



CHINA COAL ENERGY COMPANY LIMITED*

中國中煤能源股份有限公司

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

(Stock Code: 1898)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2008**

Financial Highlights:

- Revenue of the Group in the first half of 2008 was RMB26.408 billion, representing an increase of RMB9.692 billion (or 58.0%) over the same period of 2007.
- Profit attributable to equity holders of the Company in the first half of 2008 was RMB4.219 billion, representing an increase of RMB1.570 billion (or 59.3%) over the same period of 2007.
- Basic earnings per share of the Company in the first half of 2008 was RMB0.32, representing an increase of RMB0.09 (or 39.1%) over the same period of 2007.
- EBITDA in the first half of 2008 was RMB7.537 billion, representing an increase of RMB2.902 billion (or 62.6%) over the same period of 2007.
- The Company does not distribute interim dividend for 2008.

The board of directors of China Coal Energy Company Limited (“**China Coal**” or the “**Company**”) (the “**Board**”) is pleased to announce the interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2008 (the “**Period**”) prepared in accordance with the International Financial Reporting Standards (“**IFRS**”). The Group's interim results have not been audited, but have been reviewed by the Company's auditor, PricewaterhouseCoopers.

I. CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

A. Selected Consolidated Interim Financial Information prepared in accordance with IFRS

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2008

		Six months ended 30 June	
		2008	2007
		RMB'000	RMB'000
	Note	Unaudited	Unaudited
Revenue	3	26,408,216	16,716,369
Cost of sales			
Materials		(9,740,404)	(5,929,489)
Staff costs		(1,322,435)	(877,022)
Depreciation and amortisation		(675,033)	(566,373)
Repair and maintenance		(383,912)	(343,762)
Transportation costs		(3,706,719)	(3,018,615)
Sales taxes and surcharges		(586,521)	(280,695)
Others		(1,962,412)	(1,323,385)
Cost of sales		(18,377,436)	(12,339,341)
Gross profit		8,030,780	4,377,028
Selling, general and administrative expenses		(1,348,548)	(1,127,051)
(Loss)/gain from fair value changes of other financial assets	4	(916,400)	391,200
Other income	5	700,690	298,685
Other gains, net		318,601	19,561
Profit from operations		6,785,123	3,959,423
Finance costs, net	6	(442,164)	(324,822)
Share of profits of associates		3,653	4,958
Profit before income tax		6,346,612	3,639,559
Income tax expense	7	(1,522,446)	(754,940)
Profit for the period		4,824,166	2,884,619
Attributable to:			
Equity holders of the Company		4,218,741	2,648,631
Minority interests		605,425	235,988
		4,824,166	2,884,619
Basic and diluted earnings per share for the profit attributable to the equity holders of the Company (RMB)	8	0.32	0.23
Dividends distributed	9	825,484	—
Dividends proposed after the balance sheet date	9	—	1,048,784

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 30 JUNE 2008

		30 June 2008	31 December 2007
		<i>RMB'000</i>	<i>RMB'000</i>
	Note	Unaudited	Audited
ASSETS			
Non-current assets			
Property, plant and equipment		24,448,347	21,916,976
Land use rights		403,895	397,250
Mining rights		3,458,414	3,481,426
Intangible assets		44,647	44,759
Investments in associates and other		1,595,590	1,146,263
Available-for-sale financial assets		419,422	378,972
Deferred income tax assets		1,821,583	1,892,635
Long-term receivables		294,983	302,738
		<u>32,486,881</u>	<u>29,561,019</u>
Current assets			
Inventories		4,377,774	3,431,559
Trade and note receivables	10	6,523,589	4,372,344
Prepayments and other receivables		3,114,316	2,656,663
Derivative financial instruments and other			
financial assets at fair value through profit or loss		790,000	2,037,572
Restricted bank deposits		1,195,273	360,303
Term deposits with initial terms of over three months		27,191,336	6,046,119
Cash and cash equivalents		11,077,745	4,333,828
		<u>54,270,033</u>	<u>23,238,388</u>
TOTAL ASSETS		<u><u>86,756,914</u></u>	<u><u>52,799,407</u></u>
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		13,258,663	11,733,330
Reserves		35,883,205	11,400,959
Retained earnings			
– Dividends proposed after the balance sheet date		—	825,469
– Others		6,932,324	3,371,837
		<u>56,074,192</u>	<u>27,331,595</u>
Minority interests		<u>3,737,464</u>	<u>2,954,375</u>
Total equity		<u><u>59,811,656</u></u>	<u><u>30,285,970</u></u>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 30 JUNE 2008

		30 June 2008	31 December 2007
		<i>RMB'000</i>	<i>RMB'000</i>
	Note	Unaudited	Audited
LIABILITIES			
Non-current liabilities			
Long-term borrowings		9,144,456	8,963,439
Long-term payables		284,899	401,519
Deferred income tax liabilities		1,761,762	1,845,295
Deferred revenue		28,449	27,949
Provision for employee benefits		187,888	28,706
Provision for close down, restoration and environmental costs		720,994	611,526
		<u>12,128,448</u>	<u>11,878,434</u>
Current liabilities			
Trade and note payables	11	5,717,041	4,863,745
Accruals and other payables		5,748,101	3,557,495
Taxes payables		2,095,154	1,185,429
Short-term borrowings		726,624	316,215
Current portion of long-term borrowings		499,065	671,560
Current portion of provision for close down, restoration and environmental costs		30,825	40,559
		<u>14,816,810</u>	<u>10,635,003</u>
Total liabilities		<u>26,945,258</u>	<u>22,513,437</u>
TOTAL EQUITY AND LIABILITIES		<u>86,756,914</u>	<u>52,799,407</u>
NET CURRENT ASSETS		<u>39,453,223</u>	<u>12,603,385</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>71,940,104</u>	<u>42,164,404</u>

B. NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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, and the A shares of the Company were listed on the Shanghai Stock Exchange in February 2008.

This condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those applied in the annual financial statements for the year ended 31 December 2007, as described in the annual financial statements for the year ended 31 December 2007.

There are no standards, interpretations or amendments to published standard or interpretations that are mandatory for the first time for the financial year beginning 1 January 2008 and are relevant to the operations of the Group.

The new standards, interpretations or amendments to published standards or interpretations that have been issued but are not effective for the financial year beginning 1 January 2008 have not been early adopted by the Group.

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.

The segment results for the six months ended 30 June 2008 and 2007 are as follows:

	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>
Six months ended						
30 June 2008						
(Unaudited)						
Revenue						
– External	18,473,412	4,477,586	2,069,605	1,387,613	—	26,408,216
– Inter-segment	306,954	—	171,924	229,919	(708,797)	—
	<u>18,780,366</u>	<u>4,477,586</u>	<u>2,241,529</u>	<u>1,617,532</u>	<u>(708,797)</u>	<u>26,408,216</u>
Profit from operations	6,316,228	624,665	194,977	(333,899)	(16,848)	6,785,123
Finance costs, net (Note 6)						(442,164)
Share of profits of associates						<u>3,653</u>
Profit before income tax						6,346,612
Income tax expense						<u>(1,522,446)</u>
Profit for the period						<u><u>4,824,166</u></u>
Six months ended						
30 June 2007						
(Unaudited)						
Revenue						
– External	11,990,450	2,123,153	1,433,551	1,169,215	—	16,716,369
– Inter-segment	89,917	—	201,139	305,461	(596,517)	—
	<u>12,080,367</u>	<u>2,123,153</u>	<u>1,634,690</u>	<u>1,474,676</u>	<u>(596,517)</u>	<u>16,716,369</u>
Profit from operations	2,977,421	90,997	134,539	782,556	(26,090)	3,959,423
Finance costs, net (Note 6)						(324,822)
Share of profits of associates						<u>4,958</u>
Profit before income tax						3,639,559
Income tax expense						<u>(754,940)</u>
Profit for the period						<u><u>2,884,619</u></u>

The segment assets and liabilities at 30 June 2008 and 31 December 2007 are as follows:

	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>
At 30 June 2008						
(Unaudited)						
Assets						
Segment assets	28,614,493	4,885,138	4,428,316	7,640,927	(1,693,487)	43,875,387
Unallocated assets						42,881,527
Total assets						<u>86,756,914</u>
Liabilities						
Segment liabilities	7,675,838	1,106,470	2,008,057	3,033,515	(1,105,683)	12,718,197
Unallocated liabilities						14,227,061
Total liabilities						<u>26,945,258</u>
At 31 December 2007						
(Audited)						
Assets						
Segment assets	24,665,439	3,937,974	3,475,567	8,374,446	(1,433,167)	39,020,259
Unallocated assets						13,779,148
Total assets						<u>52,799,407</u>
Liabilities						
Segment liabilities	6,302,518	754,486	1,578,877	1,671,931	(776,313)	9,531,499
Unallocated liabilities						12,981,938
Total liabilities						<u>22,513,437</u>

Unallocated assets comprise cash and cash equivalents, term deposits with initial terms of over three months, restricted bank deposits, investments in associates and other, and deferred income tax assets. Unallocated liabilities comprise long-term borrowings, short-term borrowings, tax payables and deferred income tax liabilities. Segment assets and liabilities are the other assets and liabilities as disclosed in the consolidated balance sheet.

Other segment information is as follows:

	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>
Six months ended						
30 June 2008						
(Unaudited)						
Depreciation	549,617	62,491	43,542	111,418	—	767,068
Amortisation	28,129	571	2,092	233	—	31,025
Provision for/(reversal of)						
impairment of receivables	9,538	1,790	(4,468)	4,388	—	11,248
Capital expenditure	<u>2,252,061</u>	<u>546,287</u>	<u>144,312</u>	<u>313,767</u>	<u>—</u>	<u>3,256,427</u>
Six months ended						
30 June 2007						
(Unaudited)						
Depreciation	475,469	46,214	26,302	94,987	—	642,972
Amortisation	28,492	1,480	787	1,390	—	32,149
Provision for impairment						
of receivables	24,500	24,021	6,613	121	—	55,255
Capital expenditure	<u>1,626,128</u>	<u>99,708</u>	<u>97,181</u>	<u>182,577</u>	<u>—</u>	<u>2,005,594</u>

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

(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 PRC.
- Asia Pacific markets – Export sales to customers who are located outside the PRC, principally in Korea, Japan and 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 allocated based on the countries in which the customers are located.

	Six months ended 30 June	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Analysis of revenue by geographical segment		
Domestic markets	24,166,864	14,172,211
Export sales – Asia Pacific markets	1,975,771	2,276,036
Export sales – other markets	265,581	268,122
	<u>26,408,216</u>	<u>16,716,369</u>
	Six months ended 30 June	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Analysis of revenue by category		
Sales of goods	26,011,433	16,454,861
Revenue from services	396,783	261,508
	<u>26,408,216</u>	<u>16,716,369</u>

4. (LOSS)/GAIN 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 are recorded in the income statement. As at 30 June 2008, the market price for the share was RMB19.75 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 investment during the six months ended 30 June 2008 has been recorded as a loss in the condensed consolidated income statement for the period.

5 OTHER INCOME

	Six months ended 30 June	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Gains on disposal of investments	—	661
Interest income	663,539	266,285
Government grants and subsidies	37,151	31,739
	<u>700,690</u>	<u>298,685</u>

6 FINANCE COST, NET

	Six months ended 30 June	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Interest expense	338,819	315,433
Less: Amounts capitalised in construction in progress	(59,669)	(21,748)
	<u>279,150</u>	<u>293,685</u>
Interest charge on unwinding of discounts	34,950	18,723
Net foreign exchange losses	143,346	215,275
Less: Gains from derivative financial instrument	(24,826)	(208,832)
Other incidental borrowing costs and charges	9,544	5,971
	<u>442,164</u>	<u>324,822</u>

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Current income tax		
- PRC enterprise income tax (note (a))	1,520,566	526,899
- Overseas taxation (note (b))	15,008	2,468
Deferred income tax	(13,128)	225,573
	<u>1,522,446</u>	<u>754,940</u>

Notes:

- (a) The National People's Congress of the PRC approved the Unified Corporate Income Tax Law ("CIT" Law) on 16 March 2007. Effective from 1 January 2008, the tax rate applicable the Group is 25%, with certain grandfathering provisions and preferential provisions. The change in the carrying amount of the deferred tax assets and liabilities, as a result of the change in tax rate, has been reflected in the interim financial information of the Group for the six months ended 30 June 2007.

The provision for PRC corporate income tax is calculated based on the statutory income tax rate of 25% (2007: 33%) 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 and jointly-controlled entities which are taxed at preferential tax rates ranging from 0% to 15% (2007: 0% to 30%) based on the PRC CIT Law, grandfathering provisions and preferential provisions.

- (b) Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the tax rates prevailing in the countries in which the Group operates.

8 EARNINGS PER SHARE

Basic earnings per share for the six months ended 30 June 2008 is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of approximately 12,998,854,000 ordinary shares in issue during the period.

Basic earnings per share for the six months ended 30 June 2007 is calculated by dividing the profit attributable to equity holders of the Company by 11,733,330,000 ordinary shares during the period.

As the Company had no dilutive instruments for the six months ended 30 June 2008 and 2007, diluted earnings per share equals basic earnings per share.

9 DIVIDENDS

	Six months ended 30 June	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Dividends		
- final dividends for 2007 (note (b))	825,484	—
	<u>825,484</u>	<u>—</u>
	Six months ended 30 June	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Dividends proposed after the balance sheet date:		
- interim dividends for 2007 (note (a))	—	1,048,784
	<u>—</u>	<u>1,048,784</u>

Notes:

- The Board of Directors, in a meeting held on 14 September 2007, proposed to distribute an interim dividend of 2007 attributable to equity holders of the Company of RMB1,048,784,000 (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 consolidated financial statements for the year ended 31 December 2007.
- 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.

10 TRADE AND NOTE RECEIVABLES

	30 June 2008	31 December 2007
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Audited
Trade receivables, net (note (a))	5,763,182	3,426,800
Note receivables (note (b))	760,407	945,544
	<u>6,523,589</u>	<u>4,372,344</u>

Notes:

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

	30 June 2008	31 December 2007
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Audited
1 - 6 months	5,153,186	3,025,303
7 - 12 months	449,111	322,288
1 - 2 years	126,877	97,578
2 - 3 years	105,906	109,746
Over 3 years	154,138	98,149
	<u>5,989,218</u>	<u>3,653,064</u>
Trade receivables, gross	5,989,218	3,653,064
Less: Impairment of receivables	<u>(226,036)</u>	<u>(226,264)</u>
Trade receivables, net	<u>5,763,182</u>	<u>3,426,800</u>

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

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

11 TRADE AND NOTE PAYABLES

	30 June 2008	31 December 2007
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Audited
Trade payables (note(a))	5,460,421	4,665,958
Note payables	256,620	197,787
	<u>5,717,041</u>	<u>4,863,745</u>

Note:

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

	30 June 2008	31 December 2007
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Audited
Less than 1 year	5,026,366	4,094,141
1 - 2 years	197,499	360,859
2 - 3 years	111,709	66,800
Over 3 years	124,847	144,158
	<u>5,460,421</u>	<u>4,665,958</u>

12 COMMITMENTS

(a) Capital commitments

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

	30 June 2008	31 December 2007
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Audited
Property, plant and equipment	1,350,659	2,619,259
Others	897,785	1,317,760
	<u>2,248,444</u>	<u>3,937,019</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:

	30 June 2008	31 December 2007
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Audited
Land and buildings:		
- Within 1 year	11,425	11,425
- From 1 year to 5 years	45,702	47,059
- Over 5 years	88,229	94,452
	<u>145,356</u>	<u>152,936</u>

	30 June 2008	31 December 2007
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Audited
Plant and machinery:		
- Within 1 year	3,600	3,630
- From 1 year to 5 years	14,400	18,015
- Over 5 years	41,400	39,600
	<u>59,400</u>	<u>61,245</u>

13 SUBSEQUENT EVENTS

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, pursuant to which China Coal Group transferred its 100% equity interest in Shanxi China Coal Dongpo Coal Mine 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 on 23 July 2008. Dongpo Coal will be consolidated as a subsidiary in the Group’s financial statements for the year ending 31 December 2008.

II. CHAIRMAN’S STATEMENT

Dear Shareholders,

In the first half of 2008, the economy of China overcame difficulties caused by unfavorable international economic conditions and domestic severe natural disasters. The national economy continued developing in line with the macro-economic control measures. Major coal consuming industries maintained relatively fast growth. Coal market demand was strong and the supply of coal, electricity, oil and transportation services continued to remain tight. China Coal Energy Company Limited (the “Company” or “China Coal Energy”) leveraged the advantages of being an energy giant, strived to increase coal production, improved its sales structure, strictly controlled cost, actively performed social responsibilities and endeavored to ensure the supply of coal to key users. Accordingly, the Company’s production and operation progressed smoothly and satisfactory operating results were achieved.

Significant growth in operating results on a sustained basis

During the reporting period, the operating revenue of the Company was RMB26.408 billion, representing an increase of 58.0% over the same period last year, of which revenue from coal operations was RMB18.473 billion, representing an increase of 54.1% over the same period last year. Gross profit was RMB8.031 billion, representing an increase of 83.5% over the same period last year, of which gross profit from coal operations was RMB6.900 billion, representing an increase of 87.9% over the same period last year. Profit before interest, tax, depreciation and amortization was RMB7.537 billion, representing an increase of 62.6% over the same period last year; profit before income tax was RMB6.347 billion, representing an increase of 74.4% over the same period last year. If the impact of gains and losses from the fair value changes of shares were excluded, profit before income tax would have been RMB7.263 billion, representing an increase of 123.5% over the same period last year. Profit attributable to equity holders of the Company was RMB4.219 billion, representing an increase of 59.3% over the same period last year. Basic earnings per share was RMB0.32, representing an increase of 39.1% over the same period last year; the rate of return on the shareholders’ equity was 10.1%.

Continued growth in coal production and sales. Raw coal production was 49.98 million tons, representing an increase of 15.2% over the same period last year, of which self-produced raw coal accounted for 46.34 million tons, representing an increase of 18.7% over the same period last year. Sales of commercial coal was 46.01 million tons, representing an increase of 10.4% over the same period last year, of which sales of self-produced commercial coal was 38.15 million tons, representing an increase of 12.8% over the same period last year. Coal export volume amounted to 8.92 million tons, of which exports of self-produced commercial coal amounted to 3.23 million tons. While actively implementing the State's policy of ensuring the supply of thermal coal and the steady supply of thermal coal to key users in the country, the Company seized the favorable opportunity of sustained increase in prices in the spot market and increased the proportion of spot sales appropriately in respect of the additional output. In the first half of the year, long-term coal contract sales accounted for 75.6% while spot sales accounted for 24.4%.

Coal prices hovering at high levels. During the reporting period, the average coal sales price of the Company was RMB455/ton, representing an increase of RMB114/ton or 33.6% over the same period last year, of which the average export price of self-produced thermal coal was RMB672/ton, representing an increase of RMB207/ton or 44.5% over the same period last year; the average domestic sales price of self-produced thermal coal was RMB407/ton, representing an increase of RMB79/ton or 24.1% over the same period last year. The average sales price of long-term contracts for self-produced thermal coal was RMB363/ton, representing an increase of RMB44/ton or 13.8% over the same period last year. The average domestic spot price of self-produced thermal coal was RMB596/ton.

Cost of coal was under effective control. By strengthening refined management, strictly controlling on unit consumption and fully capitalizing on economy of scale, the Company still managed to effectively control coal production cost amid unfavorable conditions such as a sharp increase in raw material prices and rising labour cost. During the reporting period, the unit production cost of self-produced raw coal was RMB94.97/ton, representing an increase of RMB5.88/ton over the same period last year. The unit sales cost of self-produced commercial coal was RMB277.01/ton, representing an increase of RMB43.79/ton over the same period last year. If the impact of policy-related cost increase such as Coal Sustainable Development Fund levied by the Shanxi Province were excluded, the cost of raw coal would have increased by RMB2.87/ton showing remarkable results achieved in cost control. The increase in the unit cost of self-produced commercial coal was mainly attributable to the increased external purchase of coal for washing purpose and a rise in the prices of feed coal for washing plants.

Growth in the operating results of coking operations doubled. Seizing the favorable opportunities presented by strong demand in domestic and overseas coke markets and the significant increase in price, the Company fully capitalized the production capacities of coke to double the yield. During the reporting period, production of coke amounted to 2.21 million tons, representing an increase of 40.8% over the same period last year. Sales of coke amounted to 2.04 million tons, representing an increase of 7.9% over the same period last year, of which sales of self-produced coke amounted to 1.67 million tons, representing an increase of 23.7% over the same period last year.

Coking operations recorded a revenue of RMB4.478 billion, representing an increase of 110.9% over the same period last year, and gross profit of RMB726 million, representing an increase of 236.1% over the same period last year. During the reporting period, average sales price of coke was RMB2,102/ton, representing an increase of 97.4%, or 12.8 percentage points higher than the growth rate of the purchase price of raw coal. Of these, average price for domestic sales was RMB1,889/ton, representing an increase of 99.9%, and average export price was RMB3,067/ton, representing an increase of 117.7%.

Coal mining equipment operations maintained the leading position in the industry. Contracted values in the first half of the year amounted to RMB3.02 billion, representing an increase of 58.4% over the same period last year. Production of coal mining equipment amounted to 114,000 tons, representing an increase of 17.5% over the same period last year, and key products of coal mining equipment amounted to 8,145 units (sets). The Company has succeeded in the development of SGZ1000/3x700 series armored face conveyor systems for working faces of highly efficient mines which has the characteristics of high installed power, large conveying capacity, long conveying distance and high reliability. Currently, the equipment has been examined by experts and has reached international advanced level, and filled a market blank of such products in domestic market. Market shares of high-end products have been affirmed and enhanced. High-end hydraulic roof supports, armored face conveyors and explosion-proof electric mining motor continued to maintain their leading positions domestically with market shares reaching 35%, 50% and 70% respectively.

The market share of coal mining equipment operations has increased through the sales of major equipments to drive sales of coal mining equipment components and greatly enhanced added values of products. During the reporting period, coal mining equipment operations recorded a sales revenue of RMB2.242 billion, representing an increase of 37.1% over the same period last year, and a gross profit of RMB363 million, representing an increase of 30.6% over the same period last year.

Making efforts in promoting construction of investment projects

In recent years, the State continued to strengthen its policy control on projects investment, and enhanced investment thresholds with respect to land use and environmental protection. Substantial preliminary work has to be done for large investment projects, which are relatively time consuming. China Coal Energy has overcome various difficulties and made great efforts in promoting construction of investment projects.

Significant progress for large coal mine construction projects. The Pingshuo East open pit mine project has obtained approvals from National Development and Reform Commission in April this year, project design work has been progressing smoothly, land requisition and application for mining rights commenced concurrently, and construction works were commenced in early June. The water prevention work in Antaibao underground mine was satisfactory, and all core works of the mine have been basically completed. Construction work of the initial mining face and related preparation work are being accelerated at the moment, and the operation will be strived to commence within this year. Construction project of Wangjialing Coal Mine within the Huajin Mining Area is progressing smoothly. To coordinate development of the Company's coal resources in Xinjiang region, the Company has established China Coal Xinjiang Branch to expedite promotion of the resources in Zhundong Zhangnan Mining Area, Xinjiang Tielieke Coal Mine, as well as the development of 106# Coal Mine (1.8 million tons/year of coal) in cooperation with Agricultural Division 6, and the 2x135MW combined heat power project.

Solid progress in preliminary work for coal chemical projects. Appraisals of and amendments to the feasibility studies on the coal project and chemical project of the Coal Chemical project in Erdos, Inner Mongolia have been completed, and formalities for the transfer of prospecting rights of the Menkeqing Coal Field is currently proceeding. Negotiation on the transfer of prospecting rights of the Hulusu Coal Field is also under way while related studies on the safety, environment, water resources are also being carried out. As to the Heilongjiang Coal Chemical project, preparatory work has commenced in accordance with the requirements in the "Notice relating to the commencement of preparation work for methanol projects of 1.8 million tons/year and olefin projects of 600,000 tons/year" issued by NDRC. The main project of the 250,000 tons/year methanol project of China Coal Energy Heilongjiang Coal Chemical Co., Ltd. has been completed, and is anticipated to commence operation by the end of this year.

Timely acquisition of the parent company's assets. Shanxi China Coal Dongpo Coal Company Limited ("Dongpo Coal") which is restructured and integrated by China National Coal Group Corporation ("China Coal Group"), the controlling shareholder of the Company, has obtained approval for a production capacity of 1.5 million tons/year, while the main engineering of the shaft system is based on the design and construction of the scope of 3 million tons/year. The mine has an area of 4.6 square kilometers and reserves of 158 million tons already being filed with the government. The resources are high quality thermal coal. Its mining conditions are good and transportation is convenient. The resolution for the acquisition of its entire equity interests has been considered and approved by the shareholders' general meeting of the Company, and currently the acquisition has been approved by State-owned Assets Supervision and Administration Commission of the State Council. Designated by Shanxi Province as one of the state-owned key coal mines to carry out the restructuring of locally-owned coal mines, Pingshuo Company is actively participating in the integration of resources with the local coal mines in the Shuozhou Area. China Coal Group, the Company's controlling shareholder, is actively promoting the integration and restructuring of local coal mines in places like Xishahe, Danshuigou and Yangjian. When conditions are ripe, the Company will decide whether to exercise options to acquire related assets in accordance with the regulatory procedures.

In addition, China United Coalbed Methane Corporation Ltd., a 50%-owned company of China Coal Group, the Company's controlling shareholder, has abundant coal gas resources with good mining conditions and advanced technology. PetroChina Company Limited has commenced the transfer of its shareholdings in China United Coalbed Methane Corporation Ltd. to China Coal Group and China United Coalbed Methane Corporation Ltd. will become a wholly-owned subsidiary of China Coal Group upon completion. When conditions are ripe, the Company will decide whether to exercise options to acquire related assets in accordance with the regulatory procedures.

Active fulfillment of Social Responsibilities

At the beginning of the year, parts of southern China were affected by blizzards and extreme cold spells. In May, a severe earthquake struck Wenchuan County of Sichuan Province. China Coal Energy performed social responsibilities by participating actively in the rescue and relief work and ensuring the stable supply of thermal coal to power plants, striving to promote the harmonious development of the enterprise, society and environment.

During the Chinese Spring Festival, when most parts of southern China were affected by blizzards and extreme cold spells, China Coal Energy's coal producing mines maintained normal production during the holiday period and made its best efforts to increase the coal production, which contributed significantly to the alleviation of the tight thermal coal supply. From 1st to 21st of February when thermal coal transportation was strengthened, China Coal Energy had produced a total of 5.96 million tons, representing an increase of 1.20 million tons over the same period last year. Sales of thermal coal amounted to 4.497 million tons, of which 2.121 million tons were supplied to the top five power generation companies, achieving 160% of the scheduled progress and ensuring the coal supply to key thermal coal users. Accordingly, China Coal Energy was widely acclaimed by the relevant government authorities and the clients. During the first half of 2008, the Company's performance rate of key thermal coal contracts was 110%, which helped to stabilize the domestic thermal coal supply.

In May, when Sichuan Province was affected by a severe earthquake, the Company immediately organized staff donation for the devastated areas, while the Pingshuo Branch actively commenced the rescue and relief work by delegating 36 Commando members and deploying 17 units/sets of equipment to head for Jiange county of Sichuan Province. China Coal Group, the controlling shareholder, donated an aggregate of RMB37.04 million and sent three specialized teams to the devastated areas for the reconstruction work. 32,200 square metres of land area were cleared and levelled, unsafe buildings over 15,700 square metres were demolished and 893 units of transition housing with gross floor area of 19,072 square metres were installed for occupation by residents.

China Coal Energy has been actively implementing the State's policy of energy conservation and discharge reduction, and strived to transform the Company into a resources-efficient and environment-friendly enterprise. During the reporting period, solid results were obtained in terms of energy conservation and discharge reduction. The rate of fatality per million tons of raw coal produced by the Company was 0.02. The integrated energy consumption per RMB10,000 of production value of the Company was decreased by 6.9%, the discharge volume of sulphur dioxide was reduced by 2.7%, and the discharge volume of COD was reduced by 10.67% when compared with the same period last year.

Major tasks in the second half of the year

In the second half of the year, with national economy maintaining a stable and fast growth, demand from major coal consuming industries such as thermal power, steel, construction materials and chemical industries will also have considerable growth. Especially in the summer peak seasons, supplies from coal market are still relatively tight due to coal supply and transportation distribution. China Coal Energy will endeavor to expand its production and sales volumes, speed up project construction, strengthen cost control, and continue to enhance economic benefits of the Company. The following tasks shall be emphasized:

-- Strive to increase coal production to achieve the target of over one hundred million tons in annual production and trading volume.

The Company will keep on strengthening technology management of coal production to ensure coal production in an orderly and stable manner. Coordination between open pit stripping and underground excavation will be focused to advance the excess quantities in overburden removal and underground roadheading to satisfy the continuous and steady growth of mining capacity. The progress of integrating newly constructed projects and joint local mines will be accelerated so as to achieve the coal production growth target of the Company. The Company will continue to utilize its marketing advantage and, subject to the supply of thermal coal, will further optimize the sales structure and improve the delivery and sales of coal products.

-- Make efforts to promote the construction of investment projects to enhance the Company's future development.

The Company will make efforts to promote the construction of Pingshuo East open pit mine project so as to lay a solid foundation of future production growth. Preliminary work for major coal chemical projects will be actively conducted. The project documents relating to mining area comprehensive plan, ground and environmental evaluation for the coal chemical project in Erdos, Inner Mongolia will be submitted to the competent authority and all related preparations for the construction commencement will be ready by the end of 2008. Further preliminary work will be conducted for the coal chemical project in Heilongjiang.

-- Stringent control of unit consumption and increased efforts to eliminate factors for cost increase.

In June 2008, there was an adjustment to the prices of oil products and electricity at the national level. As estimated, this adjustment to oil products and electricity prices will directly result in an increase in the unit cost of the Company's raw coal production of about RMB1.2/ton. As such, price increase of raw materials and energy resources due to price adjustment for oil products and electricity will further exert pressure on the Company's cost control. In the second half of the year, the Company will implement stringent control of unit consumption level and initiate conservation activities to offset those cost increase factors such as price increase of oil products, electricity and raw materials so as to ensure the achievement of the Company's annual performance target.

China Coal Energy will continue to maximize its own advantages in the second half of the year, to manage and control the production and operation, to accelerate the progress of projects under construction, to promote the construction of an essentially safe enterprise, to perform actively the social responsibilities, to put emphasis on energy conservation and emission reduction, to realize fully the production and operation targets for 2008, and to generate excellent returns for shareholders.

III. BUSINESS PERFORMANCE

(i) COAL OPERATIONS

In the first half of 2008, the Company seized the opportunity of strong demand in the coal market, fully leveraged its advantages in production capacity, reasonably organized production and strengthened the coordination among production, transportation and sales. Coal production and sales volume increased rapidly while prices of coal continued to hover at high levels. The Group's coal operations have achieved satisfactory performance.

1. Coal production operations

(1) Production of raw coal continued to maintain relatively fast growth

In the first half of 2008, the Company's raw coal production was 49.98 million tons, representing an increase of 6.59 million tons or 15.2% over the same period last year. Production of self-produced raw coal was 46.34 million tons, representing an increase of 7.29 million tons or 18.7% over the same period last year; accounted for 92.7% of the Company's raw coal production, representing an increase of 2.7 percentage points over the same period last year.

	January to June, 2008	January to June, 2007	Change %
Self-produced Raw Coal Production (10 thousand tons)			
Total	4,634	3,905	18.7
Pingshuo Mining Area	3,965	3,341	18.7
Antaibao Open Pit Mine	1,232	1,089	13.1
Anjialing Open Pit Mine	938	858	9.3
Anjialing Underground Mine	1,795	1,394	28.8
Datun Mining Area	440	407	8.1
Liliu Mining Area	165	107	54.2
Nanliang Mining Area	64	50	28.0

(2) Effective control of production cost

In the first half of 2008, the unit production cost of self-produced raw coal was RMB94.97/ton, representing an increase of RMB5.88/ton over the same period last year. Unit cost for sales of self-produced commercial coal was RMB277.01/ton, representing an increase of RMB43.79/ton over the same period last year. If the impact of policy-related cost increase such as Coal Sustainable Development Fund levied by the Shanxi Province were excluded, the cost of raw coal would have increased by RMB2.87/ton showing remarkable results achieved in cost control. The increase in the cost of self-produced commercial coal was mainly attributable to an increase in external purchase of coal for washing purpose and a rise in the prices of feed coal for washing plants.

2. Coal sales operations

In the first half of 2008, by actively implementing the State's policy of ensuring the supply of thermal coal, the Company seized the favorable opportunity of long-standing high prices in the spot market and increased the proportion of spot sales to an appropriate extent in the additional output, which significantly enhanced the profitability of coal operations.

(1) Continued optimization of sales structure

In the first half of 2008, the Company's coal sales amounted to 46.01 million tons, representing an increase of 4.34 million tons or 10.4% over the same period last year, of which domestic sales were 37.07 million tons, accounting for 80.5% of the total sales; export sales were 8.92 million tons, accounting for 19.4% of the total sales; and import sales were 20,000 tons.

Sales of self-produced commercial coal amounted to 38.15 million tons, representing an increase of 4.33 million tons or 12.8% over the same period last year, and accounted for 82.9% of the total sales of coal, representing an increase of 1.7 percentage points over the same period last year. Proprietary coal trading and export agency sales amounted to 7.86 million tons, representing 17.1% of the total sales, down 1.7 percentage points over the same period last year.

Sales of commercial coal (10 thousand tons)	January to June, 2008	January to June, 2007	Change %	January to June, 2008 Percentage of total sales %
Total	4,601	4,167	10.4	100
By sales market				
Domestic sales	3,707	3,165	17.1	80.5
including: self-produced	3,492	3,046	14.6	75.9
Export sales	892	844	5.7	19.4
including: Self-produced and self-arranged sales	334	340	-1.8	7.3
Import sales	2	158	-98.7	0.1
By product source				
Self-produced	3,815	3,382	12.8	82.9
Non self-produced	786	785	0.1	17.1
including: Proprietary third party				
coal trading	228	123	85.4	5.0
– Domestic resale	215	120	79.2	4.7
– Export	11	3	266.7	0.2
– Import	2	—	—	0.1
Agency sales	558	662	-15.7	12.1
– Export	558	504	10.7	12.1
– Import	—	158	-100.0	0.0

(2) Notable increase in the proportion of spot sales

In the first half of 2008, spot sales of coal amounted to 11.22 million tons, representing an increase of 5.34 million tons or 90.8% over the same period last year, accounting for 24.4% of the total sales of coal, representing an increase of 10.3 percentage points over the same period last year.

(3) Sustained high coal prices

In the first half of 2008, average coal selling price of the Company's was RMB455/ton, representing an increase of RMB114/ton or 33.6% over the same period last year, of which the domestic average price of self-produced thermal coal was RMB407/ton, representing an increase of RMB79/ton or 24.1% over the same period last year; domestic average price of self-produced coking coal was RMB870/ton, representing an increase of RMB243/ton or 38.8% over the same period last year; average export price of self-produced thermal coal was RMB672/ton, representing an increase of RMB207/ton or 44.5% over the same period last year; average export price of self-produced coking coal was RMB1,938/ton, representing an increase of RMB1,146/ton or 144.7% over the same period last year.

The average selling price of long-term contract of self-produced thermal coal was RMB394/ton, representing an increase of RMB51/ton or 14.9% over the same period last year; the average price of spot sales was RMB596/ton.

3. *Production and sales of independent coal washing plants increased*

In the first half of 2008, external purchases of raw coal by the Company's three independent coal washing plants amounted to 3.27 million tons, representing an increase of 31.9% over the same period last year.

Commercial coal production of independent coal washing plants amounted to 2.82 million tons, representing an increase of 42.4% over the same period last year; sales volume amounted to 2.42 million tons, representing an increase of 16.9% over the same period last year. Cost of coal sales per ton was RMB337.59, representing an increase of 34.5% over the same period last year. Gross profit margin was 25.2%, representing an increase of 2.8 percentage points over the same period last year.

4. *Increased scale in proprietary coal trading*

In the first half of 2008, the Company achieved proprietary coal trading of 2.28 million tons, representing an increase of 1.05 million tons or 85.4% over the same period last year. Cost of coal sales per ton was RMB575, representing an increase of 63.9% over the same period last year. Sales price of coal per ton was RMB597, representing an increase of 41.7% over the same period last year. Gross profit margin was 3.6%.

(ii) COKING OPERATIONS

In the first half of 2008, the Company fully leveraged the production capacity for coke, the scale of production and sales continued to expand, and the average sales price of coke increased substantially, achieving doubled growth of operating results.

1. Continued increase in production and sales

In the first half of 2008, the production of coke reached 2.21 million tons, representing an increase of 40.8% over the same period last year.

Sales of coke amounted to 2.04 million tons in aggregate, representing an increase of 150,000 tons or 7.9% over the same period last year, of which sales of self-produced coke amounted to 1.67 million tons, accounting for 81.8% of total sales, and representing an increase of 10.4 percentage points over the same period last year.

2. A substantial increase in coke price

In the first half of 2008, the Company's coke price continued to rise at a rate higher than that for the same period of last year. The average sales price of coke was RMB2,102/ton, representing an increase of 97.4% over the same period last year, of which the average domestic sales price of coke was RMB1,889/ton, representing an increase of 99.9% over the same period last year; the average export price was RMB3,067/ton, representing an increase of 117.7% over the same period last year. Domestic sales price of self-produced coke was RMB1,885/ton, representing an increase of 101.8% over the same period last year. Export sales price was RMB2,873/ton.

(iii) COAL MINING EQUIPMENT OPERATIONS

In the first half of 2008, the Company made great efforts in exploring new markets. Through sales of major equipments, the Company increased its market shares, drove the sales of components of coal mining equipment and strived to add value to the products. Rapid progress was made in the research and development of new products as well as scale expansion.

1. Expansion of both production and sales

In the first half of 2008, an aggregate of 114,000 tons of coal mining equipment was produced, representing an increase of 17,000 tons or 17.5% over the same period last year. There were 8,145 units (sets) of major coal mining equipment produced. Sales amounted to 108,000 tons, representing an increase of 6,000 tons or 5.9% over the same period last year.

2. A significant increase in newly signed contracts

In the first half of 2008, newly signed sales contracts amounted to RMB3.02 billion in aggregate, representing an increase of 58.4% over the same period last year, of which sales contracts with manufacturing enterprises amounted to RMB2.88 billion, representing an increase of 58.3% over the same period last year.

(iv) DESIGN OF COAL MINES AND OTHER OPERATIONS

In the first half of 2008, the group newly entered into 152 contracts for businesses like prospecting design of coal mines, undertaking projects as general contractor, construction supervision and rock soil projects with an aggregated contract value of RMB610 million. The production volume of primary aluminum was 50,000 tons. Electricity generated was 1.06 billion kwh.

IV. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND OPERATING RESULTS

The following discussions and analysis should be read in conjunction with the Group's reviewed financial statements and the notes as set out in this report. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards.

(i) Overview

For the six months ended 30 June 2008, the Group's total revenues net of inter-segment sales amounted to RMB26.408 billion, representing an increase of 58.0% over the same period last year; profit before income tax was RMB6.347 billion, representing an increase of 74.4% over the same period last year; profit attributable to equity holders of the Company was RMB4.219 billion, representing an increase of 59.3% over the same period last year; basic earnings per share of the Company was RMB0.32, representing an increase of RMB0.09 over the same period last year. The profitability of the Group continued to grow substantially, and the Group continued to present impressive performance results and demonstrate development trends through its efforts in expanding production volume of coal and other key products, strictly exerting cost control, expanding sales volume actively to satisfy market needs.

For the six months ended 30 June 2008, the Group's three major business segments, namely coal, coking and coal mining equipment operations, all recorded a substantial increase in profit. The operating profit of coal operations increased by 112.2% from RMB2.977 billion for the six months ended 30 June 2007 to RMB6.316 billion. The operating profit of coking operations increased by 586.8% from RMB91 million to RMB625 million; and operating profit of coal mining equipment operations increased by 44.4% from RMB135 million to RMB195 million.

For the six months ended 30 June 2008, the Group's EBITDA increased by 62.6% from RMB4.635 billion for the six months ended 30 June 2007 to RMB7.537 billion. The Group's gearing ratio (total interest bearing liabilities/(total interest bearing liabilities + shareholders' interest)) was 15.6%.

(ii) Operating Results

1. Revenues

(1) Consolidated revenues

For the six months ended 30 June 2008, the Group's total revenues net of inter-segment sales increased by 58.0% from RMB16.716 billion for the six months ended 30 June 2007 to RMB26.408 billion. Sales revenue from the three core businesses of coal, coking and coal mining equipment operations all realized relatively significant growth.

Changes on revenues (net of inter-segment sales) from the Group's four business segments of coal, coking, coal mining equipment and other operations for the six months ended 30 June 2008 and 30 June 2007 were as follows:

	Revenues net of inter-segment sales		Increase/decrease	
	For the six months ended 30 June 2008 RMB100 million	For the six months ended 30 June 2007 RMB100 million	RMB100 million	%
Coal operations	184.73	119.90	64.83	54.1
Coking operations	44.78	21.23	23.55	110.9
Coal mining equipment operations	20.70	14.34	6.36	44.4
Other operations	13.87	11.69	2.18	18.6
Total	<u>264.08</u>	<u>167.16</u>	<u>96.92</u>	<u>58.0</u>

(2) Segmental revenues

- Coal operations

For the six months ended 30 June 2008, the total revenue from coal operations increased from RMB12.080 billion for the six months ended 30 June 2007 to RMB18.780 billion, representing an increase of 55.5% (of which, the revenue net of other inter-segment sales increased from RMB11.990 billion for the six months ended 30 June 2007 to RMB18.473 billion, representing an increase of 54.1%).

Revenue from the Group's coal operations was mainly due to sales of coal produced from its own coal mines and coal washing plants (sales of self-produced commercial coal) to domestic and overseas customers. In addition, the Group also purchased coal from external coal enterprises for re-sale to customers (proprietary coal trading) and provided coal import and export agency services. The major coal products of the Group were thermal coal and coking coal.

For the six months ended 30 June 2008, the Group's revenue from self-produced commercial coal sales was RMB17.046 billion, representing an increase of RMB5.615 billion or 49.1% over the same period last year, of which revenue from domestic sales of self-produced commercial coal was RMB14.863 billion, representing an increase of RMB4.656 billion or 45.6% over the same period last year; revenue from export sales of self-produced commercial coal was RMB2.183 billion, representing an increase of RMB959 million or 78.3% over the same period last year. Revenue from proprietary coal trading of the Group for the same period was RMB1.362 billion, representing an increase of RMB847 million or 164.5% over the same period last year.

For the six months ended 30 June 2008, revenue from the Group's coal import and export agency services was RMB65 million (the revenue in this reporting period was all from export agency services), representing an increase of RMB21 million or 47.7% over the same period last year. The average agency fee increased from RMB7/ton to RMB12/ton over the same period last year.

The Group's coal sales volume and prices for the six months ended 30 June 2008 and for the six months ended 30 June 2007 were compared as follows:

			For the six months ended 30 June 2008		For the six months ended 30 June 2007		Increase/decrease	
			Sales volume (10,000 tons)	Selling price (RMB/ton)	Sales volume (10,000 tons)	Selling price (RMB/ton)	Sales volume (10,000 tons)	Selling price (RMB/ton)
1.	Self-produced	Total	3,815	447	3,382	349	433	98
	commercial coal	(I) Thermal coal	3,673	430	3,306	351	367	79
		1. Exports	322	672	330	465	-8	207
		(1) Long-term agreements	312	674	330	465	-18	209
		(2) Spot trading	10	615	—	—	10	—
		2. Domestic sales	3,351	407	2,976	328	375	79
		(1) long-term agreements	2,702	363	2,744	319	-42	44
		(2) Spot trading	649	596	232	361	417	235
		(II) Coking coal	142	879	76	642	66	237
		1. Exports	1	1,938	7	792	-6	1,146
		2. Domestic sales	141	870	69	627	72	243
2.	Proprietary coal	Total	228	597	123	420	105	177
	trading(I) Self-operated exports	11	1,423	377.3(792)686	8	737		
		1. Long-term agreements	377.368.9(606)-6455.8(—)-6452.2(—)-6952.2(3)-6452.2(—)				TJT*0.0674 Tw	(2. Spot trading)-10107
		2. Spot trading	201	553	115	410	86	143

- **Coking operations**

Revenue from coking operations increased from RMB2.123 billion for the six months ended 30 June 2007 to RMB4.478 billion for the six months ended 30 June 2008, representing an increase of 110.9%. The increase was mainly attributable to an increase in the sales volume of self-produced coke as a result of the increase in the production volume of coke produced by the Group's coke plants as well as the significant increase in the selling price of coke.

Revenue from the Group's coking operations was mainly derived from the sales of coke produced from self-owned coke plants (sales of self-produced coke) to domestic and overseas customers. In addition, the Group also purchased coke from external coke enterprises for re-sale to customers (proprietary coke trading).

Sales volume of coke for the six months ended 30 June 2008 amounted to 2.04 million tons, representing an increase of 0.15 million tons or 7.9% over the same period last year, of which the sales volume of self-produced coke amounted to 1.67 million tons, representing an increase of 0.32 million tons or 23.7% over the same period last year.

For the six months ended 30 June 2008, the average sales price of coke was RMB2,102/ton, representing an increase of RMB1,037/ton over the same period of 2007, of which the average domestic sales price of coke was RMB1,889/ton, representing an increase of RMB944/ton over the same period of 2007; the average export sales price of coke was RMB3,067/ton, representing an increase of RMB1,658/ton over the same period of 2007.

- **Coal mining equipment operations**

Revenue from the coal mining equipment operations increased from RMB1.635 billion for the six months ended 30 June 2007 to RMB2.242 billion for the six months ended 30 June 2008, representing an increase of 37.1% (of which revenue net of other inter-segment sales increased from RMB1.434 billion for the six months ended 30 June 2007 to RMB2.070 billion for the same period in 2008, representing an increase of 44.4%). The increase was mainly attributable to the expansion on production scale, enhancement of technology level and improvement in product mix, which further increased the production and sales volume of coal mining equipment products and the proportion of high-end products.

- **Other operations**

For the six months ended 30 June 2008, the Group's total revenue from other operations such as sales of primary aluminium, power and the provision of coal mine design services increased from RMB1.475 billion for the six months ended 30 June 2007 to RMB1.618 billion, representing an increase of 9.7% (of which revenue net of other inter-segment sales increased from RMB1.169 billion for the six months ended 30 June 2007 to RMB1.387 billion, representing an increase of 18.6%).

2. Cost of sales

(1) Consolidated cost of sales

For the six months ended 30 June 2008, the Group's cost of sales increased from RMB12.339 billion for the six months ended 30 June 2007 to RMB18.377 billion, representing an increase of 48.9%, which was 9.1 percentage points lower than the increase in revenue for the same period in 2007. Changes in major items of cost of sales were as follows:

Materials costs increased from RMB5.929 billion for the six months ended 30 June 2007 to RMB9.740 billion, representing an increase of 64.3%. The increase was mainly attributable to the increase in production and sales volume and the increase in the prices of raw materials.

Staff costs increased from RMB877 million for the six months ended 30 June 2007 to RMB1.322 billion, representing an increase of 50.7%. The increase was mainly attributable to the Group's expansion on production capacity and operation scale, which resulted in the corresponding increase in staff costs.

Depreciation and amortization expenses increased from RMB566 million for the six months ended 30 June 2007 to RMB675 million, representing an increase of 19.3%. The increase was mainly attributable to the Group's application of new production equipment to expand production capacity, which resulted in the corresponding increase in depreciation expenses.

Repair and maintenance costs increased from RMB344 million for the six months ended 30 June 2007 to RMB384 million, representing an increase of 11.6%. The increase was mainly attributable to an increase in the Group's maintenance expenses for keeping the machinery and equipment in good condition.

Transportation costs increased from RMB3.019 billion for the six months ended 30 June 2007 to RMB3.707 billion, representing an increase of 22.8%. The increase was mainly attributable to an increase in the Group's sales volume of self-produced coal and the corresponding increase in the coal volume transported.

Sales taxes and surcharges increased from RMB281 million for the six months ended 30 June 2007 to RMB587 million, representing an increase of 108.9%. The increase was mainly attributable to an increase in the Group's sales volumes and operating revenue.

Other expenses increased from RMB1.323 billion for the six months ended 30 June 2007 to RMB1.962 billion, representing an increase of 48.3%. The increase was mainly attributable to an increase in the Group's production and sales volume, which resulted in a corresponding increase in other related expenses, of which the Coal Sustainable Development Fund levied by Shanxi Province to coal production enterprises commencing from March 2007 resulted in the cost increase of RMB196 million over the same period of 2007.

(2) Segmental cost of sales

• **Coal operations**

Cost of sales for the Group's coal operations increased from RMB8.408 billion for the six months ended 30 June 2007 to RMB11.880 billion for the six months ended 30 June 2008, representing an increase of 41.3%. Changes in the major cost items were compared as follows:

	For the six months ended 30 June 2008 RMB100 million	For the six months ended 30 June 2007 RMB100 million	Increase/decrease RMB100 million	%
Materials	46.75	27.63	19.12	69.2
Staff costs	10.07	6.98	3.09	44.3
Depreciation and amortization	4.91	4.13	0.78	18.9
Repair and maintenance	3.31	3.09	0.22	7.1
Transportation costs	33.77	28.82	4.95	17.2
Others	19.99	13.43	6.56	48.8
Cost of sales of coal operations	<u>118.80</u>	<u>84.08</u>	<u>34.72</u>	<u>41.3</u>

For the six months ended 30 June 2008, the Group's cost of sales of self-produced commercial coal was RMB10.567 billion, representing an increase of RMB2.679 billion or 34.0% over the same period of 2007. Unit sales cost of self-produced commercial coal was RMB277.01/ton, representing an increase of RMB43.79/ton or 18.8% over the same period of 2007. The Coal Sustainable Development Fund levied by Shanxi Province since March 2007 had driven up the Group's unit cost of sales of self-produced commercial coal by RMB4.03/ton. In the case that such policy-related cost increase were excluded, the Group's unit cost of sales of self-produced commercial coal for the six months ended 30 June 2008 would have increased by RMB39.76/ton or 17.8% over the same period of 2007.

The major items of the Group's unit cost of sales of self-produced commercial coal for the six months ended 30 June 2008 and the six months ended 30 June 2007 were compared as follows:

	For the six months ended 30 June 2008 RMB/ton	For the six months ended 30 June 2007 RMB/ton	Increase/decrease RMB/ton	%
Production cost	188.48	150.52	37.96	25.2
Materials	88.13	68.80	19.33	28.1
Staff costs	26.41	20.65	5.76	27.9
Depreciation and amortization	12.88	12.22	0.66	5.4
Repair and maintenance	8.69	9.14	-0.45	-4.9
Others	52.37	39.71	12.66	31.9
Transportation cost	88.53	82.70	5.83	7.0
Sales cost of self-produced commercial coal	277.01	233.22	43.79	18.8

For the six months ended 30 June 2008, the Group's unit production cost of self-produced raw coal was RMB94.97/ton, representing an increase of RMB5.88/ton compared to RMB89.09/ton for the six months ended 30 June 2007. Due to the Coal Sustainable Development Fund levied by Shanxi Province since 1 March 2007, unit production cost of self-produced raw coal increased by RMB3.01/ton. In case such policy-related cost increase were excluded, the unit production cost of self-produced raw coal would have increased by RMB2.87/ton compared to the same period last year.

- **Coking operations**

The cost of sales of coking operations increased from RMB1.907 billion for the six months ended 30 June 2007 to RMB3.752 billion for the six months ended 30 June 2008, representing an increase of 96.7%. The increase was mainly attributable to the expansion of the sales volume of coke products and price increase of coal and other raw materials. The unit cost of coke sales was RMB1,530/ton, representing an increase of RMB627/ton over the same period last year.

- **Coal mining equipment operations**

The cost of sales of coal mining equipment operations increased from RMB1.357 billion for the six months ended 30 June 2007 to RMB1.879 billion for the six months ended 30 June 2008, representing an increase of 38.5%. The increase was mainly attributable to an increase in production and sales volume of coal mining equipment products and an increase in the prices of steel and other raw materials.

3. **Gross profit**

(1) *Consolidated*

For the six months ended 30 June 2008, the Group's gross profit increased from RMB4.377 billion for the six months ended 30 June 2007 to 8.031 billion, representing an increase of 83.5%. The Group's gross profit margin increased from 26.2% for the six months ended 30 June 2007 to 30.4%, representing an increase of 4.2 percentage points.

The Group's gross profit and gross profit margin of the four business segments of coal, coking, coal mining equipment and other operations for the six months ended 30 June 2008 and for the six months ended 30 June 2007 were as follows:

	Gross profit			Gross profit margin		
	For the six months ended 30 June 2008 RMB100 million	For the six months ended 30 June 2007 RMB100 million	Increase/ decrease RMB100 million	For the six months ended 30 June 2008 %	For the six months ended 30 June 2007 %	Increase/ decrease percentage point(s)
Coal operations	69.00	36.72	32.28	36.7	30.4	6.3
Coking operations	7.26	2.16	5.1	16.2	10.2	6.0
Coal mining equipment operations	3.63	2.78	0.85	16.2	17.0	-0.8
Other operations	0.29	2.34	-2.05	1.8	15.9	-14.1

Note: The above gross profit and gross profit margin of each of the four segments are the data before eliminating inter-segment sales.

(2) *Segmental Gross Profit of Major Operations*

- **Coal operations**

For the six months ended 30 June 2008, gross profit from coal operations increased from RMB3.672 billion for the six months ended 30 June 2007 to RMB6.900 billion, representing an increase of 87.9%. Gross profit margin increased from 30.4% for the six months ended 30 June 2007 to 36.7%, representing an increase of 6.3 percentage points.

The increase in gross profit of coal operations was mainly attributable to the expansion of sales volume of the Group and the increase in selling price of self-produced coal, as well as the strict control of costs, which effectively off-set the impact caused by policy-related cost increase and price increase of raw materials, whereby further strengthened the profitability of the coal operations; gross profit margin for the sales of self-produced commercial coal increased from 31.0% for the six months ended 30 June 2007 to 38.0% for the same period 2008. Gross profit margin for proprietary coal trading was 3.6% for the six months ended 30 ended 2008.

- **Coking operations**

For the six months ended 30 June 2008, gross profit from the Group's coking operations increased from RMB216 million for the six months ended 30 June 2007 to RMB726 million, representing an increase of 236.1%. Gross profit margin increased from 10.2% for the six months ended 30 June 2007 to 16.2%, representing an increase of 6.0 percentage points.

The increase in gross profit of coking operations was mainly attributable to the increase of sales of coke resulted from expansion on production capacity and the increase in the prices of coke.

- **Coal mining equipment operations**

For the six months ended 30 June 2008, gross profit from the Group's coal mining equipment operations increased from RMB278 million for the six months ended 30 June 2007 to RMB363 million, representing an increase of 30.6%. Gross profit margin decreased from 17.0% for the six months ended 30 June 2007 to 16.2%, representing a decrease of 0.8 percentage point.

4. *Selling, general and administrative expenses*

For the six months ended 30 June 2008, the Group's selling, general and administrative expenses increased from RMB1.127 billion for the six months ended 30 June 2007 to RMB1.349 billion, representing an increase of 19.7%. The increase was mainly attributable to the expansion on the Group's production capacity and operation scale and the corresponding increase in selling and administrative expenses.

5. *(Loss)/Gain from fair value changes of other financial assets*

For the six months ended 30 June 2008, the Group incurred a loss of RMB916 million due to the change in the fair value of the A shares of China COSCO Holdings Company Limited ("COSCO") held by the Group. As at 30 June 2008, the closing price of the shares was RMB19.75/share, decreased by RMB22.91/share as compared to the closing price of RMB42.66/share as at 28 December 2007 (Friday), whereby the Group recognized a loss of RMB916 million from the change in the fair value of COSCO shares.

6. Other income

For the six months ended 30 June 2008, the Group's other income increased from RMB299 million for the six months ended 30 June 2007 to RMB701 million, representing an increase of 134.4%. The increase was mainly attributable to the increase in the Group's interest of term deposits.

7. Profit from operations

The Group's profit from operations increased from RMB3.959 billion for the six months ended 30 June 2007 to RMB6.785 billion for the six months ended 30 June 2008, representing an increase of 71.4%.

8. Finance costs, net

The Group's net finance costs increased from RMB325 million for the six months ended 30 June 2007 to RMB442 million for the six months ended 30 June 2008, representing an increase of 36.0%, which was mainly due to the foreign exchange losses generated from the Group's bank deposits and receivables dominated in USD.

9. Profit before income tax

The Group's profit before income tax increased from RMB3.640 billion for the six months ended 30 June 2007 to RMB6.347 billion for the six months ended 30 June in 2008, representing an increase of 74.4%.

10. Income tax

The Group's income tax expenses increased from RMB755 million for the six months ended 30 June 2007 to RMB1.522 billion for the six months ended 30 June 2008, representing an increase of 101.6%, which was mainly attributable to an increase in income tax payable.

11. Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company increased from RMB2.649 billion for the six months ended 30 June 2007 to RMB4.219 billion for the six months ended 30 June 2008, representing an increase of 59.3%.

(iii) Cash Flow

As at 30 June 2008, the Group had cash and cash equivalents amounting to RMB11.078 billion, a net increase of RMB6.744 billion as compared to the cash and cash equivalents of RMB4.334 billion as at 1 January 2008.

Net cash generated from operating activities increased from RMB1.195 billion for the six months ended 30 June 2007 to RMB5.493 billion for the six months ended 30 June 2008, representing an increase of 359.7%. This was mainly attributable to an increase in sales volume and a higher profitability level, which resulted in cash inflows generated from operating activities increased substantially.

Net cash used in investing activities increased from RMB13.147 billion for the six months ended 30 June 2007 to RMB24.364 billion for the six months ended 30 June 2008. This was mainly attributable to an increase in the capital expenditures and an increase of term deposits with initial term of over three months.

Net cash generated from financing activities for the six months ended 30 June 2008 was RMB25.661 billion, which was mainly attributable to an increase of funds inflow raised from issuance of A shares; whereas a net cash outflow of RMB1.716 billion was recorded for the six months ended 30 June 2007.

(iv) Liquidity and Sources of Capital

For the six months ended 30 June 2008, the main sources of capital for the Group were the net funds generated from operations, bank borrowings. Capital of the Group was mainly applied in the investment of production facilities and equipments for coal, coal chemical and coal mining equipment operations, repayment of the Group's debts, and as working capital and paying general operating expenses of the Group.

The Group's cash flow generated from operations, the proceeds raised from the issuance of H shares and A shares and the credit facilities granted by relevant banks are sufficient to finance production activities and project constructions in the future.

(v) Assets and Liabilities

1. Property, plant and equipment

The net value of property, plant and equipment of the Group increased from RMB21.917 billion as at 31 December 2007 to RMB24.448 billion as at 30 June 2008, representing an increase of 2.531 billion or 11.5%.

2. Trade receivable and notes receivable

As at 30 June 2008, the balance of trade receivables and notes receivables of the Group amounted to RMB6.524 billion, representing an increase of RMB2.152 billion or 49.2% compared to the balance of RMB4.372 billion as at 31 December 2007, which was mainly attributable to the continuous increase in the Group's sales volume.

3. Borrowings

As at 30 June 2008, the borrowings of the Group amounted to RMB10.370 billion, representing an increase of RMB419 million compared to RMB9.951 billion as at 31 December 2007. Of which, the balance of the long-term borrowings was RMB9.144 billion, representing an increase of RMB181 million compared to the balance of RMB8.963 billion as at 31 December 2007. The balance of the short-term borrowings as well as the current portion of long-term borrowings amounted to RMB1.226 billion, representing an increase of RMB238 million compared to the balance of RMB988 million as at 31 December 2007.

(vi) Significant Investment

For the six months ended 30 June 2008, the Group had no new significant investment.

(vii) Material Acquisition and Disposal

For the six months ended 30 June 2008, the Group did not have any material acquisition and disposal.

(viii) Exchange Rate Risks

The business operations of the Group are affected by changes in the exchange rate of Renminbi as the Group accepts the United States dollar payments for most of its export sales, with liabilities denominated in foreign currencies, including Japanese Yen and the United States dollar. At the same time, the Group also has to make payments for equipment and spare parts imported in foreign currencies, and in most cases, in the United States dollar. Therefore exchange rate fluctuation of foreign currencies vs 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 subject to commodity price risks arising from movements in the prices of its products and materials.

(x) Industry Risks

Like other coal companies and coking companies in China, the Group's operational activities are subject to regulations by the Chinese government in aspects such as industry policies, project approval, granting of permits, industry special tax and levy, environmental protection and safety standards. Therefore the Group may be restricted in expanding business or increasing earnings. Future policies adopted by the Chinese government in industries relevant to the Group's businesses such as coal and chemical may have an impact on the Group's operations.

(xi) Contingent Liabilities

1. Bank guarantees

For the six months ended 30 June 2008, the Group did not have any guarantee in favor of third parties.

2. Environmental protection responsibilities

Environmental protection laws and regulations are in full force in China. However, the management of the Group is of the opinion that other than that accounted for in the financial statements, there does not currently exist any other liability in relation to environmental protection that may have major negative impact on the financial position of the Group.

3. Contingent legal liability

As at 30 June 2008, the Group was not involved in any material litigation or arbitration, and as far as the Group is aware, there is no material litigation or claim pending or threatened against the Group.

V. COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Always attaching great importance to corporate governance, the Company is dedicated to improving its corporate governance transparency, and will continuously strengthen its internal control system to attain legitimate and efficient operations in accordance with the legal and regulatory requirements on corporate governance, thereby maximizing shareholder returns from sound corporate governance.

Throughout the reporting period, the Company complied with the principles and code provisions set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange.

VI. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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. After having made specific enquiry of the directors of the Company, the Company confirmed that each director had complied with the Model Code throughout the first half of 2008.

VII. AUDIT COMMITTEE

During the reporting period, the Audit Committee under the Board convened one meeting on 8 April 2008 and considered the Company’s “Resolution on Final Accounts for 2007”, “Resolution on Proposed Profit Distribution Plan for 2007”, “Resolution on Annual Report of China Coal Energy Company Limited for 2007 and its summary, Results Announcement for 2007”, “Resolution on Production and Operating Plans for 2008”, “Resolution on Financial Plans for 2008”, “Resolution on Engaging Auditors to Review Interim Financial Report and Audit Annual Financial Report for 2008”, “Resolution on the Provision of a Guarantee to ShanXi PingShuo Coal Gangue Electricity Generation Co., Ltd.”, “Resolution on the Provision of a Guarantee to ShuoZhou Great Trade and Industry Co., Ltd.”, “Resolution on Management Measures on the shares (and its changes thereof) of China Coal Energy Company Limited held by the Directors, Supervisors, Senior Management Members and Insiders”, “Resolution on Regulations for Reviewing the Annual Financial Report by the Audit Committee under the Board of China Coal Energy Company Limited” and reviewed the report on “Audit of the Financial Report of the Company for 2007” by PricewaterhouseCoopers and the report on “Report on Self-assessment of Internal Control for 2007” by the Company.

The audit committee has reviewed the Company’s interim report. In addition, the Company’s external auditor, PricewaterhouseCoopers, has performed an independent review of the unaudited condensed consolidated interim financial information for the six months ended 30 June 2008 in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board. On the basis of their review, which does not constitute an audit, PricewaterhouseCoopers confirmed in writing that nothing has come to their attention which would cause them to believe that the interim financial information has not been properly prepared, in all material aspects, in accordance with the International Accounting Standard 34 “Interim Financial Reporting”.

VIII. DISCLOSURE OF MAJOR EVENTS

(i) SHARE CAPITAL STRUCTURE

The Company was listed on the Shanghai Stock Exchange on 1 February 2008, with the initial public offering of 1,525,333,400 A Shares. Subsequent to the 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, as 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 in the initial public offering, representing 57.52%, 30.97% and 11.51% of the Company's total share capital respectively.

Subsequent to the issuance and listing of the A Shares as mentioned above, the Company's share capital structure as at 30 June 2008 was as follows:

Name of shareholder	Class of shares	Number of shares held (Shares)	Percentage (%)
China National Coal Group Corporation	A Shares	7,626,667,000	57.52
Shareholders of H Shares	H Shares	4,106,663,000	30.97
Shareholders of A Shares issued in the initial public offering	A Shares	1,525,333,400	11.51
Total		13,258,663,400	100.00

(ii) DISTRIBUTION OF FINAL DIVIDEND FOR 2007

The Company's 2007 profit distribution plan was considered and approved by the Company's 2007 Annual General Meeting on 20 June 2008. The Company had determined the profit after tax based on the PRC Enterprise Accounting Standards or the International Financial Reporting Standards (whichever is lower), and had distributed dividends after making allocations to relevant reserves (including statutory common reserves). Total profits available for distribution as at 31 December 2007 was 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 and a total amount of RMB825,484,000.

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

(iii) INTERIM PROFIT DISTRIBUTION PLAN FOR 2008

The Company does not distribute interim dividend for 2008.

(iv) AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Third Meeting of the First Session of the Board of Directors of the Company convened on 14 July 2007 considered and approved the “Resolution on the Articles of Association (Draft) after the initial issue and listing of ordinary shares denominated in Renminbi (A Shares)”; and the First Extraordinary General Meeting held on 7 September 2007, approved this resolution so that the Articles of Association can satisfy the requirements of the Company’s initial offering of ordinary shares denominated in Renminbi (A Shares).

Upon completion of the initial public offering of A Shares on 1 February 2008, the Company’s registered capital was increased from RMB11,733,330,000 to RMB13,258,663,400. Pursuant to the resolution of the First Extraordinary General Meeting held on 7 September 2007, the Board was authorized by the shareholders’ general meeting to amend the Articles of Association based on the results of the A Share issue. On 20 March 2008, the Company obtained its updated Business License from the State Administration of Industry and Commerce after the Company’s corresponding change in its registered capital.

To address both domestic and international market demands and satisfy the Company’s own development and business needs, the Fourth Meeting of the First Session of the Board of Directors convened on 14 September 2007 had considered and approved the “Resolution regarding Amendments to the Articles of Association”, and added “Coal Mining” into the Company’s business scope. At the Second Extraordinary General Meeting held on 9 November 2007, the resolution regarding “Amendments to the Articles of Association” was approved. On 20 May 2008, the Company obtained its updated Business License from the State Administration of Industry and Commerce after the Company’s registration of the corresponding change in its business scope.

(v) ASSETS ACQUISITION

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 100% equity interests in Dongpo Coal. The transaction has been approved by SASAC, and the consideration of Share Purchase was paid on 23 July. The audited net book value of Dongpo Coal as at the valuation date of 29 February 2008 was RMB718,880,000, and the overall value of equity capital as appraised by China United Assets Appraisal Co. Ltd. and filed with SASAC was RMB1,331,510,100. The Company acquired 100% equity interest in Dongpo Coal for RMB1,331,510,100. Upon completion of the acquisition, the Company’s coal reserves will be increased by approximately 158 million tons and coal production capacity by at least 1.5 million tons/year.

On 25 April 2008, the Company entered into a “Share Purchase Agreement” with China Coal Trade and Industry, a wholly-owned subsidiary of China Coal Group, to acquire from the latter 5% equity interest in Qinhuangdao Co.. The transaction has been approved by SASAC, and the consideration of Share Purchase was paid on 28 July. The audited net book value of Qinhuangdao Co. as at the valuation date of 30 June 2007 was RMB36,861,300, and the overall value of equity capital as appraised by China United Assets Appraisal Co. Ltd. and filed after making adjustments as required by SASAC was RMB131,632,100. The appraised value of the relevant equity interest was RMB6,581,600, and the consideration 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 by the Second Meeting for 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 respectively on the website of the Stock Exchange of Hong Kong on 25 April and 20 June 2008, and the website of the Shanghai Stock Exchange, China Securities Journal and Shanghai Securities News on 28 April and 21 June 2008. The above acquisitions can enhance and strengthen the Company’s development strategy of making coal mining as its principal operation, increasing the Company’s coal reserves, enhancing the Company’s coal output, and further reducing connected transactions and avoiding competition between the Company and its Controlling Shareholder, optimizing the Company’s equity structure, and enhancing the Company’s competitiveness and profitability.

(vi) PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

As at 30 June 2008, the Company and its subsidiaries had not purchased, sold or redeemed any listed securities (the term “securities” has the meaning ascribed to it under the Listing Rules) of the Company.

(vii) SUBSTANTIAL INTERESTS AND SHORT POSITIONS

As at 30 June 2008, the interests or short position of persons (other than directors or supervisor of the Company) who are entitled to exercise or control the exercise of 5% or more of the voting rights at the Company's general meetings in the Company's shares or underlying shares of the Company's equity derivatives as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the Securities and Futures Ordinance were as follows:

Name of shareholders	Number of Shares	Class of Shares	Nature of interests	Capacity	Percentage of the issued class Shares (%)	Percentage of the total issued Shares (%)
China National Coal Group Corporation	7,626,667,000	A Shares	N/A	Beneficial owner	83.33	57.52
Morgan Stanley	381,656,349	H Shares	Long positions	Interests in corporations controlled by major shareholders	9.29	2.88
	113,458,253		Short positions		2.76	0.86
National Council for Social Security Fund	373,333,000	H Shares	Long positions	Beneficial owner	9.09	2.82
JP Morgan Chase & Co.	250,705,385	H Shares	Long positions	Beneficial owner for long positions in 69,255,187 shares, investment manager for long positions in 10,182,000 shares	6.10	1.89
	27,937,684		Short positions	Beneficial owner	0.68	0.21
	171,268,198		Lending pool	Custodian – Corporation/ approved lending agent	4.17	1.29
Davis Selected Advisers, L.P.	248,098,000	H Shares	Long positions	Investment manager	6.04	1.87
AMCI Capital GP Limited	239,995,000	H Shares	Long positions	Interests in corporations controlled by major shareholders	5.84	1.81
AMCI Capital L.P.	239,995,000	H Shares	Long positions	Interests required to be disclosed under Rule 317 (1)(a) and 318 by any party entering into an agreement for the purpose of securing interests in certain listed corporation	5.84	1.81
AMCI H&F (Cayman) Ltd.	239,995,000	H Shares	Long positions	Interests in corporations controlled by major shareholders	5.84	1.81

Name of shareholders	Number of Shares	Class of Shares	Nature of interests	Capacity	Percentage of the issued class Shares (%)	Percentage of the total issued Shares (%)
First Reserve Corporation	239,995,000	H Shares	Long positions	Interests required to be disclosed under Rule 317 (1)(a) and 318 by any party entering into an agreement for the purpose of securing interests in certain listed corporation	5.84	1.81
FR XI Offshore AIV, L.P.	239,995,000	H Shares	Long positions	Interests in corporations controlled by major shareholders	5.84	1.81
FR XI Offshore GP Limited	239,995,000	H Shares	Long positions	Interests in corporations controlled by major shareholders	5.84	1.81
FR XI Offshore GP, L.P.	239,995,000	H Shares	Long positions	Interests in corporations controlled by major shareholders	5.84	1.81
UBS AG	223,775,742	H Shares	Long positions	Beneficial owner for long positions in 176,579,118 shares, parties with warranted interests in shares for long positions in 24,680,314 shares, interests in corporations controlled by major shareholders for long positions in 22,516,310 shares	5.45	1.69
	33,653,580		Short positions	Beneficial owner	0.82	0.25

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

Save as disclosed above, as at 30 June 2008, there were no any other persons who were interested or held short positions in the Company's shares or underlying shares of equity derivatives of the Company as recorded in the register of interests required to be kept pursuant to section 336 of the SFO .

(viii) DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2008, none of our directors or supervisors had any interests or short positions in shares, underlying shares of equity derivatives or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) as recorded in the register of interests required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise shall be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

As at 30 June 2008, the Company had not granted any rights to any directors, supervisors of the Company or their spouses or children under 18 years of age to acquire shares or debentures of the Company or its associated corporations nor did they exercise any such rights to acquire the aforesaid shares or debentures.

(ix) EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2008, the Company had a total of 50,805 employees, 722 fewer than that of 31 December, 2007, of whom 4,683 were management staff, 9,073 were technical staff, 813 were sales staff, 30,184 were production staff and 6,052 were supporting staff.

An annual remuneration package and a corresponding appraisal and incentive scheme have been implemented for the directors and senior executives of the Company. The annual remuneration for senior management members consists of base salary and performance bonus: base salary is determined according to the operational scale of the Company with reference to the prevailing market wages and the income of employees whereas performance bonus is determined by the actual operational achievement of the Company. The base salary for the directors and senior management of the Company is paid on a monthly basis whereas the performance bonus is paid after an annual performance valuation.

The Company actively optimized the allocation of human resources. Through recruiting multifarious talents in management and technical staff, the cooperation with higher education institutions through training programmes to foster talents for the Company, and the creation of new recruiting, training and utilization mechanism, we are determined to ensure sufficient human resources for the production, operation and sustainable development of the Company.

(x) FORWARD-LOOKING STATEMENTS

The Company would also like to caution readers about the forward-looking nature of certain statements above. These forward-looking statements are subject to risks and uncertainties and assumptions, which are beyond our control. Potential risks and uncertainties include those concerning the market conditions of the coal and coking operations in China, the development of the regulatory environment and our ability to successfully execute our business strategies. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. We do not intend to update these forward-looking statements. Actual results may differ from the information contained in the forward-looking statements as a result of a number of factors.

By Order of the Board
China Coal Energy Company Limited
Jing Tianliang
Chairman of the Board, Executive Director

Beijing, the PRC, 28 July 2008

As at the date of this announcement, the executive directors of the Company are Jing Tianliang, Yang Lieke and Peng Yi; 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.

The interim report of the Company for the six months ended 30 June 2008 will be dispatched to the Shareholders shortly and will also be published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company's website (www.chinacoalenergy.com).

* *For identification purposes only*