than 12 months	(2,736,070)	(849,267)	—	—
Deferred income tax liabilities to be settled within 12 months	(8,803)	(26,458)	—	—
	(2,744,873)	(875,725)	—	—
Deferred income tax assets/(liabilities) (net)	(2,493,796)	(87,944)	—	455,985

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

28 DEFERRED INCOME TAX (continued)

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

	Group		Company	
	2009	2008 (restated)	2009	2008
Beginning of the year	(87,944)	65,887	455,985	35,818
(Charged)/credited to income statement (Note 36)	(536,219)	(140,799)	(9,800)	418,516
Acquisition of certain subsidiaries (Note 2(a), 2(b), 2(c), 2(d), 2(h))	(1,849,969)	(11,111)	—	—
(Charged)/credited to equity due to fair value changes in available-for-sale financial assets	(3,382)	(1,921)	—	1,651
Disposal of a subsidiary (Note 2(f))	(18,022)	—	—	—
Credited to equity due to disposal of available-for-sale financial assets	1,740	—	748	—
Transfer to a subsidiary	—	—	(446,933)	—
End of the year	(2,493,796)	(87,944)	—	455,985

Deferred income tax assets are recognized 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 recognized deferred income tax assets of RMB137,111,000 (2008: RMB75,007,000), in respect of certain subsidiaries' accumulated tax losses of RMB548,444,000 (2008: RMB300,027,000) as at 31 December 2009, that can be carried forward against future taxable income and will expire between 2010 and 2014. The Group does not recognize these deferred income tax assets as management believes that it is more likely than not that such tax losses would not be utilised before they expire.

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

28 DEFERRED INCOME TAX (continued)

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

Deferred tax assets:

	Group									
	Fair value Adjust-ment	Trial production	Revaluation surplus (note (a))	Tax losses	Pre-operating expenses	Provision for employee benefits	Impairment of assets	Accrued expenses	Others	Total
At 1 January 2008 (as previously reported)	—	33,675	1,558,149	93,734	9,948	22,759	84,994	49,145	39,424	1,891,828
Acquisition of a subsidiary under common control	—	—	—	—	—	6,786	930	—	—	7,716
At 1 January 2008 (restated)	—	33,675	1,558,149	93,734	9,948	29,545	85,924	49,145	39,424	1,899,544
At 1 January 2008 (restated)	—	33,675	1,558,149	93,734	9,948	29,545	85,924	49,145	39,424	1,899,544
Credited/(charged) to income statement	9,800	13,909	(114,742)	(41,836)	(5,846)	17,651	2,932	50,221	8,677	(59,234)
Acquisition of a subsidiary (Note 2(h))	—	—	—	—	—	—	3,539	—	—	3,539
At 31 December 2008 (restated)	9,800	47,584	1,443,407	51,898	4,102	47,196	92,395	99,366	48,101	1,843,849
(Charged)/credited to income statement	(9,227)	968	(104,065)	(24,203)	(2,903)	18,326	(34,600)	(909)	87,361	(69,252)
Acquisition of subsidiaries (Note 2(a), 2(d))	—	—	—	—	—	—	3,422	—	948	4,370
Disposal of a subsidiary (Note 2(f))	—	—	(15,713)	—	—	(1,686)	(623)	—	—	(18,022)
At 31 December 2009	573	48,552	1,323,629	27,695	1,199	63,836	60,594	98,457	136,410	1,760,945

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

28 DEFERRED INCOME TAX (continued)

Deferred tax liabilities:

	Group					
	Accelerated tax depreciation	Mining funds (note (b))	Fair value adjustments	Deferred stripping costs	Others	Total
At 1 January 2008	(114,504)	(501,190)	(1,213,766)	—	(4,197)	(1,833,657)
(Charged)/credited to income statement	111,746	(519,801)	414,622	(84,783)	(3,349)	(81,565)
Charged to equity due to fair value change in available-for-sale financial assets	—	—	(1,921)	—	—	(1,921)
Acquisition of a subsidiary (Note 2(h))	—	—	(14,650)	—	—	(14,650)
At 31 December 2008	(2,758)	(1,020,991)	(815,715)	(84,783)	(7,546)	(1,931,793)
(Charged)/credited to income statement	(20,446)	(299,879)	27,302	(170,833)	(3,111)	(466,967)
Acquisition of certain subsidiaries (Note 2(a), 2(b), 2(c), 2(d))	—	—	(1,854,339)	—	—	(1,854,339)
Charged to equity due to fair value change in available-for-sale financial assets	—	—	(3,382)	—	—	(3,382)
Credited to equity due to disposal of available-for-sale financial assets	—	—	1,740	—	—	1,740
At 31 December 2009	(23,204)	(1,320,870)	(2,644,394)	(255,616)	(10,657)	(4,254,741)

Deferred tax assets:

	Company					
	Fair value adjustments	Trial production	Impairment of asset	Revaluation surplus	Provision for employee benefits	Total
At 1 January 2008	—	—	—	461,716	1,094	462,810
Credit/(charged) to income statement	9,800	6,061	794	(25,156)	2,424	(6,077)
At 31 December 2008	9,800	6,061	794	436,560	3,518	456,733
Charged to income statement	(9,800)	—	—	—	—	(9,800)
Transfer to a subsidiary	—	(6,061)	(794)	(436,560)	(3,518)	(446,933)
At 31 December 2009	—	—	—	—	—	—

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

28 DEFERRED INCOME TAX (continued)

Deferred tax liabilities:

	Company
	Fair value adjustments
At 1 January 2008	(426,992)
Credited to income statement	424,593
Credited to equity due to change in fair value of available-for-sale financial assets	1,651
At 31 December 2008	(748)
Credited to income statement	—
Credited to equity due to disposal of available-for-sale financial assets	748
At 31 December 2009	—

notes:

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

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

(ii) In connection with the Restructuring , the Group recorded, on the date of establishment, the surplus on valuation of property, plant and equipment, mining rights and land use rights in the statutory financial statements, as determined as at 30 September 2005 by a qualified valuer in the PRC. For the Company's wholly owned subsidiaries, the re-valued amounts will serve as the tax bases for future years. These valuation surpluses were not recorded for financial reporting purposes under IFRS and accordingly, a deferred tax asset of RMB2,079,633,000 was recorded in 2006 and resulted with a corresponding increase in shareholders' equity. Based upon the level of historical taxable income and projections of future taxable income, management believes it is probable the Group will realise the benefit of the deferred tax assets.

(b) Pursuant to certain regulations of the PRC government, the Group is required to set aside amounts for the future development funds (Note 25 (b)), safety fund (Note 25 (c)), coal mine industry transformation fund and environmental restoration fund (Note 25(d)), collectively the mining funds. If such amounts are deductible for tax purposes when they are set aside but are expensed for accounting purposes only when they are utilised, a deferred tax liability is recorded for the temporary differences in respect of excess funds set aside for tax purposes.

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

29 TRADE AND NOTES PAYABLES

	Group		Company	
	2009	2008 (restated)	2009	2008
Trade payables (note (a))	6,341,696	6,178,725	1,139,576	2,155,812
Notes payable	459,752	634,988	—	—
	6,801,448	6,813,713	1,139,576	2,155,812

notes:

(a) Trade payables are analysed as follows:

	Group		Company	
	2009	2008 (restated)	2009	2008
Trade payables				
– Subsidiaries	—	—	999,917	1,837,464
– Fellow subsidiaries	1,112,267	630,075	68	107,532
– Jointly controlled entities	—	1,486	—	—
– Associates	11,412	16,960	—	—
– Other related parties	6,907	166,677	—	—
– Other state-owned enterprises	1,027,196	1,216,908	135,606	51,500
– Third parties	4,183,914	4,146,619	3,985	159,316
	6,341,696	6,178,725	1,139,576	2,155,812

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

	Group		Company	
	2009	2008 (restated)	2009	2008
Less than 1 year	5,580,010	5,652,933	1,139,508	2,119,754
1 - 2 years	526,226	362,455	—	27,911
2 - 3 years	106,727	98,881	—	5,244
Over 3 years	128,733	64,456	68	2,903
	6,341,696	6,178,725	1,139,576	2,155,812

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

29 TRADE AND NOTES PAYABLES (continued)

notes: (continued)

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

	Group		Company	
	2009	2008 (restated)	2009	2008
RMB	6,732,476	6,785,874	1,082,048	2,155,812
USD	68,972	27,839	57,528	—
	6,801,448	6,813,713	1,139,576	2,155,812

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

30 ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2009	2008 (restated)	2009	2008
Customer deposits and receipts in advance (note (a))	2,241,013	1,521,427	381,881	12,960
Dividends payable	32,980	27,812	96	96
Payable for site restoration	142,620	218,574	—	—
Mineral resource compensation payable	122,614	107,831	—	—
Salaries and staff welfare payable	500,610	399,875	2,644	92,054
Interest payable	101,721	78,157	—	—
Payable for mining rights (Note 27 (a))	389,085	155,853	—	155,853
Amounts due to related parties (note (b))	2,485,630	802,420	14,323,490	10,972,390
Amounts due to third parties	1,069,221	651,103	158,368	122,193
	7,085,494	3,963,052	14,866,479	11,355,546

For the year ended 31 December 2009
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

30 ACCRUALS AND OTHER PAYABLES (continued)

notes:

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

	Group		Company	
	2009	2008 (restated)	2009	2008
Customer deposits and receipts in advances				
– Subsidiaries	—	—	41,347	1,225
– Fellow subsidiaries	46,947	2,930	—	516
– Other related parties	360	—	—	—
– Other state-owned enterprises	849,746	794,639	190,701	2,798
– Others	1,343,960	723,858	149,833	8,421
	2,241,013	1,521,427	381,881	12,960

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	
	2009	2008 (restated)	2009	2008
Amounts due to related parties, gross				
– Subsidiaries	—	—	13,290,782	10,861,937
– Parent Company	6,960	18,600	896	785
– Fellow subsidiaries	446,710	390,373	484	7,893
– Associate	—	261	—	—
– Jointly controlled entities	10,316	60,159	—	60,155
– Other related parties	1,590,995	2,963	1,015,110	—
– Other state-owned enterprises	430,649	330,064	16,218	41,620
	2,485,630	802,420	14,323,490	10,972,390

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

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

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

31 PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	Group	
	2009	2008
Beginning of the year	1,086,715	652,085
Interest charge on unwinding of discounts on provision (Note 33)	33,110	34,114
Movement in required provision	91,381	474,807
Payments	(23,249)	(74,291)
End of the year	1,187,957	1,086,715
Less: current portion	(32,427)	(32,012)
	1,155,530	1,054,703

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.

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

32 EXPENSE BY NATURE

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

	2009	2008 (restated)
Depreciation (note (a))	2,059,417	1,528,141
Amortisation (note (b))	58,544	53,072
Cost of inventories sold	21,551,324	21,200,215
Transportation costs	6,905,137	7,022,177
Sales tax and surcharges	918,900	1,253,126
Auditors' remuneration	20,460	25,350
Loss on disposal of property, plant and equipment and intangible assets	1,422	4,446
Repairs and maintenance	601,029	765,264
Operating lease rentals	123,964	97,865
Provision for impairment of receivables	24,038	36,115
Provision for impairment of inventories	4,165	178,048
Provision for available-for-sale financial assets	1,636	—
Employee benefit expense (including directors' emoluments) (note (c), Note 35)	4,407,235	3,716,717
Mineral resource compensation fees (note (d))	407,094	305,166
Sustainable development charges (note (e))	1,153,207	1,051,117
Other expenses	5,345,594	3,817,960
Total cost of sales, selling, general and administrative expenses	43,583,166	41,054,779

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

32 EXPENSE BY NATURE (continued)

notes:

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

	2009	2008 (restated)
Depreciation for the year (Note 7)	2,198,328	1,589,633
Less: Cost of inventories which remained unsold as at year end	(82,114)	(61,492)
Amount charged to income statement	2,116,214	1,528,141

Charged to:

	2009	2008 (restated)
Expenses		
– Cost of sales	1,846,059	1,345,196
– Selling, general and administrative expenses	213,358	182,945
Other gains, net	56,797	—
	2,116,214	1,528,141

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

	2009	2008 (restated)
Land use rights (Note 9)	15,286	6,589
Mining rights (Note 10)	36,170	38,202
Intangible assets (Note 11)	7,088	8,281
	58,544	53,072

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

	2009	2008 (restated)
Charged to:		
Cost of sales	3,171,834	2,550,093
Selling, general and administrative expenses	1,235,401	1,166,624
	4,407,235	3,716,717

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

(e) Effective from March 2007, mining companies in Shanxi Province are required by the local government of Shanxi Province to pay a "Sustainable development charge" to local government based on the volume of the raw coal mined. The rate applicable to the Company's mining subsidiaries located in Shanxi Province ranges from RMB13 to RMB20 per tonne.

For the year ended 31 December 2009
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33 FINANCE COSTS, NET

	2009	2008 (restated)
Interest expense:		
Bank loans and loans from other financial institutions		
– wholly repayable within five years	141,224	71,702
– not wholly repayable within five years	504,747	666,498
Loans from related parties		
– wholly repayable within five years	34	34
	646,005	738,234
Less: Amounts capitalized in construction in progress (note (a))	(238,076)	(179,995)
	407,929	558,239
Interest charge on unwinding of discounts (Note 31)	33,110	34,114
Interest charge on early retirement benefits	6,391	1,689
Interest charge on long-term payable of discounts	60,681	—
Net foreign exchange transaction (gains)/losses	(67,215)	426,033
Less: Gains from derivative financial instruments (Note 22)	—	(24,826)
Other incidental borrowing costs and charges	4,221	11,068
	445,117	1,006,317

note:

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

	2009	2008 (restated)
Capitalisation rate used to determine the amount of finance costs eligible for capitalization	4.50% - 7.83%	4.50% - 8.32%

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

34 OTHER INCOME

	2009	2008 (restated)
Dividend income	636	10,003
Gains on disposal of investments	398,935	294
Interest income		
– Term deposits with initial term of over three months	752,378	1,439,474
– Other bank deposits	146,573	104,800
Government grants and subsidies	130,800	98,772
(Losses)/gains on futures	(10,427)	18,090
	1,418,895	1,671,433

35 EMPLOYEE BENEFIT EXPENSE

	2009	2008 (restated)
Wages, salaries and allowances	2,778,908	2,515,291
Housing subsidies (note (a))	248,102	197,769
Contributions to pension plans (note (b))	448,012	340,923
Early retirement benefits (note (c))	134,147	172,394
Welfare and other expenses	798,066	490,340
	4,407,235	3,716,717

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 organized by the relevant municipal and provincial governments under which the Group is required to make monthly defined contributions to these plans at rates ranging from 5% to 20% of the employees basic salaries depending on the applicable local regulations.

(c) Certain employees of the Group were required to retire early during the years ended 31 December 2009 and 2008. Early retirement benefits are recognized 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.

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36 INCOME TAX EXPENSE

	2009	2008 (restated)
Current income tax		
– PRC enterprise income tax (note (a))	1,999,499	2,353,151
Deferred income tax (Note 28)	536,219	140,799
	2,535,718	2,493,950

notes:

(a) The provision for PRC enterprise income tax ("EIT") is calculated based on the statutory income tax rate of 25%. On 16 March 2007, The National People's Congress of the People's Republic of China announced a reduction of the statutory income tax rate from 33% to 25% commencing 1 January 2008. As such, the applicable income tax rate in 2009 and 2008 is 25% of the assessable income of each of the companies now comprising the Group, determined in accordance with the relevant PRC income tax rules and regulations, except for certain subsidiaries which are taxed at preferential tax rates ranging from 12.5% to 20% based on the relevant PRC tax laws and regulations.

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

	2009	2008 (restated)
Profit before income tax	10,916,739	10,498,379
Tax calculated at applicable tax rates	2,729,185	2,624,595
Preferential tax rates on the income of certain subsidiaries	(144,169)	(184,003)
Income not subject to taxation	(30,922)	(13,348)
Expenses not deductible for taxation purposes	21,588	99,217
Utilisation of previously unrecognized tax losses	(1,312)	(15,441)
Tax losses for which no deferred income tax asset has been recognized	49,926	25,494
Additional expenses allowable for tax purposes	(88,578)	(42,564)
Income tax expense	2,535,718	2,493,950

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

36 INCOME TAX EXPENSE (continued)

notes: (continued)

(c) The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2009			2008		
	Before tax	Tax (charge) /credit	After tax	Before tax	Tax (charge) /credit	After tax
Fair value gains:						
Available-for-sale financial assets	13,529	(3,382)	10,147	7,683	(1,921)	5,762
Disposal of available-for-sale financial assets	(6,959)	1,740	(5,219)	—	—	—
Currency translation differences	(129)	—	(129)	(12,975)	—	(12,975)
Other comprehensive income	6,441	(1,642)	4,799	(5,292)	(1,921)	(7,213)
Current tax		—			—	
Deferred tax		(1,642)			(1,921)	
		(1,642)			(1,921)	

The income tax charged directly to equity during the year is as follows:

	2009	2008
Deferred tax:	(1,642)	(1,921)

37 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2009	2008 (restated)
Profit attributable to equity holders of the Company	7,834,332	7,131,007
Weighted average number of ordinary shares in issue (thousands)	13,258,663	13,129,468
Basic earnings per share (RMB per share)	0.59	0.54

As the Company had no dilutive instruments for the year ended 31 December 2009 and 2008, no diluted earnings per share is presented.

For the year ended 31 December 2009
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

38 DIVIDENDS

	2009	2008
Dividends recorded:		
– final dividends for 2008, paid (note (b))	2,043,559	—
– final dividends for 2007, paid (note (a))	—	825,484

	2009	2008
Dividends proposed after the balance sheet date:		
– final dividend for 2008 (note (b))	—	2,043,559
– final dividend for 2009 (note (c))	1,986,651	—

notes:

(a) The Board of Directors, in a meeting held on 9 April 2008, proposed to distribute a final dividend for 2007 to equity holders of the Company of RMB825,484,000 (RMB0.06226 per share). The per share dividend is calculated based on the number of shares after the new A shares were issued on 1 February 2008 (Note 24). Such dividend distribution was approved by the shareholders' meeting held on 20 June 2008 and has been fully paid to shareholders in July 2008.

(b) The Board of Directors, in a meeting held on 27 March 2009, proposed to distribute a final dividend for 2008 to equity holders of the Company of RMB2,043,559,000 (RMB0.15413 per share), based on total number of shares which are in issue as at 31 December 2008. Such dividend distribution was approved by the shareholders' meeting held on 26 June 2009 and has been fully paid to shareholders in July 2009.

(c) The Board of Directors, in a meeting held on 22 April 2010, proposed to distribute a final dividend for 2009 to equity holders of the Company of RMB1,986,651,000 (RMB0.14984 per share), based on total number of shares which are in issue as at 31 December 2009. Such dividend distribution is still subject to the approval of shareholders' meeting, and is not reflected in these financial statements.

For the year ended 31 December 2009
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39 EMOLUMENTS OF DIRECTORS AND SUPERVISORS

(a) The emoluments of directors and supervisors for the year ended 31 December 2009 is set out below:

	2009			2008		
Name	Salary, allowances and other benefits	Contribution to pension scheme	Total	Salary, allowances and other benefits	Contribution to pension scheme	Total
Chairman, executive director						
Mr. WANG An[1]	—	—	—	—	—	—
Former Chairman, executive director						
Mr. JING Tianliang[2]	—	—	—	—	—	—
Vice Chairman, non-executive director						
Mr. ZHANG Baoshan[4]	—	—	—	—	—	—
Executive director:						
Mr. YANG Lieke	508	26	534	446	23	469
Former Executive director:						
Mr. PENG Yi[3]	—	—	—	302	19	321
	508	26	534	748	42	790
Independent non-executive directors:						
Mr. GAO Shangquan	300	—	300	300	—	300
Mr. ZHANG Ke	300	—	300	300	—	300
Mr. PENG Ruchuan	300	—	300	300	—	300
Mr. WU Rongkang	300	—	300	300	—	300
Mr. LI Yanmeng	300	—	300	300	—	300
	1,500	—	1,500	1,500	—	1,500
Supervisors:						
Mr. DU Ji'an	—	—	—	—	—	—
Mr. ZHOU Litao	—	—	—	—	—	—
Mr. CHEN Xiangshan	366	26	392	309	24	333
	366	26	392	309	24	333
	2,374	52	2,426	2,557	66	2,623

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

39 EMOLUMENTS OF DIRECTORS AND SUPERVISORS (continued)

(a) The emoluments of directors and supervisors for the year ended 31 December 2009 is set out below: (continued)

1. Mr. WANG An was appointed as Executive director and Chairman on 19 December 2008.
2. Mr. JING Tianliang resigned as Chairman on 16 October 2008.
3. Mr. PENG Yi resigned as Executive Director on 16 October 2008.
4. Mr. ZHANG Baoshan resigned as Vice Chairman, non-executive director on 18 November 2009.

Mr. Wang An, received emoluments from China Coal Group, which amounted to RMB511,578 for the year ended 31 December 2009 (2008: RMB81,072), Mr. Zhang Baoshan received emoluments from China Coal Group, which amounted to RMB499,984 for the year ended 31 December 2009 (2008: RMB474,000). Part of those emoluments is in relation to their services to the Company. No apportionment has been made as the directors consider that it is impractical to apportion this amount between their services to the Company and their service to the Parent Company.

During the year, the emoluments paid to each of the directors did not exceed HK$1,000,000 (equivalent to RMB880,480).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year are as follows:

	2009	2008
Directors	—	—
Non-director individuals	5	5
	5	5

Details of emoluments paid to the non-director individuals are as follows:

	2009	2008
Basic salaries, housing allowances, other allowances and benefits-in-kind	1,250	813
Contributions to pension schemes	450	395
Discretionary bonuses	1,531	2,198
	3,231	3,406

During the year ended 31 December 2009, the emoluments paid to each of the highest paid non-director individuals did not exceed HK$1,000,000 (equivalent to RMB880,480).

(c) During the year ended 31 December 2009, no directors, supervisors of the Company or the five highest paid individuals of the Group waived any emoluments and no emoluments were paid by the Group to any of the directors and supervisors of the Company or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

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

40 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

(a) Reconciliation of profit for the year to net cash inflows generated from operations

	2009	2008 (restated)
Profit for the year	8,381,021	8,004,429
Adjustments for:		
Property, plant and equipment		
– depreciation charge (Note 32)	2,116,214	1,528,141
– net losses on disposals (Note 32)	1,422	4,446
Investment properties		
– depreciation charge (Note 8)	1,322	1,224
Land use rights, mining rights and intangible assets		
– amortisation charge (Note 32)	58,544	53,072
Provision for impairment of receivables (Note 32)	24,038	36,115
Provision for impairment of inventories (Note 32)	4,165	178,048
Provision for impairment of available-for-sale financial assets (Note 32)	1,636	—
Share of profits of associates and jointly controlled entities	(89,935)	(106,142)
Net foreign exchange transaction (gains)/losses (Note 33)	(67,215)	426,033
Losses/(gains) on future (Note 22, 34)	10,427	(18,090)
Gains from derivative financial instruments (Note 22, 33)	—	(24,826)
Loss from fair value changes of other financial assets (Note 22 (a))	—	1,406,400
Gains on disposal of investments (Note 34)	(398,935)	(294)
Interest income (Note 34)	(898,951)	(1,544,274)
Interest expense (Note 33)	508,111	594,042
Dividend income (Note 34)	(636)	(10,003)
Income tax expense (Note 36)	2,535,718	2,493,950
Gains of debt restructuring	—	(211,867)
Changes in working capital:		
Inventories	(292,498)	(816,787)
Trade receivables	723,022	(1,104,856)
Prepayments and other receivables	(188,388)	246,617
Trade payables	(926,039)	1,462,558
Accruals and other payables	1,200,452	403,239
Restricted bank deposits	302,495	(1,757,290)
Decrease in provision for employee benefits	73,659	146,482
Decrease in provision for close down, restoration, and environmental costs	68,132	400,516
Cash generated from operations	13,147,781	11,790,883

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

40 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS (continued)

(b) Major non-cash transactions

During the year ended 31 December 2008, Huajin Coking Coal Company Limited, a subsidiary of the Company, entered into a loan restructuring agreement with a state-owned non-bank financial institution, under which RMB199,214,000 of interest payable was waived by the financial institution and the remaining loan principal and interest payable balance will be paid in stages in the following three years. Accordingly, the balance of the interest payable of the Group has been reduced by RMB199,214,000 and the same amount has been recorded as "other gains" in the Group's consolidated income statement. Meanwhile, the remaining balance of the loan has been reclassified into current and non-current portion of long-term borrowings in the consolidated balance sheet based on the repayment schedule.

During the year ended 31 December 2009, China Coal Pingshuo Coal Industry Company Limited, a subsidiary of the Company, invested in Shanxi Pingshuo Gangue-fired Power Generation Co., Ltd (which is an associate of the Group) with land use right valued at RMB15,365,000.

41 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB5,476,222,000 (2008: RMB3,967,331,000).

42 CONTINGENT LIABILITIES

(a) Bank and other guarantees

As at 31 December 2008 and 2009, the undiscounted amount of potential future payments under guarantees given to banks in respect of banking facilities extended to the parties below were as follows:

	2009	2008
Associates	550,000	250,000

(b) The Group is a defendant in certain lawsuits as well as the plaintiff in other proceedings arising in the ordinary course of business. While the outcomes of such lawsuits or other proceedings cannot be determined at present, management believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group.

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

43 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for by the Group at the balance sheet date but not yet incurred is as follows:

	2009	2008
Property, plant and equipment	3,036,720	3,055,670
Others	358,585	212,722
	3,395,305	3,268,392

(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:

	2009	2008
Land and buildings:		
– Within 1 year	78,896	11,206
– From 1 year to 5 years	149,974	44,824
– Over 5 years	135,156	79,608
	364,026	135,638

	2009	2008
Plant and machinery:		
– Within 1 year	6,000	3,615
– From 1 year to 5 years	14,400	14,400
– Over 5 years	36,000	39,600
	56,400	57,615

44 SIGNIFICANT RELATED PARTY TRANSACTIONS

China Coal Group, the immediate parent of the Company, is controlled by the PRC government. The PRC government is the Company's ultimate controlling party. In accordance with IAS 24 (revised 2003), "Related Party Disclosures", related parties include China Coal Group and its subsidiaries, other state-owned enterprises and their subsidiaries which the PRC government has control, joint control or significant influence over, and enterprises which the Company is able to control, joint control or significant influence over, key management personnel of the Company and China Coal Group and their close family members.

Related parties do not include public utilities (including electricity, telecommunication and postal service providers) and government department and agencies that do not control, jointly control or significant influence over the Company and with which transactions are conducted in the ordinary course of business at arm's length market prices.

The Group has extensive transactions with China Coal. For the purpose of disclosures of related party transactions, to the extent possible, the Group has procedures in place to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are related parties. Management believes that all material related party transactions and balances, of which they are aware of, have been adequately disclosed.

Sales of goods and provision of services to related parties are at state-prescribed prices or prices which are also available to other customers. The Group considers that these sales are activities in the ordinary course of business.

Set out below is a summary of significant related party transactions and balances in the years ended 31 December 2009 and 2008.

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

44 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Related party transactions

	2009	2008
Transactions with the Parent Company and fellow subsidiaries		
Coal export and Sales (i)		
Charges paid for agency services of coal export	5,777	29,177
Integrated Material and Services Mutual Provision (ii)		
Charges paid for production material and ancillary services	1,218,903	1,039,949
Charges paid for social and support services	52,974	37,818
Revenue received from supply of production material and ancillary services	119,148	42,457
Revenue received from provision of coal export-related services	29,440	117,734
Mine Construction and Design (iii)		
Charges paid for construction services	1,485,816	943,734
Revenue received from construction services	32,356	19,086
Property Leasing (iv)		
Rental charge paid	65,606	56,906
Land Use Right (v)		
Rental charge paid	22,089	8,853

44 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Related party transactions (continued)

(i) Under PRC law and regulations, coal exports shall only be made through one of four authorised PRC enterprises including China Coal Group. The Company appointed China Coal Group as its coal export sales agent under a Coal Export and Sales Agency Framework Agreement entered into on 5 September 2006. Pursuant to the agreement, the agency fee for coal exports to countries and territories other than the China Taiwan market is 0.7% of the FOB price in respect of each ton of coal products exported; and the agency fee for the coal exports and sales to the China Taiwan market is 0.7% of the FOB price, plus USD0.5 per ton of coal products sold. The agency fees are payable on a monthly basis, effective from 22 August 2006.

(ii) The Company and China Coal Group entered into Integrated Materials and Services Mutual Provision Framework Agreement on 5 September 2006, under which the Company provides to China Coal Group and China Coal Group provides to the Company production material supplies and ancillary services, and the Company also provides to China Coal Group export-related services.

(iii) The Company and China Coal Group entered into a Mine Construction and Design Framework Agreement on 5 September 2006, under which the Company provides coal mine design services to China Coal Group and China Coal Group provides construction services to the Company.

(iv) The Company and China Coal Group entered into a Property Leasing Framework Agreement on 5 September 2006, under which the Company leases from China Coal Group certain buildings and properties in the PRC for general business and ancillary purposes.

(v) The Company and China Coal Group entered into a Land Use Rights Leasing Framework Agreement on 5 September 2006, under which the Company leases certain land use rights in the PRC from China Coal Group for general business and ancillary purposes.

(vi) The Company and China Coal Group entered into a Mine Design Framework Agreement on 4 December 2009, under which China Coal Group provides coal mine design services to the Company. There is no transaction under this agreement in 2009.

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

44 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Related party transactions (continued)

	2009	2008
Transactions with jointly controlled entities		
Sales and services provided:		
Agency income	—	2,288
Interest income	22,467	34,537
Sales of coal	11,775	—
Purchases of goods and services:		
Purchases of coal	—	125,264
Transactions with associates:		
Sales and services provided:		
Sales of machinery and equipment	34,217	31,454
Income from renting property, plant and equipment	103,128	115,979
Purchases of goods and services:		
Purchases of materials and spare parts	139,474	80,120
Transportation services (vii)	411,366	374,649
Transactions with minority shareholders of subsidiaries:		
Sales and services provided:		
Sales of coal (viii)	267,348	12,907
Purchase of goods and services:		
Purchases of coal (viii)	364,943	261,739
Charges paid for construction services (viii)	33,624	32,934
Transportation services (viii)	28,055	1,242
Interest expense	44,783	390

(vii) The Company entered into a railway leasing and management entrustment service framework agreement with Shuozhou Pingshuo Luda Railway Transportation Co., limited (“Pingshuo Luda”; an associate) on 5 September 2006, under which Pingshuo Luda leases railway from the Company and also provides railway management entrustment services to the Company.

(viii) The Company entered into the coal, pertinent products and service provision framework agreement with certain minority shareholders of subsidiaries (“Subsidiaries’ Minority Shareholders”) on 5 September 2006, under which the Company (or its relevant subsidiaries) shall sell to the Subsidiaries’ Minority Shareholders coal, pertinent products and/or mining equipments and provide mining design and/or general contractor services. The subsidiaries’ Minority Shareholders also shall sell to the Company coal, pertinent products and provide construction services and/or transportation services.

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

44 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Related party transactions (continued)

	2009	2008
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	2,374	2,557
– Other key management	2,513	1,604
Pension costs-defined contribution plans		
– Directors and supervisors	52	66
– Other key management	148	117
Transactions with other state-controlled entities in the PRC:		
Transactions with other state-owned enterprises		
Sales and services provided:		
Sales of coal	23,151,825	21,271,814
Sales of machinery and equipment	3,527,329	3,949,294
Sales of materials and spare parts	55,538	7,695
Sales of design services	424,961	207,670
Railway transportation services income	227,218	50,587
Income from construction and technical service	58,971	—
Public utilities and facilities income	299,834	147,432
Agency income	28,173	55,081
Interest income	645,143	1,493,252
Purchases of goods and services:		
Purchases of coal	3,198,757	1,402,734
Purchases of machinery and equipment	743,330	670,570
Purchases of labour services	60,929	16,505
Purchases of materials and spare parts	3,436,841	3,881,191
Construction and technical services	323,135	1,060,223
Ancillary and social services	260,868	16,036
Transportation services	5,362,558	821,495
Interest expense	520,155	310,211

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

44 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Related party transactions (continued)

Apart from transactions with China Coal Group, fellow subsidiaries, associates and jointly controlled entities, the Group has transactions with other state-controlled entities include but not limited to the following:

- Sales and purchases of goods and services,
- Purchases of assets,
- Lease of assets,
- Bank deposits and borrowings; and
- Retirement benefit plans.

These transactions are conducted in accordance with the contracts of the Group's business at market prices.

(b) Related party balances

Other than those disclosed elsewhere in the consolidated financial statements, the outstanding balances with related parties as at 31 December 2009 and 2008 are as follows:

Balances with state-owned enterprises:

	2009	2008 (restated)
Deposits placed with banks and non-bank financial institutions	29,345,491	28,998,886
Loans from banks and non-bank financial institutions	10,069,081	10,043,913
Interest receivable	276,140	1,090,610
Interest payable	99,846	78,157

Details of deposits placed with, and loans from banks and non-bank financial institutions are disclosed in Notes 23 and 26.

The above related party balances, other than deposits placed with, and loans from, banks and non-bank financial institutions, are unsecured, interest free and generally settled within one year.

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

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

As at 31 December 2009, 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 2009 or formed a substantial portion of the Group at the balance sheet date:

(i) Principal subsidiaries

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Listed -						
Shanghai Datun Energy Resources Co., Limited (上海大屯能源股份有限公司)	Shanghai, the PRC 29 December 1999	RMB 722,718,000	62.43%	62.43%	Coal mining	Joint stock with limited liability
Unlisted -						
China Coal and Coke Holdings Limited (中煤焦化控股有限責任公司)	Beijing, the PRC 15 August 2003	RMB 458,368,000	100%	100%	Manufacture and sale of coke	Limited liability company
China Coal Tendering Company Limited (中煤招標有限責任公司)	Beijing, the PRC 28 December 2001	RMB 30,000,000	100%	100%	Tendering services	Limited liability company
China National Coal Development Company Limited (中國煤炭開發有限責任公司)	Beijing, the PRC 17 February 1981	RMB 52,930,000	100%	100%	Sale of mining equipment	Limited liability company
Shuozhou Pingmu Coal Processing Company Limited (朔州平木煤炭加工有限公司)	Shuozhou, the PRC 4 July 2003	RMB 31,300,000	0.32%	100%	Coal processing	Limited liability company
China National Coal Industry Import and Export Group (Heilongjiang) Company Limited (中國煤炭工業進出口集團黑龍江有限公司)	Harbin, the PRC 26 May 1999	RMB 5,000,000	—	100%	Sale of machinery, mineral and chemical products	Limited liability company

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

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(i) Principal subsidiaries (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
China Coal Shandong Company Limited (中煤能源山東有限公司)	Rizhao, the PRC 18 May 1999	RMB 10,000,000	100%	100%	Sale of machinery, mineral and chemical products	Limited liability company
Lianyungang China Coal Huanneng Coal Processing Company Limited (連云港中煤環能煤炭加工有限公司)	Lianyungang, the PRC 27 December 1999	RMB 5,000,000	—	75%	Coal processing	Sino- foreign joint venture
China Coal Lianyungang Import and Export Company Limited (中煤連云港進出口有限公司)	Lianyungang, the PRC 5 July 1991	RMB 75,000,000	100%	100%	Sale of machinery, coal and chemical products	Limited liability company
Shanghai Chinacoal East China Company Limited (上海中煤華東有限公司)	Shanghai, the PRC 26 May 2005	RMB 100,000,000	100%	100%	Sale of machinery, minerals and chemical products	Limited liability company
China National Coal Industry Import and Export Group (Qingdao) Company Limited (中國煤炭工業進出口集團青島有限公司)	Qingdao, the PRC 2 June 1999	RMB 10,000,000	100%	100%	Importing and exporting of machinery, mineral products and other related services	Limited liability company
China National Coal Import and Export Group (Tianjin) Company Limited (天津中煤進出口有限公司)	Tianjin, the PRC 30 April 1999	RMB 10,000,000	100%	100%	Sale of coal products and other related products	Limited liability company
China National Coal Industry Qinhuangdao Import and Export Company Limited (中國煤炭工業秦皇島進出口有限公司)	Qinhuangdao, the PRC 17 May 1999	RMB 15,000,000	100%	100%	Sale of coal and related products	Limited liability company

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

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(i) Principal subsidiaries (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Sunfield Resources Pty. Limited (華光資源有限公司)	Sydney, Australia 18 June 1997	AUD 500,000	100%	100%	Investment management, trade of coal and coke	Limited liability company
Qinhuangdao China Coal Warehousing and Transportation Company Limited (秦皇島中煤儲運有限公司)	Qinhuangdao, the PRC 14 November 1989	RMB 40,903,000	78.43%	78.43%	Warehousing and freight forwarding of coal	Limited liability company
Shuozhou Great Company Limited (朔州市格瑞特實業有限公司)	Shuozhou, the PRC 20 August 2004	RMB 425,409,000	100%	100%	Coal gangue power generation	Limited liability company
Qinhuangdao China Coal Gangneng Coal Purifying Company Limited (秦皇島中煤港能煤炭加工有限公司)	Qinhuangdao, the PRC 25 August 1999	USD 3,545,000	75%	75%	Coal processing	Sino-foreign joint venture
China Coal and Coke Longquan Limited (汾陽市中煤龍泉焦化有限責任公司)	Fenyang, the PRC 29 September 2003	RMB 50,000,000	—	100%	Manufacture, processing of coke	Limited liability company
China Coal and Coke Mudanjiang Limited (中煤牡丹江焦化有限責任公司)	Mudanjiang, the PRC 21 April 2003	RMB 15,000,000	—	100%	Manufacture, processing and sale of coke	Limited liability company
China Coal and Coke Jingda Limited (山西省太谷縣中煤京達焦化有限公司)	Taigu, the PRC 29 October 2003	RMB 100,000,000	—	100%	Manufacture and sale of coke	Limited liability company

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

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(i) Principal subsidiaries (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
China Coal and Coke Jiuxin Limited (靈石縣中煤九鑫焦化有限責任公司)	Lingshi, the PRC 2 January 2004	RMB 50,000,000	—	75%	Manufacture and sale of coke	Limited liability company
North Coke (Hong Kong) Company Limited (北方焦化(香港)有限公司)	Hong Kong 31 March 2003	USD 100,000	—	100%	Sale of coke and related products	Limited liability company
China National Coal Mining Equipment Company Limited (中國煤礦機械裝備有限責任公司)	Beijing, the PRC 26 April 1988	RMB 1,994,771,000	100%	100%	Design, manufacture and sale of machinery and equipment for coal industry	Limited liability company
China Coal Handan Coal Mining Machinery Company Limited (中煤邯鄲煤礦機械有限責任公司)	Handan, the PRC 6 June 2006	RMB 148,218,000	—	100%	Manufacture of mining equipment; export and Import services	Limited liability company
Beijing China Coal Zhongzhuang Machinery Materials Company Limited (北京中煤中裝機械物資有限公司)	Beijing, the PRC 9 September 1993	RMB 3,511,000	—	100%	Sale of mining steel and equipment	Limited liability company
China Coal Beijing Coal Mining Machinery Company Limited (中煤北京煤礦機械有限責任公司)	Beijing, the PRC 24 January 1981	RMB 329,286,000	—	100%	Manufacture of mining machinery and equipment	Limited liability company
China Coal Zhangjiakou Coal Mining Machinery Company Limited (中煤張家口煤礦機械有限責任公司)	Zhangjiakou, the PRC 16 May 2000	RMB 764,401,000	—	100%	Manufacture of mining machinery and equipment	Limited liability company

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45 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(i) Principal subsidiaries (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
China Coal Overseas Development Company Limited (中國煤炭海外開發有限公司)	Beijing, the PRC 4 April 1981	RMB 10,000,000	—	100%	Import and export services	Limited liability company
China Mineral Equipment Group Import and Export Company Limited (中礦機集團進出口有限責任公司)	Beijing, the PRC 19 March 1996	RMB 5,000,000	—	81.91%	Sale of mining machinery and equipment	Limited liability company
Tianjin China Coal Mining Equipment and Electronic Company Limited (天津中煤煤礦機電有限公司)	Tianjin, the PRC 7 January 1991	RMB 10,109,000	—	100%	Manufacture of mining equipment and electronic products	Limited liability company
Jiangsu Datun Aluminium Company Limited (江蘇大屯鋁業有限公司)	Xuzhou, the PRC 18 April 2002	USD 29,670,000	—	46.82% ((note (a))	Manufacture of aluminium products	Sino-foreign joint venture
China Coal International Technical Consulting Company Limited (中國煤炭工業國際技術諮詢有限責任公司)	Beijing, the PRC 18 Mar 1988	RMB 21,198,000	—	100%	Consulting services	Limited liability company
Huajin Coking Coal Company Limited (華晉焦煤有限責任公司)	Shanxi, the PRC 23 February 2001	RMB 859,870,000	50%	50% (note (b))	Coal mining	Limited liability company

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

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(i) Principal subsidiaries (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Lingshi China Coal & Coke Gas Power Limited (靈石縣中煤焦化煤氣發電有限責任公司)	Lingshi, the PRC 11 November 2004	RMB 1,000,000	—	51%	Power generation	Limited liability company
Shuozhou China Coal Pingshuo Energy Company Limited (朔州中煤平朔能源有限公司)	Shuozhou, the PRC 17 February 2004	RMB 150,000,000	51%	51%	Manufacture and processing of coal	Limited liability company
Shanxi Nanliang Coal Company Limited (陝西南梁礦業有限公司)	Fugu, the PRC 5 February 1999	RMB 68,750,000	23%	55%	Manufacture and processing of coal	Sino-foreign joint venture
Datong China Coal Export Base Development Company Limited (大同中煤出口煤基地建設有限公司)	Datong, the PRC 8 August 2000	RMB 125,000,000	19%	60%	Manufacture and processing of coal	Sino-foreign joint venture
China Coal Complete Equipment Company Limited (中煤設備成套有限公司)	Beijing, the PRC 8 December 1993	RMB 8,008,000	—	81.56%	Provision of maintenance services	Limited liability company
China Coal Coal Chemical Engineering Company Limited (中煤能源黑龍江煤化工有限公司)	Yilan, the PRC 22 June 2007	RMB 50,000,000	100%	100%	Coal Chemical Engineering	Limited liability company

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45 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(i) Principal subsidiaries (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Fushun Coal Mine Electrical Machinery Company Limited (撫順煤礦電機製造有限責任公司)	Fushun, the PRC 6 April 2007	RMB 316,000,000	—	50% (note (b))	Manufacture and sales of coal mine electrical machinery and related products	Limited liability company
Jiangsu Datun Coal Trading Company Limited (江蘇大屯煤炭貿易有限公司)	Xuzhou, the PRC 30 June 2008	RMB 10,000,000	—	100%	Sale of coal products and other related products	Limited liability company
Lingshi Coal Chemical Company Limited (靈石中煤化工有限責任公司)	Jinzhou, the PRC 21 August 2007	RMB 200,000,000	—	100%	Manufacture of chemical products	Limited liability company
Xi'an Coal Mining Machinery Company Limited (西安煤礦機械有限公司)	Xi'an, the PRC 17 January 2007	RMB 490,000,000	—	50% (note (b))	Manufacture of mining machinery and equipment	Limited liability company
Shijiazhuang Coal Mining Machinery Company Limited (石家莊煤礦機械有限責任公司)	Shijiazhuang, the PRC 29 April 1999	RMB 240,000,000	—	50% (note (b))	Manufacture of mining machinery and equipment	Limited liability company
Shanxi China Coal Dongpo Coal Industry Company Limited (山西中煤東坡煤業有限公司)	Shuozhou, the PRC 1 November 2002	RMB 718,880,000	100%	100%	Coal Mining	Limited liability company

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

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(i) Principal subsidiaries (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
China Coal Jizhou Yinhai Coal Chemical Engineering Company Limited (中煤冀州銀海煤化工有限責任公司)	Jizhou, the PRC 28 September 2008	RMB 595,791,000	60%	60%	Project investment services and manufacture of chemical products	Limited liability company
China Coal Energy Xinjiang Tianshan Coal Electricity Company Limited (中煤能源新疆天山煤電有限責任公司)	Wujiaqu, the PRC 21 August 2008	RMB 110,000,000	—	51%	Manufacture and processing of coal, manufacturing and repairs of mechanical and electrical equipment	Limited liability company
China Coal Pingshuo Coal Industry Company Limited (中煤平朔煤業有限責任公司)	Shuozhou, the PRC 25 August 2008	RMB 100,000,000	100%	100%	Coal mining, manufacture and processing of coal and other related services	Limited liability company
Xuzhou Sifang Aluminium Group Company Limited (徐州四方鋁業有限責任公司)	Xuzhou, the PRC 9 February 2002	RMB 40,650,000	—	62.43%	Manufacture and processing of aluminium related products	Limited liability company
Ordos Yihua Mining Resources Company Limited (鄂爾多斯市伊化礦業資源有限責任公司)	Ordos, the PRC 16 January 2007	RMB 1,013,000,000	51%	51%	Coal mining and manufacture and sale of chemical products	Limited liability company
Inner Mongolia Mengda New Energy Chemical Base Development Company Limited (內蒙古蒙大新能源化工基地開發有限公司)	Ordos, the PRC 9 November 2005	RMB 1,231,000,000	65%	65%	Methanol production	Limited liability company

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

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(i) Principal subsidiaries (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Wushenqi Mengda Mining Company Limited (烏審旗蒙大礦業有限責任公司)	Ordos, the PRC 27 April 2007	RMB 500,000,000	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	RMB 10,000,000	100%	100%	Import and export coal products	Limited liability company
China Coal Xinjiang Coal Electricity Company Limited (中煤能源新疆煤電化有限公司)	Xinjiang, the PRC 9 April 2009	RMB 800,000,000	60%	60%	Coal Chemical Engineering	Limited liability company
China Coal Yili Coal Electricity Company Limited (中煤能源伊犁煤電化有限公司)	Xinjiang, the PRC 22 July 2009	RMB 100,000,000	100%	100%	Coal Chemical Engineering	Limited liability company
China Coal Hami Coal Industry Company Limited (中煤能源哈密煤業有限公司)	Xinjiang, the PRC 13 July 2009	RMB 100,000,000	100%	100%	Coal Mining	Limited liability company
Shanxi Shuozhou Wantongyuan Jingdong Coal Industry Company Limited (山西朔州萬通源井東煤業有限公司)	Shuozhou, the PRC 16 March 1998	RMB 10,000,000	—	100%	Coal Mining	Limited liability company
Wushenqi Mengda Water Services Company Limited (烏審旗蒙大水務有限責任公司)	Wushenqi, the PRC 29 December 2005	RMB 5,000,000	—	65%	Water Supply	Limited liability company

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

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(i) Principal subsidiaries (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
China Coal Energy Xinjiang Hongxin Coal Industry Company Limited (中煤能源新疆鴻新煤業有限公司)	Hutubi, the PRC 26 October 2009	RMB 500,000,000	—	49.94% (note (c))	Coal Chemical Engineering	Limited liability company
China Coal America Company Limited (中煤美國有限公司)	New York, the USA 20 April 2006	USD 1,000,000	—	100%	Trading	Limited liability company
Huajin Coal Seam Gas Development Company Limited (華晉煤層氣綜合利用有限責任公司)	Taiyuan, the PRC 21 February 2008	RMB 50,000,000	—	50% (note (b))	Coal seam gas exploration and utilization	Limited liability company
Shuzhou Pingshuo Building Engineering Quality Inspection Company Limited (朔州市平朔建設工程質量檢測有限責任公司)	Shuozhou, the PRC 26 June 2009	RMB 1,200,000	—	100%	Quality inspection for building engineering test blocks and construction materials	Limited liability company

notes:

(a) The Group has 62.43% in Shanghai Datun which owns 75% interests in Jiangsu Datun Aluminium Company Limited ("Jiangsu Datun"). Jiangsu Datun is considered as the Group's subsidiary because the Group has majority voting rights on its Board of Directors and its strategic, operating, investing and financing activities are controlled by the Group.

(b) As the Group can control the strategic, operating, investing and financing activities of these entities, they are considered as the subsidiaries of the Group.

(c) The Group has 62.43% in Shanghai Datun which owns 80% interests in China Coal Energy Xinjiang Hongxin Coal Industry Company Limited ("Hongxin Coal"). Hongxin Coal is considered as the Group's subsidiary because the Group has majority voting rights on its Board of Directors and its strategic, operating, investing and financing activities are controlled by the Group.

Except for Sunfield Resources Pty. Limited which has adopted 30 June as its financial year end date, all subsidiaries have adopted 31 December as their financial year end date.

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(ii) Principal jointly controlled entities

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Datong Zhongxin Energy Company Limited (大同中新能源有限公司)	Datong, the PRC 27 August 2001	RMB 161,000,000	5%	42% (note (a))	Manufacture and processing of coal	Sino-foreign joint venture
China Coal and Coke Xuyang Limited (河北中煤旭陽焦化有限公司)	Hebei, the PRC 21 November 2003	RMB 100,000,000	—	45% (note (a))	Manufacture and sale of coal and other related products	Limited liability company

note:

(a) As neither venturers of these entities are in position to control the activities of these entities unilaterally, and the strategic financial and operating decisions relating to them require the unanimous consent of the venturers, they are accounted for as jointly controlled entities of the Group.

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

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(iii) Principal associates

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Tianjin Tanjin Energy Technology Company Limited (天津市炭金能源技術有限公司)	Tianjin, the RPC 28 August 2001	RMB 2,000,000	—	40%	Coal processing and other related services	Limited liability company
Beijing Zhongshuichang Solid and Liquid Separation Technology Company Limited (北京中水長固液分離技術有限公司)	Beijing, the PRC 20 September 2001	RMB 5,800,000	—	45%	Manufacture and sale of environmental friendly equipments	Limited liability company
Shuozhou City Pinglu District Ping'an Fertilizer Company Limited (朔州市平魯區平安化肥有限責任公司)	Shanxi, the PRC 31 July 1996	RMB 134,640,000	—	29.71%	Sale of fertilizer and other chemical products	Limited liability company
Taiyuan Coal Gasification Longquan Energy Development Company Limited (太原煤气化龍泉能源發展有限公司)	Taiyuan, the PRC 8 September 2006	RMB 900,000,000	40%	40%	Manufacture and sale of coke, coal and other related products	Limited liability company
Beijing Tianhua Zhongrui Machinery Technology Development Company Limited (北京天華中瑞機械科技發展有限責任公司)	Beijing, the PRC 16 September 2004	RMB 4,641,000	—	49%	Manufacture of spare parts for motor vehicles	Limited liability company

For the year ended 31 December 2009
(Amounts expressed in thousands of RMB except per share data or unless otherwise stated)

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(iii) Principal associates (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Shanxi Pingshuo Gangue-fired Power Generation Co.,Ltd. (山西平朔煤矸石發電有限責任公司)	Shanxi, the PRC 10 December 2002	RMB 129,250,000	—	33%	Power generation and related products	Limited liability company
Shuozhou Pingshuo Luda Railway Transportation Company Limited (朔州平朔路達鐵路運輸有限公司)	Shanxi, the PRC 19 May 2004	RMB 10,000,000	—	37.5%	Railway transportation	Limited liability company
Guotou China Coal Tongmei Jingtang Port Company Limited (國投中煤同煤京唐港口有限公司)	Tianjin, the PRC 16 June 2005	RMB 200,000,000	21%	21%	Coal quay construction	Limited liability company
Guorun (Zhangjiakou) Mineral Equipment Company Limited (國潤（張家口）工業技術有限責任公司)	Zhangjiakou, the PRC 18 November 2004	USD 3,530,000	—	40%	Manufacture of mining vehicles and provision of technical services	Sino-foreign joint venture
Tianjin Port China Coal Huaneng Coal Terminal Co. Ltd. (天津港中煤華能煤碼頭有限公司)	Tianjin, the PRC 14 September 2007	RMB 1,125,000,000	24.5%	24.5%	Port logistics	Limited liability company
Zhejiang Zheneng China Coal Zhoushan Coal & Electricity Company Limited (浙江浙能中煤舟山煤電有限責任公司)	Zhoushan, the PRC 5 June 2007	RMB 800,000,000	27%	27%	Import and export of coal and related products	Limited liability company

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

45 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (continued)

(iii) Principal associates (continued)

Company name	Country/Place of operation and date of incorporation	Paid up capital	Attributable equity interest held by the Company	Attributable equity interest held by the Group	Principal activities	Type of legal entity
Zhongtian Synergetic Energy Company Limited (中天合創能源有限責任公司)	Erdos, the PRC 24 October 2007	RMB 500,000,000	38.75%	38.75%	Coal chemical engineering	Limited liability company
Fengpei Railway Transportation Company Limited (豐沛鐵路股份有限公司)	Xuzhou, the PRC 28 September 2008	RMB 294,000,000	—	19% (note (a))	Railway transportation	Limited liability company
Neimenggu Tianlong Mining Machinery Maintenance Company Limited (內蒙古天隆煤機維修有限責任公司)	Shenmu, the PRC 17 July 2008	RMB 100,000,000	—	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	RMB 650,000,000	—	20%	Manufacture and sale of methanol related products	Sino-foreign joint venture
Neimenggu Sulige Natural Gas Chemical Limited Company (內蒙古蘇里格天然氣化工有限公司)	Ordos, the PRC 9 June 2009	RMB 300,000,000	—	20%	Manufacture and sale of methanol related products	Limited liability company

note:

(a) The Group has a 62.43% interest in Shanghai Datun which in turn owns 19% interests in Fengpei Railway Transportation Company Limited ("Fengpei Railway"). Fengpei Railway is considered as the Group's associate because the Group has significant influence on the strategic and operating activities of Fengpei Railway.

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.

46 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.

47 SUBSEQUENT EVENTS

(a) In March 2010, the Company signed comprehensive credit agreements and strategic cooperation agreements with five state-owned banks and one non-state-owned commercial bank, marking the establishment of a long-term strategic cooperation relationship between the Company and these banks. According to these agreements, these banks will provide credit facilities of no more than RMB165 billions to the Group within the next 5 years.

(b) A coal mine flooding accident happened on 28 March 2010 at Wangjialing coal mine which affiliated to the Huajin Coking Coal Company Limited. This coal mine is at construction stage and has not commenced commercial production. Up to the report date, the investigation of this accident is still in progress.

(c) Subsequent to 31 December 2009, the Group has acquired from certain independent third parties 55% equity interest in Shanxi Xiaohuigou Coal Industry Company Limited, a company principally engaged in coal mining in Shanxi province. The total consideration for this acquisition is RMB1,160 million, and up to the date of this report, the Group has paid RMB580 million.

UNIT:RMB(1,000)

	2005	2006	2007	2008 (restated)	2009
Revenue and Profit					
Revenue	30,061,275	30,226,505	36,428,184	51,753,092	53,187,027
Profit before tax	4,310,217	4,724,766	8,355,384	10,498,379	10,916,739
Tax	(758,772)	(1,340,918)	(1,949,153)	(2,493,950)	(2,535,718)
Profit for the year	3,551,445	3,383,848	6,406,231	8,004,429	8,381,021
Attributable to:					
Equity holders of the Company	3,343,473	3,172,109	6,019,805	7,131,007	7,834,332
Minority interests	207,972	211,739	386,426	873,422	546,689
Dividend	1,161,429	1,236,079	1,048,959	825,484	2,043,559
Earnings per share attributable to the equity holders of the Company (RMB)		0.39	0.51	0.54	0.59
Assets and Liabilities					
Non-current assets	14,489,579	19,680,051	29,561,019	37,326,537	53,948,490
Current assets	12,272,534	25,433,686	23,238,388	51,185,363	50,906,872
Current liabilities	12,795,461	13,103,446	10,635,003	12,992,772	15,519,185
Net current assets/(liabilities)	(522,927)	12,330,240	12,603,385	38,192,591	35,387,687
Total assets less current liabilities	13,966,652	32,010,291	42,164,404	75,519,128	89,336,177
Non-current liabilities	9,372,735	9,372,538	11,878,434	12,691,800	15,893,174
Net assets	4,593,917	22,637,753	30,285,970	62,827,328	73,443,003
Equity attributable to the equity holders of the Company	3,929,503	21,573,388	27,331,595	58,577,203	64,228,494
Minority interests	664,414	1,064,365	2,954,375	4,250,125	9,214,509

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, China
Contact Telephone Number of Secretary to the Board	(8610) - 82256482
Fax Number of Secretary to the Board	(8610) - 82256479
E-mail Address of Secretary to the Board	IRD@chinacoal.com
Registered Address and Office Address of the Company	No. 1 Huangsidajie, Chaoyang District, Beijing, China
Post Code	100120
Internet Website	http://www. chinacoalenergy.com
E-mail Address	IRD@chinacoal.com
Names of newspapers designated for information disclosure	China Securities Journal, Shanghai Securities News.
Internet Website designated by CSRC for annual reports publication	http://www.sse.com.cn
Internet Website designated by the Stock Exchange of Hong Kong for annual reports publication	http://www.hkex.com.hk
Location for keeping available annual reports of the Company	Secretariat of the Board of Directors, China Coal Energy Company Limited, No. 1 Huangsidajie, Chaoyang District, Beijing, China

Brief information about shares of the Company

Type of shares	Stock Exchange for listing of shares	Short name of Stock	Stock code	Short name of stock before change
A Shares	Shanghai Stock Exchange	中煤能源	601898	
H Shares	The Stock Exchange of Hong Kong Limited	China Coal Energy	01898	

Authorised Representatives of the Company	Yang Lieke, Zhou Dongzhou
Joint Company Secretaries	Zhou Dongzhou, Wang Yuanheng

Other relevant information

Date of first registration of the Company	22 August 2006
Location of first business registration of the Company	No. 1 Huangsidajie, Chaoyang District, Beijing, China
Date of change in business registration of the Company	7 January 2009
Location of change in business registration of the Company	No change
Registration Number of Corporate Business License	100000000040475
Tax Registration Number	Jing Shui Zheng Zi No.110105710934289
Organisation code	71093428-9

Accountancy firms engaged by the Company

Name of domestic accountancy firm engaged by the Company	PricewaterhouseCoopers Zhong Tian CPAs Limited Company
Office address of the domestic accountancy firm engaged by the Company	11/F, PricewaterhouseCoopers Center, 2 Corporate Avenue 202 Hu Bin Road, Luwan District, Shanghai, China
Name of international accountancy firm engaged by the Company	PricewaterhouseCoopers
Office address of the international accountancy firm engaged by the Company	22/F, Prince's Building, Central, Hong Kong

Legal Advisors retained by the Company

Name of legal advisor on domestic law retained by the Company	Beijing Jiayuan Law Firm
Contact address	F407 Ocean Plaza, 158 Fuxingmennei Avenue, Xicheng District, Beijing, China
Name of legal advisor on foreign law retained by the Company	Freshfields Bruckhaus Deringer
Contact address	11/F, Two Exchange Square, Central, Hong Kong

Share Registrars and Transfer Offices for domestic and overseas listed shares

Registrar and Transfer Office for A Shares	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
Registrar and Transfer Office for H Shares	Computershare Hong Kong Investors Services Limited
Contact Address	Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

A Share(s)	the domestic ordinary share(s) of RMB1.00 each in the share capital of the Company, 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
Beijing Mining Machinery	China Coal Beijing Coal Mining Machinery Company Limited
Board of the Company/Board	the board of directors of China Coal Energy Company Limited
China Coal Group	China National Coal Group Corporation, the controlling shareholder of the Company
China Coal Mining Equipment	China National Coal Mining Equipment Company Limited, a wholly-owned subsidiary of the Company
China Coal and Coke	China Coal and Coke Holdings Limited
China United Appraisal	China United Assets Appraisal Co. Ltd.
CSRC	China Securities Regulatory Commission
Datun Company	Datun Coal & Electricity Company Limited, a wholly-owned subsidiary of China Coal Group
Datun Mining Area	The coal mining area in Jiangsu Province operated by Shanghai Datun, and the coal mining area consists of the Yaoqiao, Kongzhuang, Xuzhuang and Longdong mines
Directors	the directors of the Company, including all the executive directors and independent non-executive directors
Dongpo Coal	a coal mine in Shanxi province which is operated by China Coal Shanxi Dongpo Coal Company Limited

H Share(s)	the overseas listed foreign share(s) of RMB 1.00 each in the share capital of the Company which are listed on the HKSE and traded in Hong Kong dollars
HKSE	The Stock Exchange of Hong Kong Limited
Huajin Company	Huajin Coking Coal Company Limited
IFRS	the International Financial Reporting Standards
Jingdong Mine	a coal mine of Shanxi Shuozhou Wantongyuan Jingdong Coal Industry Company Limited
Liliu Mining Area	the coal mining area in Shanxi province which consists of the Shaqu Underground Mine and is operated by Huajin Coking Coal Company Limited
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Mengda Mining	Wushenqi Mengda Mining Company Limited
Mengda New Energy Company	Inner Mongolia Mengda New Energy Chemical Base Development Company Limited
Ministry of Finance	the Ministry of Finance of the People's Republic of China
Nanliang Coal	a coal mine in Shaanxi Province which is operated by Shaanxi Nanliang Coal Company Limited
NSSF	National Council for Social Security Fund of the People's Republic of China
Pan-China Appraisal Company	Beijing Pan-China Assets Appraisal Co., Ltd.
Pingshuo Coal Industry Company	China Coal Pingshuo Coal Industry Company Limited

Pingshuo Luda	Shuozhou Pingshuo Luda Railway Transportation Co., Ltd.
Pingshuo Mining Area	the coal mining area in Shanxi Province which mainly consists of the Antaibao Open Pit Mine and Underground Mine, the Anjialing Open Pit Mine and Underground Mine, and the Jingdong Mine
RMB	Renminbi, the lawful currency of the PRC
RSM	RSM Nelson Wheeler
SAIC	the State Administration for Industry and Commerce of the People's Republic of China
SASAC	the State-owned Assets Supervision and Administration Commission of the State Council
Shanghai Datun	Shanghai Datun Energy Resources Company Limited, a subsidiary of the Company
Shanghai Zendai Company	Shanghai Zendai Investment Management Company Limited
Share(s)	the ordinary share(s) of RMB 1.00 each in the share capital of the Company, including A Share(s) and H Share(s)
Shareholder(s)	the shareholder(s) of the Company, including holder(s) of H Shares and holder(s) of A Shares
Sifang Aluminum	Xuzhou Sifang Aluminum Group Company Limited
SSE	the Shanghai Stock Exchange
SSE Listing Rules	the Listing Rules of the Shanghai Stock Exchange
the Group/the Company/Company/ China Coal Energy	China Coal Energy Company Limited. Unless the context otherwise specifies, also includes all of its subsidiaries

Xi'an Design Company	China Coal Xi'an Design Engineering Company Limited
Yihua Industrial Company	Ordos Yihua Industrial Company Limited
Yihua Mining	Ordos Yihua Mining Resources Company Limited
Yuan Xing Energy Company	Inner Mongolia Yuan Xing Energy Company Limited
Zhangjiakou Mining Machinery	China Coal Zhangjiakou Coal Mining Machinery Company Limited
Zhongshui Appraisal	Zhongshui Assets Appraisal Co., Ltd.

美好生活动力源
ENERGY FOR PROSPEROUS LIFE

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

Add: 1,Huangsi Dajie, Chaoyang District, Beijing, CHINA
Post Code: 100120
Tel: (010) 82236028
Fax: (010) 82256484