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CHINA COAL ENERGY COMPANY LIMITED*

中國中煤能源股份有限公司

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

(Stock Code: 01898)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

Financial highlights:

- Revenue of the Group for 2008 was RMB50.993 billion, representing an increase of RMB15.352 billion (43.1%) over 2007.
- Profit attributable to equity holders of the Company for 2008 was RMB7.141 billion, representing an increase of RMB1.121 billion (18.6%) over 2007.
- Basic earnings per share was RMB0.54.
- EBITDA for 2008 was RMB12.968 billion, representing an increase of RMB2.543 billion (24.4%) over 2007.
- The Board decides to recommend payment of a final dividend of RMB0.15413 per share for the year 2008, and such proposal is subject to approval by the shareholders of the Company at the annual general meeting to be held on 26 June 2009.

The board of directors (the “Board”) of China Coal Energy Company Limited (“China Coal Energy” or the “Company”) is pleased to announce the audited annual results of the Company and its subsidiaries (collectively referred to as the “Group”) for the financial year ended 31 December 2008 prepared in accordance with the International Financial Reporting Standards (“IFRS”):

A. SELECTED CONSOLIDATED FINANCIAL INFORMATION PREPARED IN ACCORDANCE WITH IFRS

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Note	2008 <i>RMB'000</i>	2007 <i>RMB'000</i> <i>(Restated)</i>
Revenue	3	<u>50,992,807</u>	<u>35,640,525</u>
Cost of sales			
Materials		(20,511,614)	(12,393,908)
Staff costs		(2,523,890)	(1,899,189)
Depreciation and amortisation		(1,374,173)	(1,226,450)
Repairs and maintenance		(671,121)	(442,692)
Transportation costs		(7,021,593)	(6,469,445)
Sales taxes and surcharges		(1,249,031)	(656,732)
Others		<u>(4,093,237)</u>	<u>(3,394,947)</u>
Cost of sales		<u>(37,444,659)</u>	<u>(26,483,363)</u>
Gross profit		13,548,148	9,157,162
Selling, general and administrative expenses		(2,845,118)	(2,250,894)
Gain/(Loss) from fair value changes of other financial assets	4	(1,406,400)	1,367,200
Other income	5	1,670,638	550,215
Other gains, net		<u>431,961</u>	<u>176,039</u>
Profit from operations		11,399,229	8,999,722
Finance costs, net	6	(993,547)	(747,337)
Share of profits of associates and jointly controlled entities		<u>106,142</u>	<u>103,913</u>
Profit before income tax		10,511,824	8,356,298
Income tax expense	7	<u>(2,491,651)</u>	<u>(1,950,067)</u>
Profit for the year		<u>8,020,173</u>	<u>6,406,231</u>
Attributable to:			
Equity holders of the Company		7,140,836	6,019,805
Minority interests		<u>879,337</u>	<u>386,426</u>
		<u>8,020,173</u>	<u>6,406,231</u>
Basic and diluted earnings per share for the profit attributable to the equity holders of the Company (RMB)	8	<u>0.54</u>	<u>0.51</u>
Dividends distributed	9	<u>825,484</u>	<u>1,048,959</u>
Dividends proposed after the balance sheet date attributable to all shareholders including holders of A shares	9	<u>2,043,559</u>	<u>825,484</u>

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

	Note	2008 RMB'000	2007 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		28,847,672	22,002,618
Investment properties		33,725	—
Land use rights		591,408	350,700
Mining rights		3,680,836	3,511,426
Intangible assets		41,374	44,759
Investments in associates		1,301,783	1,146,263
Investments in jointly controlled entities		596,109	260,003
Available-for-sale financial assets		557,168	378,972
Deferred income tax assets		780,949	1,891,828
Long-term receivables		<u>701,022</u>	<u>476,529</u>
		<u>37,132,046</u>	<u>30,063,098</u>
Current assets			
Inventories		4,170,512	3,315,727
Trade and notes receivables	10	5,582,365	4,281,220
Prepayments and other receivables		3,609,748	2,831,293
Derivative financial instruments and other financial assets at fair value through profit or loss		300,000	2,037,572
Restricted bank deposits		2,121,593	342,303
Term deposits with initial terms of over three months		27,383,030	6,046,119
Cash and cash equivalents		<u>7,884,873</u>	<u>4,277,958</u>
		<u>51,052,121</u>	<u>23,132,192</u>
TOTAL ASSETS		<u><u>88,184,167</u></u>	<u><u>53,195,290</u></u>
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		13,258,663	11,733,330
Reserves		36,458,034	12,119,839
Retained earnings			
- Dividends proposed after the balance sheet date		2,043,559	825,484
- Others		<u>6,781,338</u>	<u>3,371,822</u>
		58,541,594	28,050,475
Minority interests		<u>4,228,695</u>	<u>2,954,375</u>
Total equity		<u><u>62,770,289</u></u>	<u><u>31,004,850</u></u>

	Note	2008 <i>RMB'000</i>	2007 <i>RMB'000</i> <i>(Restated)</i>
LIABILITIES			
Non-current liabilities			
Long-term borrowings		10,193,510	8,928,339
Long-term payables		336,432	400,343
Deferred income tax liabilities		875,725	1,833,657
Deferred revenue		29,099	27,949
Provision for employee benefits		180,304	28,706
Provision for close down, restoration and environmental costs		<u>1,054,703</u>	<u>611,526</u>
		<u>12,669,773</u>	<u>11,830,520</u>
Current liabilities			
Trade and notes payables	11	6,706,777	4,650,758
Accruals and other payables		3,940,294	3,496,398
Taxes payable		1,278,011	1,191,180
Short-term borrowings		268,296	309,465
Current portion of long-term borrowings		518,715	671,560
Current portion of provision for close down, restoration and environmental costs		<u>32,012</u>	<u>40,559</u>
		<u>12,744,105</u>	<u>10,359,920</u>
Total liabilities		<u>25,413,878</u>	<u>22,190,440</u>
TOTAL EQUITY AND LIABILITIES		<u>88,184,167</u>	<u>53,195,290</u>
NET CURRENT ASSETS		<u>38,308,016</u>	<u>12,772,272</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>75,440,062</u>	<u>42,835,370</u>

B. NOTES TO THE FINANCIAL INFORMATION

1 BASIS OF PRESENTATION

The Company was established in the People's Republic of China (the "PRC") on 22 August 2006 as a joint stock company with limited liability under the Company Law of the PRC as a result of a group restructuring of China National Coal Group Corporation ("China Coal Group" or the "Parent Company").

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

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

Effective from 1 January 2007, the Company obtained effective control over certain formerly jointly controlled entities, and as such these entities became subsidiaries of the Company. Accordingly, those entities, which were previously proportionately consolidated, were fully consolidated in the Group's consolidated financial statements, from 1 January 2007.

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

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

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

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

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

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

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

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

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

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

(e) Change in accounting policies for jointly controlled entities

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

- (f) **The effect of acquisition of Dongpo Coal (Note 1(d)) and change in accounting policies of jointly controlled entities (Note 1(e)) on the Group's financial positions and operating results for 2007 are as follows:**

	As at 31 December 2007 (As previously reported)	Acquisition of Dongpo Coal	Change in accounting policies	As at 31 December 2007 (Restated)
Investments in jointly controlled entities	—	—	260,003	260,003
Other non-current assets	29,561,019	616,713	(374,637)	29,803,095
Current assets	<u>23,238,388</u>	<u>241,536</u>	<u>(347,732)</u>	<u>23,132,192</u>
	<u>52,799,407</u>	<u>858,249</u>	<u>(462,366)</u>	<u>53,195,290</u>
Non-current liabilities	11,878,434	—	(47,914)	11,830,520
Current liabilities	<u>10,635,003</u>	<u>139,369</u>	<u>(414,452)</u>	<u>10,359,920</u>
	<u>22,513,437</u>	<u>139,369</u>	<u>(462,366)</u>	<u>22,190,440</u>
Net assets	<u>30,285,970</u>	<u>718,880</u>	<u>—</u>	<u>31,004,850</u>
	For the year ended 31 December 2007 (As previously reported)	Acquisition of Dongpo Coal	Change in accounting policies	For the year ended 31 December 2007 (Restated)
Revenue	36,428,184	—	(787,659)	35,640,525
Profit from operations	9,100,675	—	(100,953)	8,999,722
Net Profit	6,406,231	—	—	6,406,231
Basic and diluted earnings per share (RMB)	<u>0.51</u>	<u>—</u>	<u>—</u>	<u>0.51</u>

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain investments at fair value 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.

These policies have been consistently applied throughout the year presented, unless otherwise stated.

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

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

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

3 SEGMENT INFORMATION

(a) Primary reporting format — business segments

The Group organises its business into four main business segments:

- Coal - Production and sales of coal;
- Coke - Production and sales of coke;
- Machinery - Manufacturing and sales of mining machinery; and
- Others, including design of mining structures, trading of other products, generation and sales of electric power, production and sale of primary aluminium, transportation services and agency services. None of these constitutes a separately reportable segment.

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

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

Year ended 31 December 2008

	Coal	Coke	Machinery	Others	Inter- segment elimination	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment results						
Revenue						
- External	37,352,438	6,653,252	4,133,592	2,853,525	—	50,992,807
- Inter-segment	<u>657,478</u>	<u>—</u>	<u>499,905</u>	<u>458,119</u>	<u>(1,615,502)</u>	<u>—</u>
	<u>38,009,916</u>	<u>6,653,252</u>	<u>4,633,497</u>	<u>3,311,644</u>	<u>(1,615,502)</u>	<u>50,992,807</u>
Profit from operations	11,284,843	283,660	340,842	(454,166)	(55,950)	11,399,229
Finance costs, net (Note 6)						(993,547)
Share of profits of associates and jointly controlled entities						<u>106,142</u>
Profit before income tax						10,511,824
Income tax expense						<u>(2,491,651)</u>
Profit for the year						<u><u>8,020,173</u></u>
Segment assets and liabilities						
Assets						
Segment assets	29,113,172	3,972,912	5,223,459	12,278,474	(2,472,187)	48,115,830
Unallocated assets						40,068,337
Total assets						<u><u>88,184,167</u></u>
Liabilities						
Segment liabilities	9,099,673	572,053	2,362,284	2,004,132	(1,758,522)	12,279,620
Unallocated liabilities						13,134,258
Total liabilities						<u><u>25,413,878</u></u>
Other segment information						
Depreciation	1,163,155	111,030	71,353	229,763	—	1,575,301
Amortisation	47,631	1,227	2,622	1,050	—	52,530
Provision for/(Reversal of) impairment of receivables	13,283	11,470	(5,461)	17,273	—	36,565
Capital expenditure	<u>6,752,329</u>	<u>880,276</u>	<u>331,984</u>	<u>825,958</u>	<u>—</u>	<u>8,790,547</u>

Year ended 31 December 2007 (Restated)

	Coal	Coke	Machinery	Others	Inter- segment elimination	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment results						
Revenue						
- External	26,361,766	3,738,187	2,992,949	2,547,623	—	35,640,525
- Inter-segment	<u>608,445</u>	<u>14,188</u>	<u>532,059</u>	<u>476,813</u>	<u>(1,631,505)</u>	<u>—</u>
	<u>26,970,211</u>	<u>3,752,375</u>	<u>3,525,008</u>	<u>3,024,436</u>	<u>(1,631,505)</u>	<u>35,640,525</u>
Profit from operations	6,731,088	181,323	299,973	1,840,813	(53,475)	8,999,722
Finance costs, net (Note 6)						(747,337)
Share of profits of associates and jointly controlled entities						<u>103,913</u>
Profit before income tax						8,356,298
Income tax expense						<u>(1,950,067)</u>
Profit for the year						<u><u>6,406,231</u></u>
Segment assets and liabilities						
Assets						
Segment assets	25,462,142	3,351,828	3,475,567	8,374,446	(1,433,167)	39,230,816
Unallocated assets						<u>13,964,474</u>
Total assets						<u><u>53,195,290</u></u>
Liabilities						
Segment liabilities	6,413,004	368,740	1,578,877	1,671,931	(776,313)	9,256,239
Unallocated liabilities						<u>12,934,201</u>
Total liabilities						<u><u>22,190,440</u></u>
Other segment information						
Depreciation	1,013,887	103,629	57,444	188,634	—	1,363,594
Amortisation	66,188	1,826	1,254	544	—	69,812
Provision for/(Reversal of) impairment of receivables	24,937	56,744	(891)	1,436	—	82,226
Capital expenditure	<u>5,521,136</u>	<u>462,241</u>	<u>351,535</u>	<u>445,597</u>	<u>—</u>	<u><u>6,780,509</u></u>

(b) **Secondary reporting format — geographical segments**

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

- Domestic markets — Customers who are located in the mainland of PRC.
- Asia Pacific markets — Export sales to customers who are located outside the mainland of PRC, principally in Korea, Japan and China Taiwan.
- Other markets — Export sales to customers who are located outside the PRC and the Asia Pacific region.

The Group's production or service facilities and other assets are principally located in the PRC. Accordingly, only geographical analysis of revenue is presented.

Revenue is based on the country in which the customers are located.

Analysis of revenue by geographical segment

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i> <i>(Restated)</i>
Domestic markets	41,976,730	30,672,021
Export sales — Asia Pacific markets	8,704,030	4,062,165
Export sales — other markets	<u>312,047</u>	<u>906,339</u>
	<u><u>50,992,807</u></u>	<u><u>35,640,525</u></u>

Analysis of sales by category

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i> <i>(Restated)</i>
Sales of goods	48,822,568	33,818,387
Provision of services	<u>2,170,239</u>	<u>1,822,138</u>
	<u><u>50,992,807</u></u>	<u><u>35,640,525</u></u>

4 GAIN/(LOSS) FROM FAIR VALUE CHANGES OF OTHER FINANCIAL ASSETS

In May 2007, the Company subscribed for 40 million shares, as a strategic investor, of China COSCO Holdings Company Limited (“COSCO”) prior to COSCO’s A share public offering, at the cost of RMB8.48 per share and the total cost of approximately RMB339,200,000. According to the subscription agreement, there is a lock-up period starting from COSCO listing date on Shanghai Stock Exchange for the Company to sell those shares. The Company designated the investment as financial assets at fair value through profit or loss at the date of the transaction, and the change in the fair value of the shares is recorded in the income statement. As at 31 December 2008, the market price for the share was RMB7.50 per share (28 December 2007, being the last trading date of A shares in 2007: RMB42.66 per share), and the change in the fair value of the investments of RMB1,406,400,000 during the year ended 31 December 2008 has been recorded as a loss in the income statement. The Company has disposed all those shares in February 2009 (Note 13).

5 OTHER INCOME

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i> <i>(Restated)</i>
Dividend income	10,003	6,895
Gains on disposal of investments	294	508
Interest income		
- Term deposits with initial term of over three months	1,439,474	337,436
- Other bank deposits	104,005	84,118
Government grants and subsidies	98,772	121,258
Gains on futures	18,090	—
	<u>1,670,638</u>	<u>550,215</u>

6 FINANCE COSTS, NET

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i> <i>(Restated)</i>
Interest expense:		
Bank loans and loans from other financial institutions		
- wholly repayable within five years	60,667	41,961
- not wholly repayable within five years	666,498	530,949
Loans from related parties		
- wholly repayable within five years	34	263
	727,199	573,173
Less: Amounts capitalised in construction in progress	<u>(179,995)</u>	<u>(73,958)</u>
	547,204	499,215
Interest charge on unwinding of discounts	34,114	40,559
Net foreign exchange transaction losses	426,023	590,182
Less: Gains from derivative financial instruments	(24,826)	(399,051)
Other incidental borrowing costs and charges	11,032	16,432
	<u>993,547</u>	<u>747,337</u>

7 INCOME TAX EXPENSE

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i> <i>(Restated)</i>
Current income tax		
- PRC enterprise income tax (note (a))	2,351,736	1,358,303
Deferred income tax	<u>139,915</u>	<u>591,764</u>
	<u><u>2,491,651</u></u>	<u><u>1,950,067</u></u>

Notes

- (a) The provision for PRC enterprise income tax (“EIT”) is calculated based on the statutory income tax rate of 25%. On 16 March 2007, The National People’s Congress of the People’s Republic of China announced a reduction of the statutory income tax rate from 33% to 25% commencing 1 January 2008. As such, the applicable income tax rate in 2008 is 25% of the assessable income of each of the companies, now comprising the Group, determined in accordance with the relevant PRC income tax rules and regulations, except for certain subsidiaries which are taxed at preferential tax rates ranging from 12.5% to 25% based on the relevant PRC tax laws and regulations.
- (b) The taxation of the Group’s profit before taxation differs from the theoretical amount that would arise using the weighted average of the rates prevailing in the jurisdictions in which the Group operates as follows:

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i> <i>(Restated)</i>
Profit before income tax	<u>10,511,824</u>	<u>8,356,298</u>
Tax calculated at applicable tax rates	2,627,956	2,757,579
Effect of changes in tax rates on deferred income tax	—	(148,435)
Preferential tax rates on the income of certain subsidiaries	(184,003)	(614,029)
Income not subject to taxation	(13,336)	(25,808)
Expenses not deductible for taxation purposes	99,127	45,653
Utilisation of previously unrecognised tax losses	(15,339)	(71,398)
Tax losses for which no deferred income tax asset has been recognised	24,478	34,457
Additional expenses allowable for tax purposes	<u>(47,232)</u>	<u>(27,952)</u>
Income tax expense	<u><u>2,491,651</u></u>	<u><u>1,950,067</u></u>

8 EARNINGS PER SHARE

Basic earnings per share for the year ended 31 December 2008 is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of approximately 13,129,468,000 ordinary shares in issue during the year.

The comparative basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by 11,733,330,000 ordinary shares during the year.

As the Company had no dilutive instruments for the year ended 31 December 2008 and 2007, no diluted earnings per share is presented.

9 DIVIDENDS

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Dividends recorded:		
- interim dividends for 2007, paid (note (a))	—	1,048,959
- final dividends for 2007, paid (note (b))	<u>825,484</u>	<u>—</u>
	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Dividends proposed after the balance sheet date:		
- final dividend for 2007 (note (b))	—	825,484
- final dividend for 2008 (note (c))	<u>2,043,559</u>	<u>—</u>

Notes:

- (a) The Board of Directors, in a meeting held on 14 September 2007, proposed to distribute an interim dividend of 2007 to equity holders of the Company of RMB1,048,959,000 (RMB0.0894 per share). Such dividend distribution was approved by the shareholders' meeting on 9 November 2007, and the dividends were paid to the Company's shareholders in December 2007. Such dividend distribution was recorded in the financial statements for the year ended 31 December 2007.
- (b) The Board of Directors, in a meeting held on 9 April 2008, proposed to distribute a final dividend for 2007 to equity holders of the Company of RMB825,484,000 (RMB0.06226 per share). The per share dividend is calculated based on the number of shares after the new A shares were issued on 1 February 2008. Such dividend distribution was approved by the shareholders' meeting held on 20 June 2008 and has been fully paid to shareholders in July 2008.
- (c) The Board of Directors, in a meeting held on 27 March 2009, proposed to distribute a final dividend for 2008 to equity holders of the Company of 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 is still subject to the approval of share holder's meeting, and is not reflected in these financial statements.

10 TRADE AND NOTES RECEIVABLES

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i> <i>(Restated)</i>
Trade receivables, net (note (a))	4,458,491	3,388,196
Notes receivables (note (b))	<u>1,123,874</u>	<u>893,024</u>
	<u>5,582,365</u>	<u>4,281,220</u>

Notes:

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

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i> <i>(Restated)</i>
Within 6 months	4,042,575	2,987,374
6 - 12 months	263,600	321,613
1 - 2 years	147,120	97,578
2 - 3 years	64,932	109,746
Over 3 years	<u>173,062</u>	<u>98,149</u>
Trade receivables, gross	4,691,289	3,614,460
Less: Impairment of receivables	<u>(232,798)</u>	<u>(226,264)</u>
Trade receivables, net	<u>4,458,491</u>	<u>3,388,196</u>

Most of the trade receivables are with credit terms of six months, except for receivables for sales of mining machinery, which have a credit period of more than one year.

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

11 TRADE AND NOTES PAYABLES

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i> <i>(Restated)</i>
Trade payables (note(a))	6,071,789	4,488,971
Notes payable	<u>634,988</u>	<u>161,787</u>
	<u>6,706,777</u>	<u>4,650,758</u>

Note:

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

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i> <i>(Restated)</i>
less than 1 year	5,556,401	3,922,368
1 - 2 years	361,984	355,645
2 - 3 years	95,723	66,800
Over 3 years	<u>57,681</u>	<u>144,158</u>
	<u>6,071,789</u>	<u>4,488,971</u>

12 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for by the Group at the balance sheet date but not yet incurred is as follows:

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i> <i>(Restated)</i>
Property, plant and equipment	3,055,670	2,543,760
Others	<u>212,722</u>	<u>1,317,760</u>
	<u><u>3,268,392</u></u>	<u><u>3,861,520</u></u>

(b) Operating lease commitments — where the Group is the lessee

The Group has commitments to make the following future minimum lease payments under non-cancelable operating leases:

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Land and buildings:		
- Within 1 year	11,206	11,425
- From 1 year to 5 years	44,824	47,059
- Over 5 years	<u>79,608</u>	<u>94,452</u>
	<u><u>135,638</u></u>	<u><u>152,936</u></u>
	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Plant and machinery:		
- Within 1 year	3,615	3,630
- From 1 year to 5 years	14,400	18,015
- Over 5 years	<u>39,600</u>	<u>39,600</u>
	<u><u>57,615</u></u>	<u><u>61,245</u></u>

13 SUBSEQUENT EVENTS

- (a) The Company disposed all COSCO shares in February 2009. Net receipts from this disposal amounted to RMB465,367,000, making profit of RMB165,367,000 (after tax: RMB124,025,000) against the fair value at 31 December 2008.
- (b) The Board of Directors, in a meeting held on 27 February 2009, approved to provide a guarantee of RMB600,000,000 for a company in which the Company owns 5% interest in order to let it to obtain bank borrowings.

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

1. Review of the reporting period

Financial results

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

Business performance

Steady and rapid growth of the core business of coal operations

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

- *Coal production exceeded 100 million tons for the first time.* In 2008, China Coal Energy organised its production scientifically, optimised its production process and achieved steady growth in the production volume of raw coal. During the reporting period, the production volume of raw coal of the Company reached 100.37 million tons, representing an increase of 9.85 million tons or 10.9% over 2007, and exceeded 100 million tons for the first time. The production volume of self-produced raw coal was 91.49 million tons, representing an increase of 8.22 million tons or 9.9% over 2007. Pingshuo Mining Area produced 80.01 million tons of raw coal and was well on the track of achieving production capacity of 100 million tons.
- *Coal sales continued to increase and the sales structure continued to be optimised.* Coal sales volume of the Company was 88.70 million tons in 2008, representing an increase of 4.4% over 2007, of which domestic sales of 72.70 million tons were recorded, representing an increase of 13.8% over 2007. Sales of self-produced commercial coal were 74.10 million tons, representing an increase of 5.24 million tons or 7.6% over 2007, and its proportion in total sales was 2.4 percentage points higher. By leveraging on the price advantage in the spot market, the Company's domestic spot sales accounted for 23.8% of total domestic sales and increased by 6 percentage points over 2007.
- *Construction of safe and highly efficient mines was in steady progress.* During the reporting period, the raw coal production efficiency of the Company was 29.25 tons/worker-shift, representing an increase of 9.5% over 2007, and was 5.8 times of the average raw coal production efficiency of key state-owned coal mines. The raw coal production efficiency of Pingshuo Mining Area was 132.34 tons/worker-shift, which was 4.7% higher than that of 2007. Among the 11 existing coal mines, 5 were assessed to be super safe and highly efficient mines in the PRC and 3 were assessed to be first class safe and highly efficient mines in the coal industry.

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

Core competitiveness of coal mining equipment operations was strengthened.

- *Maintained a leading position in terms of market shares.* Production value of coal mining equipment of China Coal Energy was RMB4.49 billion in 2008, representing an increase of RMB1.27 billion or 39.4% over 2007. The Company's market shares of high-end hydraulic roof supports, heavy-duty armored face conveyors and explosion-proof electric mining motor remained to be No. 1 in the domestic market. The Company continued optimising its product mix and increasing the proportion of purchase orders for high-end products steadily.
- *The product mix of "three machines and one roof support" was generally developed.* Following the successful reorganisation of Fushun Coal Mining Motor Plant and Shijiazhuang Coal Mining Machinery Company, the Company further reorganised Xi'an Coal Mining Machinery Company Limited (西安煤礦機械有限公司) in cooperation with Shaanxi Coal and Chemical Industry Group Co., Ltd. (陝西煤業化工集團有限責任公司) in August 2008. As a result, the Company initially developed a comprehensive product chain of mining and excavation represented by roof support, armored face conveyor, shearer, road-header and electric mining motor, and established a general structure of "three machines and one roof support" for its coal mining equipment operations.
- *Core technology of coal mining equipment was further developed.* The Company actively undertook the research and development of the rear armored face conveyor for high seam top level caving longwall mining work face, a major science and technology support project of the PRC for the "eleventh five-year period". The Company also successfully developed the 2210KW high-power shearer, the 300KW model all-rock road header, and obtained the European "CE" certification for rope-driven floor-mounted rail system. Out of the 29 national patent applications made by the Company as to its coal mining equipment operations during the year, 27 have been accepted and 19 have been granted.

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

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

Construction projects

- *Significant progress was made in the construction of large coal mine projects.* Certain adverse changes in geological conditions of the coal field were encountered in the construction of Antaibao underground mine, which has a production capacity of 6 million tons/year in the Pingshuo Mining Area. The Company took active and effective measures to facilitate the construction of the project. Currently, the project has commenced trial production. The Pingshuo East Open Pit Mine Project has a coal production capacity of 20 million tons/year, a washing and processing capacity of 20 million tons/year and self-owned dedicated railway transportation capacity of 32.50 million tons/year. Construction of this project has commenced with the target of “completing construction in 3 years and achieving designed capacity in the second year”. The Company strived to construct this project into the one with fine quality. The Company successfully acquired the entire equity interest in Shanxi China Coal Dongpo Coal Mine Company Limited held by China National Coal Group Corporation (“China Coal Group”), the Company's controlling shareholder, thereby increasing its production capacity by 1.5 million tons/year. Technology renovation projects for the Wangjialing Coal Mine in the Huajin Mining Area and the Kongzhuang Coal Mine in the Datun Mining Area are also accelerating their progress.
- *Coal chemical projects progressed smoothly.* Substantial progress has been made in the preliminary work of the coal chemical project in Erdos, Inner Mongolia. According to the precise exploration, the total volume of mine reserve is 5.201 billion tons. Currently the Company has obtained the permit of coal mine exploration right for the Menkeqing Coal Field and is in the process of transferring the mining right for the Hulusu Coal Field and applying for the project approval. The methanol project of Heilongjiang Coal Chemical Industry Co., Ltd. of China Coal Energy with a production volume of 250,000 tons/year has commenced trial production.

Corporate governance

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

Social responsibility

- *Further enhance the management level of safe production and continue to maintain an advanced level.* By upholding the notion that "safety is of vital importance, life is the most valuable", the Company has made solid progress in standardising its safety quality and continuously enhancing the safety responsibility awareness of operators at all levels. Out of the 11 operating mines, 9 mines recorded zero fatality rate, and the fatality rate of raw coal production per million tons was 0.020, which is far below the average level of 1.182 of coal mines in China.
- *Implement the state policy of energy conservation and discharge reduction, and strive to build a resource-efficient and environmental-friendly enterprise.* During the reporting period, the integrated energy consumption per RMB10,000 of production value of the Company decreased by 23.4%, the discharge volume of sulphur dioxide reduced by 12.0%, and the discharge volume of COD reduced by 31.5% over 2007.
- As the second largest coal producer in China, China Coal Energy has the largest coal mining equipment manufacturing enterprise in China, the leading coal mine design companies and has an important function of providing services to the Chinese coal industry, which has distinguished China Coal Energy from other companies and is a concrete demonstration of the Company's social responsibilities. In 2008, the Company organised and implemented 31 key technology projects, developed 166 new products and undertook 6 projects at the national technology level, which has made significant contributions for the sustainable development of the coal industry and strengthening the nation's innovation capability.

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

2. MAJOR TASKS IN 2009

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

- Speed up technology reforms to enhance system reliability. Modernise technology and equipment and computerise management measures through the monitoring and automated controlling of the production system of major equipments such as mining, excavating, electromechanical, transportation and ventilation, and of safety facilities and major equipments for coal preparation, loading and power supply and distribution.
- Implement professional management to achieve highly efficient production. Properly implement professional management of operations such as road heading equipment removing before fully mechanized longwall mining ended, development and excavation, equipment management and repairing, coal processing and material supply in the two major mining areas, namely Pingshuo Mining Area and Datun Mining Area.
- Strengthen continuous management and ensure balanced production. All mines of the Company will be organised to carry out production in a balanced way and to avoid any deficiency of stripping (road-heading). Active and effective measures will be taken to resolve the key conflicts and major issues hindering our production. The Company will adopt innovative electromechanical management approaches and strengthen equipment check and preventive overhaul. The Company will strengthen the overall coordination of production and adjustments so as to achieve smooth operation of all processes.

Improve marketing ability on a market-oriented basis.

- In response to the changes in market conditions, the Company will strike a comprehensive balance between risks and benefits, make timely adjustments to its sales strategy, uphold a market-oriented and customer-centered operation philosophy, focus on long-term contract sales supplemented by spot sales to ensure stable sales volume.
- Strengthen strategic cooperation with key power customers, expand customer base in the chemical industry, the metallurgy industry and the construction materials industry. The Company will establish and improve the coastal transshipment, storage and distribution channels mainly in the Yangtze River Delta area and the Pearl River Delta area in order to diversify its operational risks and achieve stable profitability.
- Conduct centralised marketing, fully leverage on the Company's capability of offering a wide range of coal products and specifications to coordinate and arrange composite ancillary sales for thermal coal or coking coal, coordinate effectively coal production, transportation and sales, and improve the quality of our customer service. Fully utilise the Company's advantages of coal import and export operations and further expand into the international market.

Strengthen risk and cost control to ensure operational profits.

- Arrange investment projects in strict compliance with the Company's development strategy with a focus on its main business. Adhere to the yield-centered investment principle, strengthen the assessment of investment projects and control investment risk stringently.
- Further control risk relating to accounts receivables, closely monitor and track the credit status of customers, adjust the credit rating of customers timely, and strengthen the collection of accounts receivables.
- Strengthen cost management and control, and significantly reduce non-production expenses.

Speed up the projects construction and promote sustainable enterprise development

- Accelerate the construction of Pingshuo East Open Pit Mine in Pingshuo Mining Area to ensure commencement of production in 2010 as scheduled.
- Speed up the preliminary work of the Erdos coal chemical project in Inner Mongolia to ensure duly commencement of the project construction in 2009.

- Actively advance project construction with respect to power generation using coke oven gas, intensive processing of coal tar, methanol production using oven gas, and further improve the overall utilisation level of resources.
- Acquire regional coal mines under restructuring from China Coal Group, the controlling shareholder of the Company, in a timely manner.

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

- Establish a simple, efficient and smooth production system. Adopt innovations in mine design models and technology system, accelerate the automation, computerisation reform and the construction pace of the mines so as to provide a good operating environment featuring simple system and reliable equipment.
- Provide more training and build up a team of highly skilled employees to enhance the Company's technology innovation capabilities.
- Develop the system and network of safe production responsibility. Implement safety responsibilities for accountability at all stages including corporate decision-making, implementation, supervision, assessment, disciplinary measures and reward programme.
- Fully implement the standardisation of safe quality. With the focus on standardisation of safe quality, establish a standardised examination and assessment system and target achievement plan, strengthen on-site refined management and enhance the level of safe production management.

3. Future prospect

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

1. Focus on both organic growth and external expansion. Actively accelerate production, operation and project construction and speed up self-development with a focus on the core operations. Realise fast expansion through merger, acquisition, joint venture and cooperation and so on.
2. Accelerate the implementation of the strategy for coal reserves and project reserves. Actively expand and develop domestic and overseas premier coal reserves with a focus on areas with richer resources and better depositing conditions such as Shanxi, Inner Mongolia, Shaanxi and Xinjiang.

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND OPERATING RESULTS

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

I. Overview

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

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

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

II. Operating Results

1. Revenue

(1) Consolidated revenue

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

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

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

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

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

(2) Segmental revenue

- Coal operations

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

The revenue from the Group's coal operations was mainly derived from the revenue of selling coal produced from its own coal mines and coal washing plants (sales of self-produced coal) to domestic and overseas customers. In addition, the Group also purchased coal from external coal enterprises for re-sale to customers (proprietary coal trading) as well as engaged in coal import and export agency services.

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

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

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

- Coking operations

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

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

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

- Coal mining equipment operations

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

- Other operations

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

2. *Cost of sales*

(1) **Consolidated cost of sales**

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

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

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

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

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

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

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

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

(2) Segmental cost of sales

- Coal operations

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

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

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

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

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

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

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

- Coking operations

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

- Coal mining equipment operations

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

3. **Gross profit**

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

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

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

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

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

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

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

4. *Selling, general and administrative expenses*

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

5. *Loss from fair value changes of other financial assets*

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

6. ***Other income***

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

7. ***Other gains, net***

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

8. ***Profit from operations***

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

9. ***Financial costs, net***

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

10. ***Profit before income tax***

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

11. ***Income tax expense***

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

12. *Profit attributable to equity holders of the Company*

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

III. **Cash Flow**

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

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

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

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

IV. **Liquidity and Sources of Capital**

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

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

V. Assets and Liabilities

1. Property, plant and equipment

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

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

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

2. Trade receivables and notes receivables

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

3. **Borrowings**

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

VI. **Significant Investment**

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

VII. **Material Acquisition and Disposal**

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

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

VIII. **Exchange Rate Risks**

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

IX. **Commodity Price Risks**

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

X. Industry Risks

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

XI. Contingent Liabilities

1. Bank guarantees

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

2. Environmental protection responsibilities

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

3. Contingent legal liability

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

BUSINESS PERFORMANCE

I. COAL OPERATIONS

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

1. Coal Production

- Production volume of raw coal exceeded 100 million tons

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

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

- Production cost under effective control

In 2008, the unit production cost of self-produced raw coal was RMB110.01/ton, representing an increase of RMB19.25/ton over 2007. If the policy-related cost incurred due to the coal sustainable development charge levied by Shanxi province were excluded, the unit production cost of self-produced raw coal would have increased by RMB17.82/ton, representing an increase of 22.1% over 2007. Cost has been effectively controlled although prices of raw materials increased significantly in 2008. The unit

cost of sales of self-produced commercial coal was RMB292.50/ton, representing an increase of RMB33.87/ton over 2007. The unit sales cost increase of self-produced commercial coal was mainly due to the increased amount of external coal purchase for washing purpose, the price increase of feed coal for washing plants and the increase of labor cost and so on.

2. Coal Sales

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

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

- Significant increase in coal prices

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

47.3% over 2007; the average export price of self-produced thermal coal was RMB694/ton, representing an increase of RMB215/ton or 44.9% over 2007; the average export price of self-produced coking coal was RMB1,954/ton, representing an increase of RMB1,179/ton or 152.1% over 2007.

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

- Continued optimisation of sales structure

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

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

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

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

- Increased production and sales volume by independent coal washing plants

In 2008, external purchases of raw coal by the Company's independent coal washing plants amounted to 6.5 million tons, representing an increase of 11.3% over 2007. Sales volume of commercial coal by the independent coal washing plants amounted to 4.48

million tons, representing an increase of 4.4% over 2007. The unit cost of coal sales by the independent coal washing plants was RMB424/ton, representing an increase of 53.8% over 2007. Gross profit margin was 19% and represented a decrease of 9.4 percentage points over 2007.

- Increased volume in proprietary coal trading

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

II. COKING OPERATIONS

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

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

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

III. COAL MINING EQUIPMENT OPERATIONS

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

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

IV. DESIGN OF COAL MINES AND OTHER OPERATIONS

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

SIGNIFICANT EVENTS

(1) Share capital structure

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

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

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

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

(2) Distribution of final dividends for 2007

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

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

(3) Amendments to the Articles of Association

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

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

(4) Assets acquisition

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

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

On 25 April 2008, the Company entered into a "share purchase agreement" with China Coal Trade and Industry Co., Ltd., a wholly-owned subsidiary of China Coal Group, to acquire the 5% equity interest in China National Coal Industry Qinhuangdao Imp. & Exp. Co., Ltd., ("Qinhuangdao Co.") held by China Coal Trade and Industry Co., Ltd.. The transaction has been approved by SASAC, and the consideration for the equity transfer was paid on 28 July 2008. The audited net book value of Qinhuangdao Co. as at the valuation date of 30 June 2007 was RMB36,861,300, and the equity value as

appraised by China United Assets Appraisal Co. Ltd. and filed with SASAC after making adjustments was RMB131,632,100. The appraised value of the relevant equity interest subject to such transfer was RMB6,581,600, and the consideration paid was RMB6,581,600. Upon completion of the acquisition, the Company holds 100% equity interest in Qinhuangdao Co..

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

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

EMPLOYEES

As at 31 December 2008, the Group had 50,805 employees in total (2007: 51,527 employees in total).

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company was dedicated in enhancing the quality of its corporate governance. As at 31 December 2008, the Company had strictly complied with the "Code on Corporate Governance Practices" set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd. (the "Listing Rules").

AUDIT COMMITTEE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 of the Listing Rules as at 31 December 2008. The Company confirmed that all directors of the Company, following a specific enquiry conducted by the Company, had complied with the Model Code all the time for the year of 2008.

REMUNERATION OF DIRECTORS AND SUPERVISORS

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

The remuneration package of directors of the Company is determined by the remuneration committee and is subject to approval by the Board and shareholders at the forthcoming annual general meeting. When determining the remuneration package, the Remuneration Committee and the Board will take into account directors' duties, responsibilities and performance as well as the operation results of the Group.

DIVIDENDS AND DISTRIBUTABLE PROFITS, CLOSURE OF SHARE REGISTER

On 27 March 2009, pursuant to the relevant laws and regulations of the PRC, the Board recommended the payment of cash dividends of RMB2,043,558,900 for 2008 to the shareholders of the Company, equal to 30% of the net profit attributable to equity holders of the Company which was RMB6,811,863,000 as set out in the consolidated financial statements prepared in accordance with the PRC Accounting Standards of business enterprises. The dividend distribution will be made based on the Company's entire issued share capital of 13,258,663,400 shares, representing a dividend of RMB0.15413 per share. The profit distribution proposal is subject to shareholders' consideration and approval at the annual general meeting of 2008 to be convened on 26 June 2009. The dividends will be paid to shareholders whose names appear on the register of members on 27 May 2009. The share registrar of the Company will be closed from 27 May 2009 to 26 June 2009 (both days inclusive). In order to qualify for attending the annual general meeting and receiving the dividends, all transfer in respect of H shares must be lodged at our share registrar for H shares in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 26 May 2009.

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

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

Under relevant regulations of China Securities Depository and Clearing Corporation Limited Shanghai Branch and in line with the market practice adopted with respect to dividend distribution for A shares, the Company will publish a separate announcement in respect of dividend distribution to holders of A shares which, among others, will set out the record date and ex-rights date after the annual general meeting of 2008.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE GROUP

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

USE OF PROCEEDS FROM H SHARE ISSUE

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

AUDITORS

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

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

ANNOUNCEMENT OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Pursuant to the requirements of the Listing Rules regarding the reporting period, the 2008 annual report of the Company will set out all information disclosed in the annual results announcement for 2008 and will be disclosed on the website of the Company (<http://www.chinacoalenergy.com>) and the website of the Hong Kong Stock Exchange (<http://www.hkex.com.hk>) on or before 30 April 2009.

By Order of the Board
China Coal Energy Company Limited
Wang An
Chairman of the Board, Executive Director

Beijing, the PRC, 27 March 2009

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

* *For identification purpose only*