

China Coal Industry Report, 2007-2008



Coal is a kind of fossil fuel with the richest reserves and the widest distribution. It is not only a main fuel dispensable for industry, agriculture and residents' living, but also an important raw material for metallurgy, chemical, pharmaceutical, etc. It plays the leading role in China energy production and consumption structure. As one of the main energy resources early found and utilized by humankind, it will still occupy a significant position in China national economy in a long period in the future.

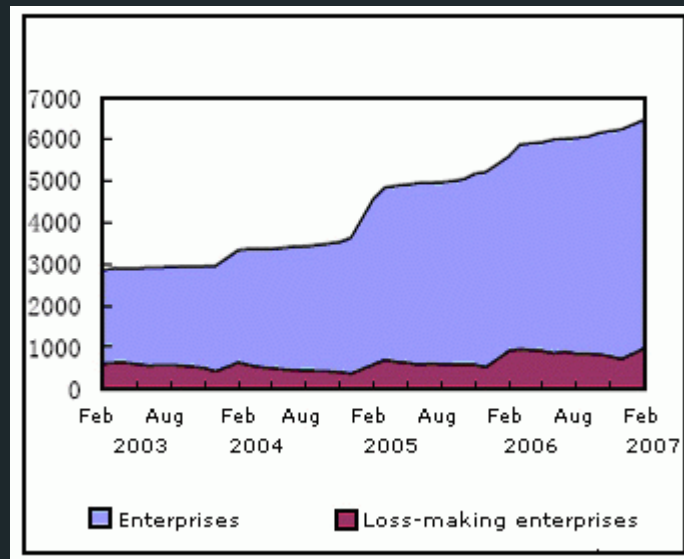
Coal Reserve Distribution in China

(Unit: 100 million tons)

Provinces & autonomous regions	Forecasted resources	Brown coal	Low-rank coal	Gas coal	Rich coal	Coking coal	Lean coal	Meager coal	Blind coal
Xinjiang	18037.3	-	12920	4754.5	312.6	24.8	25.4	-	-
Inner Mongolia	12250.4	1753.4	9004	1079.45	11.02	364.18	0.23	23.96	8.15
Shanxi	3899.18	12.68	53.85	70.42	343.9	508.02	301.89	589.79	2018.63
Shaanxi	2031.1	-	523.79	800.15	115.89	111.49	64.45	94.53	320.8
Guizhou	1896.9	-	-	5.22	41.4	319.57	133.97	247.27	1149.47
Ningxia	1721.11	-	1264.83	84.31	20.73	17.75	24.79	123.52	185.18
Gansu	1428.87	-	242.49	1172.99	1.63	-	5.72	4.83	1.21
Henan	919.71	8.82	3.75	86.11	19.2	163.77	87.94	109.29	440.83
Anhui	611.59	-	0.66	370.42	35	154.37	33.69	3.56	13.89
Hebei	601.39	9.98	7.24	508.44	30.19	-	-	-	45.54
Total	45521	1903.06	24215.1	9392.38	1032.11	1957.29	803.75	1468.88	4742.43

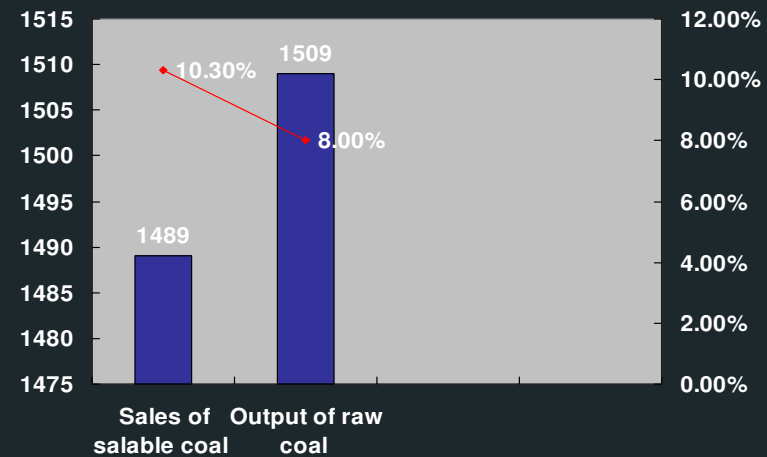
Currently, the number of coal manufacturers in China is huge. By the end of Feb. 2007, the number of China coal enterprises has reached 6455, and there are 1,300 counties and cities producing coal, of which 480 more major coal producing counties. The number of coal mines has amounted to 23,000. However, the concentration of manufacturers is low. As for coal exploiting cost structure, wages and welfare share 43%, while equipments depreciation and maintenance only occupy 6%. The coal industry is a labor-intensive industry in terms of related data. In China labor market, the total supply exceeds the total demand, as a whole, the employment pressure is large, and the labor cost is low, so the industrial entry barriers are low, which fundamentally leads to the characteristics of low enterprise scale, large number of enterprises, and low industrial concentration for the coal industry.

Enterprise Number Growth of China Coal Industry, 2003-2007

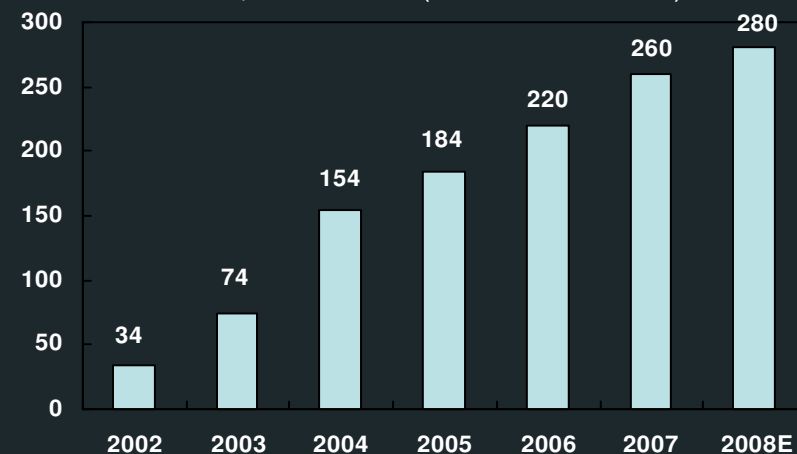


During Jan.-Aug. 2007, the economic operation of China coal industry kept good momentum. According to the data of State Development and Reform Commission, during Jan.-Aug. 2007, the output of raw coal was 1.509 billion tons and the sales of salable coal were 1.489 billion tons, up 8% and 10.3% respectively.

Production and Sales of Coal and Growth in China, Jan.-Aug. 2007 (Unit: Million tons)



Newly-increased Production Capacity of Coal in China, 2002-2008 (Unit: Million tons)



As the basic energy resource of China, coal has a large number of downstream consumers. Divided by industry, its application industries include agriculture, secondary industry and the tertiary industry, of which the secondary industry is the main consumption field of coal. Coal is the "grain" of the secondary industry. The coal industry connects with a lot of other industries. As far as coal price system concerned, the previous double track system seriously weakened the coal pricing right, currently, the market-oriented price system is gradually taking shape under the guidance of the government.

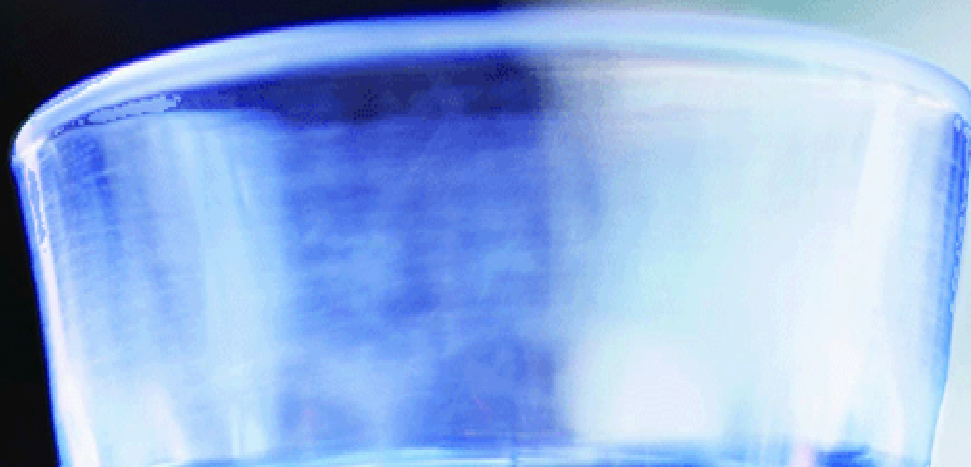


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