中国中煤能源股份有限公司

# CHINA COAL ENERGY COMPANY LIMITED

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

*Stock Code : 01898*


# *Interim Report*

# 2011

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

# Overview of Key Business Data

| Items | January to June 2011 | January to June 2010 | Change % |
|---|---|---|---|
| (1) Coal operations (10 thousand tonnes) | | | |
| Commercial coal production volume | **5,191** | 4,875 | 6.5 |
| Sales volume of commercial coal | **6,507** | 5,933 | 9.7 |
| Of which: Sales volume of self-produced commercial coal | **5,013** | 4,616 | 8.6 |
| (2) Coking operations (10 thousand tonnes) | | | |
| Coke production volume | **103** | 111 | –7.2 |
| Sales volume of coke | **135** | 127 | 6.3 |
| Of which: Sales volume of self-produced coke | **102** | 109 | –6.4 |
| (3) Coal mining equipment operations | | | |
| Coal mining equipment production value (RMB100 million) | **43.8** | 38.6 | 13.5 |
| Coal mining equipment production volume (10 thousand tonnes) | **19.9** | 16.2 | 22.8 |

| Commercial coal production volume (10 thousand tonnes) | January to June 2011 | January to June 2010 | Change % |
|---|---|---|---|
| Pingshuo Mining Area | **4,035** | 3,871 | 4.2 |
| Datun Mining Area | **392** | 428 | –8.4 |
| Liliu Mining Area | **115** | 106 | 8.5 |
| Dongpo Coal Mine | **350** | 161 | 117.4 |
| Nanliang Coal Mine | **84** | 105 | –20.0 |
| Shuozhong Company | **302** | 111 | 172.1 |
| Dazhong Company | **152** | 170 | –10.6 |
| **Total** | **5,191** | 4,875 | 6.5 |

Note: There were certain intra-group transactions of commercial coal in the Company, the volume of which amounted to 2.39 million tonnes for January to June 2011 and 0.77 million tonnes for the same period of 2010.

## Overview of Key Business Data

| Coal mining equipment production value (RMB100 million) | **January to June 2011** | January to June 2010 | Change % |
|---|---|---|---|
| Conveyor equipment | **17.3** | 13.9 | 24.5 |
| Support equipment | **13.9** | 14.0 | –0.7 |
| Road header | **3.8** | 3.5 | 8.6 |
| Shearer | **3.8** | 3.4 | 11.8 |
| Electric mining motor | **5.0** | 3.8 | 31.6 |
| **Total** | **43.8** | 38.6 | 13.5 |

| Sales volume of commercial coal (10 thousand tonnes) | | | **January to June 2011** | January to June 2010 | Change % |
|---|---|---|---|---|---|
| **I.** | **Domestic sales of self-produced coal** | | **4,979** | 4,543 | 9.6 |
| | By region : | North China | **2,205** | 1,213 | 81.8 |
| | | East China | **2,053** | 1,766 | 16.3 |
| | | South China | **704** | 625 | 12.6 |
| | | Northeast China | **—** | 37 | –100.0 |
| | | Others | **17** | 902 | –98.1 |
| | By coal type : | Thermal coal | **4,910** | 4,490 | 9.4 |
| | | Coking coal | **69** | 53 | 30.2 |
| | By contract : | Long-term contract | **2,782** | 3,140 | –11.4 |
| | | Spot trading | **2,197** | 1,403 | 56.6 |
| **II.** | **Self-produced coal export** | | **34** | 73 | –53.4 |
| | By region : | Taiwan, China | **22** | 58 | –62.1 |
| | | Korea | **3** | 12 | –75.0 |
| | | Japan | **9** | 3 | 200.0 |
| | | Others | **—** | — | — |
| | By coal type : | Thermal coal | **34** | 73 | –53.4 |
| | | Coking coal | **—** | — | — |
| | By contract : | Long-term contract | **34** | 72.3 | –53.0 |
| | | Spot trading | **—** | 0.3 | –100.0 |
| **III.** | **Proprietary trading** | | **1,325** | 1,123 | 18.0 |
| | Of which : | Self-operated exports | **3** | 1 | 200.0 |
| | | Domestic resale | **1,188** | 1,008 | 17.9 |
| | | Import trading | **134** | 107 | 25.2 |
| | | Transshipment trade | **—** | 7 | –100.0 |
| **IV.** | **Export agency** | | **169** | 194 | –12.9 |
| **Total** | | | **6,507** | 5,933 | 9.7 |

# Overview of Key Financial Data

**Summary of condensed consolidated interim balance sheet**

Unit: RMB100 million

| Items | | As at 30 June 2011 | As at 31 December 2010 | Change % | Notes to financial statements |
|---|---|---|---|---|---|
| **Assets** | | **1,312.94** | 1,229.36 | 6.8 | |
| Of which : | Property, plant and equipment | **482.33** | 464.18 | 3.9 | Note 7 |
| | Mining rights | **175.30** | 186.11 | –5.8 | Note 8 |
| | Investments in associates | **46.88** | 39.95 | 17.3 | |
| | Inventories | **65.94** | 62.15 | 6.1 | Note 9 |
| | Trade and note receivables | **79.64** | 70.06 | 13.7 | Note 10 |
| | Term deposits with initial terms of over three months | **125.65** | 46.24 | 171.7 | Note 12 |
| | Cash and cash equivalents | **118.06** | 229.22 | –48.5 | Note 12 |
| **Equity** | | **904.63** | 863.38 | 4.8 | |
| Of which : | Equity attributable to the equity holders of the Company | **775.70** | 740.48 | 4.8 | |
| | Non-controlling interests | **128.93** | 122.90 | 4.9 | |
| **Liabilities** | | **408.31** | 365.98 | 11.6 | |
| Of which : | Long-term borrowings | **91.26** | 107.16 | –14.8 | Note 14 |
| | Provision for close down, restoration and environmental costs | **9.15** | 8.88 | 3.0 | Note 18 |
| | Trade and note payables | **84.10** | 92.54 | –9.1 | Note 16 |
| | Tax payable | **16.25** | 16.51 | –1.6 | |

## Overview of Key Financial Data

**Summary of condensed consolidated interim income statement**

Unit: RMB100 million

| Items | For the six months ended 30 June 2011 | For the six months ended 30 June 2010 (Restated) | Change % | Notes to financial statements |
|---|---|---|---|---|
| Revenue | **417.67** | 350.90 | 19.0 | Note 6 |
| Cost of sales | **317.41** | 260.73 | 21.7 | |
| Gross profit | **100.26** | 90.17 | 11.2 | |
| Profit from operations | **80.65** | 76.69 | 5.2 | |
| Profit before income tax | **80.90** | 76.84 | 5.3 | |
| Profit for the period | **61.01** | 57.12 | 6.8 | |
| Profit attributable to the equity holders of the Company | **55.98** | 51.95 | 7.8 | |
| Basic earnings per share attributable to equity holders of the Company (RMB) | **0.42** | 0.39 | 7.7 | |

**Summary of the operating results of segments (for the six months ended 30 June 2011 and as at 30 June 2011)**

Unit: RMB100 million

| Items | Coal operations | Coking operations | Coal mining equipment operations | Other operations | Unallocated items | Elimination | Total |
|---|---|---|---|---|---|---|---|
| Revenue | 340.23 | 27.53 | 38.99 | 21.01 | — | −10.09 | 417.67 |
| Of which: Revenue from external sales | 338.93 | 27.53 | 32.89 | 18.32 | — | — | 417.67 |
| Profit/(loss) from operations | 78.92 | 0.73 | 3.46 | 0.26 | −2.04 | −0.68 | 80.65 |
| Profit/(loss) before income tax | 77.39 | 0.65 | 3.20 | −0.14 | 0.36 | −0.56 | 80.90 |
| Assets | 749.59 | 76.68 | 100.86 | 50.96 | 358.14 | −23.29 | 1,312.94 |
| Liabilities | 257.28 | 8.22 | 41.61 | 33.44 | 89.74 | −21.98 | 408.31 |

**Summary of condensed consolidated interim cash flow statement**

Unit: RMB100 million

| Items | For the six months ended 30 June 2011 | For the six months ended 30 June 2010 |
|---|---|---|
| Net cash generated from operating activities | 59.18 | 48.78 |
| Net cash used in investing activities | –174.33 | –49.55 |
| Net cash generated from financing activities | 8.76 | 1.11 |
| Net (decrease)/increase in cash and cash equivalents | –106.39 | 0.34 |
| Cash and cash equivalents at beginning of the period | 229.22 | 126.28 |
| Decrease in cash and cash equivalents as affected by assets classified as held for sale | –4.67 | — |
| Net foreign exchange (losses)/gains | –0.10 | 0.01 |
| Cash and cash equivalents at the end of the period | 118.06 | 126.63 |

**Reconciliation of profit before income tax for the period to net cash inflows generated from operations**

Unit: RMB100 million

| Items | For the six months ended 30 June 2011 | For the six months ended 30 June 2010 (Restated) |
|---|---|---|
| **Profit before income tax** | 80.90 | 76.84 |
| **Adjustments for** | | |
| Depreciation and amortisation | 18.00 | 16.78 |
| Gains on disposal of property, plant and equipment | –0.12 | –0.11 |
| Provision for impairment of receivables, long-term equity investments, property, plant and equipment | 0.62 | 1.16 |
| Share of profits of associates and jointly controlled entities | –0.35 | –0.16 |
| Net foreign exchange losses | 0.22 | 0.51 |
| Gains on disposal of long-term equity investments | — | –0.06 |
| Gains on interest and dividend | –2.58 | –2.77 |
| Interest expense | 2.40 | 2.09 |
| Negative goodwill | — | –2.78 |
| Changes in working capital | –15.74 | –31.35 |
| Decrease in provision for employee benefits | –0.25 | –0.29 |
| Increase in provision for close down, restoration and environmental costs | 0.11 | 0.30 |
| **Cash generated from operating activities** | 83.21 | 60.16 |

# Chairman's Statement

Dear Shareholders,

Since the beginning of 2011, Chinese economy has maintained steady and rapid growth. The economic structure has been further optimised, while the macro-control is currently achieving positive results. Domestic coal market has essentially been stable, witnessing fast growth both in production and sales volume fuelled by strong market demand. An overall balance between demand and supply was achieved with coal prices lingering high while remaining stable. Leveraging on the market opportunities, China Coal Energy systematically arranged coal production, vigorously organised coal transportation and focused on coordination among production, transportation and sales, thus fully accomplishing its production and operational goals for the first half of 2011. On behalf of the Board, I am pleased to report the Company's interim results for 2011 to Shareholders.

In the first half of 2011, the Group's operational results recorded another historical high. Commercial coal production volume reached 51.91 million tonnes, representing an increase of 3.16 million tonnes or 6.5% as compared to the same period of 2010. Coal sales volume reached 65.07 million tonnes, representing an increase of 5.74 million tonnes or 9.7% as compared to the same period of 2010. In particular, sales volume of self-produced commercial coal reached 50.13 million tonnes, representing an increase of 3.97 million tonnes or 8.6% as compared to the same period of 2010. The Group recorded revenue of RMB41.767 billion, representing an increase of 19.0% as compared to the same period of 2010. Profit before income tax of the Group amounted to RMB8.090 billion, representing an increase of 5.3% as compared to the same period of 2010. Profit attributable to equity holders of the Company was RMB5.598 billion, representing an increase of 7.8% as compared to the same period of 2010. Basic earnings per share amounted to RMB0.42, representing an increase of RMB0.03 as compared to the same period of 2010.

Both coal production and sales maintained a strong growth momentum. Despite the difficulties such as geological condition changes, Pingshuo Mining Area effectively arranged the continuation of production, maintaining a rapid growth in coal production. In the first quarter, the Company made all-out efforts in boosting coal production and transportation in north Shanxi through strengthened coordination among production, transportation and sales processes as well as the connection between railway and ports. Outward coal transportation reached 19.11 million tonnes, representing an increase of 1.99 million tonnes as compared to the same period of 2010, and the Company made major strides both in production and efficiency. In the second quarter, the Company overcame the impact of the overhaul of Daqin Railway Line by proactively coordinating with relevant authorities, thus maintaining high throughput of outward coal transportation. The Company closely realigned its spot trading prices with Bohai-Rim Steam Coal Price Index to increase spot sales volume. The domestic spot sales ratio of self-produced coal was increased by 13.2 percentage points as compared to the same period of 2010. By optimising commercial coal mix, and increasing the proportion of premium coal and the additional value of coal products, the Company achieved a further improvement in product profitability while meeting individual needs of customers.

The Company has fully implemented the construction of large scale coal production bases, and formulated a promising blueprint for future development. Projects including Xiaohuigou Coal Mine and the dimethyl ether project of Zhongtian Synergetic Company have entered into the final approval stage. The construction of major projects including Pingshuo East Open Pit Mine, Hecaogou Coal Mine, Zhangjiakou Mining Machinery Industrial Park and Tuke Fertiliser Project advanced smoothly, and the resource allocation work for the projects also achieved significant progress. The Company pressed forward the acquisition of Jinchang Coal Mine and Yushuo Coal Mine in Linfen, Shanxi and expects to obtain coking coal resource of 176 million tonnes. The joint development of Shalajida Coal Field at Hujierte Mining Area, Inner Mongolia with a large power enterprise is expected to increase premium thermal coal resource by 1.66 billion tonnes.

The Company's corporate governance and decision making have continued to improve, translating into higher operational efficiency. In the first half of 2011, the Company focused on business results improvement, streamlined its tasks, identified its management weakness and pushed forward rectification and execution. Under an improving internal control system, management flaws were mended and risk control capability was further enhanced. In order to expedite the process of streamlining equity structure, the proposal on the split of Huajin Company has been approved and the relevant agreements have been signed. To proactively expand its financing channel, the Company successfully obtained approval and officially registered its issuance of RMB15 billion medium-term notes, which will be launched at an appropriate time, so as to finance the construction of major mining bases. The Company continued to enhance technological innovation capability, and established a coal chemical research institute as a technological innovation platform so as to utilise its resources and industrial advantages.

With the engraved production safety concept of "safety is of vital importance, life is the most valuable", the Company continued to promote "environment, quality and responsibility" programmes where new technological innovations were implemented. The Company prepared and adopted the Technological Standards for Safe and Highly-efficient Modern Mines which are more stringent than industrial and national standards. With increasing investments in safety and environmental protection each year, the harmonised development of mines with regional economy, natural and social environment was achieved. In the first half of 2011, the Group set a new record of production safety with fatality rate of coal production per million tonnes of 0.012.

Looking ahead, the world economy is in a prolonged recovery cycle overshadowed by escalating global inflation and the deterioration of Europe debt crisis. China is also gearing down its economic growth in the midst of increasing prices and inflation pressure. Although the Chinese government's increasing macro-control is expected to curb overheating prices through interest rates hikes, a number of instabilities and uncertainties still remain. As to the coal industry, despite the fast growth in coal production and sales, Bohai-Rim Steam Coal Index appears to regress after climbing up for more than 10 consecutive weeks. The slower economic growth will likely make some impact on the coal industry. In addition, the coal industry may face double pressure from the risk of decreasing prices and increasing costs given the stricter governmental control over major thermal coal prices and contract performance ratio.

In the second half of 2011, the Group will focus on the following tasks based on its production and operation goals for the year:

– ensuring the accomplishment of production task for the year. The Company will further strengthen production and operation management, endeavour to solve production and operational difficulties and problems, speed up land expropriation and village relocation progresses, and optimise drivage (stripping) continuation and working face allocation for realising balanced drivage and stripping at mining areas, so as to maintain the improving trend of coal production in the first half of 2011.

– maintaining the expansion of coal sales volume. The Company will proactively coordinate with relevant authorities to increase railway capacity to expand commercial coal sales. Meanwhile, the Company will cultivate and foster new customers relationship and optimise product mix for higher product profitability, seeking to maximise the profit margin of sales.

– speeding up project construction and resource acquisition. The Company will speed up project preliminary procedures and push ahead with project resource allocation, reorganisation, merger and acquisition. While accelerating construction of major projects, the Company will strengthen control over "quality, progress and investment" and proactively conduct post-evaluation of investment projects to improve project management level and investment returns.

– strengthening production safety management. Through well-established system optimisation, diagnosis and rectification, the Company will speed up the construction of the emergency refuge system for coal mines, enhance the fundamental management on production technologies and perfect its technology management system, while strengthening "ventilation and three preventions", water prevention and treatment and on-site execution.

– exercising stringent control over costs and expenses. While optimising the continuation of production to cut down material costs and increase raw coal production efficiency, the Company will exercise stringent control over non-productive costs and expenses, and tap the potential to absorb incremental cost factors.

– reinforcing coal quality management. Addressing the impact on coal quality from geological structure changes in Pingshuo Mining Area, the Company will reinforce source forecast and process control, and introduce measures such as optimising excavation and loading processes to ensure coal quality.

On behalf of the Board, I would like to express sincere appreciation for the long-term attention and support of the Shareholders to the Company. As a leading large-scale domestic coal enterprise, we are accelerating the implementation of strategic upgrading and restructuring to speed up the achievement of the new development goals, and we are looking forward to sharing the Company's new success story with you.

Wang An
*Chairman*

Beijing, the PRC
16 August 2011

# 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 thereto. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards.

## I. Overview

In the first half of 2011, the Group systematically arranged its production, vigorously organised coal transportation and focused on coordination among production, transportation and sales, and maintained the rapid growth momentum for both production and operations, and therefore achieved another record high in income and profit.

For the six months ended 30 June 2011, the Group's total revenue (net of inter-segmental sales) amounted to RMB41.767 billion, representing an increase of 19.0% over the same period of 2010; profit before income tax amounted to RMB8.090 billion, representing an increase of 5.3% over the same period of 2010; profit attributable to equity holders of the Company amounted to RMB5.598 billion, representing an increase of 7.8% over the same period of 2010; net cash generated from operating activities per share was RMB0.45, representing an increase of RMB0.08 over the same period of 2010; and basic earnings per share was RMB0.42, representing an increase of RMB0.03 over the same period of 2010.

| | **For the six months ended 30 June 2011 RMB100 million** | For the six months ended 30 June 2010 RMB100 million (Restated) | Increase/decrease RMB100 million | % |
|---|---|---|---|---|
| Revenue | **417.67** | 350.90 | 66.77 | 19.0 |
| Profit before income tax | **80.90** | 76.84 | 4.06 | 5.3 |
| EBIDTA | **98.65** | 93.47 | 5.18 | 5.5 |
| Profit attributable to the equity holders of the Company | **55.98** | 51.95 | 4.03 | 7.8 |
| Net cash flow from operating activities | **59.18** | 48.78 | 10.40 | 21.3 |

As at 30 June 2011, the gearing ratio (total interest-bearing debts/(total interest-bearing debts + equity)) of the Group was 11.2%, representing a decrease of 1.1 percentage points from the beginning of 2011.

| | As at 30 June 2011 RMB100 million | As at 31 December 2010 RMB100 million | Increase/decrease RMB100 million | % |
|---|---|---|---|---|
| Assets | **1,312.94** | 1,229.36 | 83.58 | 6.8 |
| Liabilities | **408.31** | 365.98 | 42.33 | 11.6 |
| Interest-bearing debts | **114.15** | 121.38 | -7.23 | -6.0 |
| Equity | **904.63** | 863.38 | 41.25 | 4.8 |
| Equity attributable to the equity holders of the Company | **775.70** | 740.48 | 35.22 | 4.8 |

# II. Operating Results

## (1) Revenue

### 1. *Consolidated Revenue*

For the six months ended 30 June 2011, the Group's total revenue (net of inter-segmental sales) increased by 19.0% to RMB41.767 billion from RMB35.090 billion for the six months ended 30 June 2010. The revenue from three major operating segments of coal operations, coking operations and coal mining equipment operations experienced an increase as compared to the same period of 2010.

Changes in revenue (net of inter-segmental sales) from the Group's four operating segments of coal, coking, coal mining equipment and other operations for the six months ended 30 June 2011 in comparison with the six months ended 30 June 2010 are set out as follows:

| | Revenue net of inter-segmental sales | | | |
|---|---|---|---|---|
| | For the six months ended 30 June 2011 RMB100 million | For the six months ended 30 June 2010 RMB100 million | Increase/decrease RMB100 million | % |
| Coal operations | **338.93** | 278.79 | 60.14 | 21.6 |
| Coking operations | **27.53** | 25.16 | 2.37 | 9.4 |
| Coal mining equipment operations | **32.89** | 30.42 | 2.47 | 8.1 |
| Other operations | **18.32** | 16.53 | 1.79 | 10.8 |
| Total | **417.67** | 350.90 | 66.77 | 19.0 |

The proportion of revenue (net of inter-segmental sales) generated by each operating segment of the Group for the six months ended 30 June 2011 and the six months ended 30 June 2010 in the Group's total revenue is set out as follows:

| | Proportion of revenue net of inter-segmental sales | | |
|---|---|---|---|
| | **For the six months ended 30 June 2011 %** | For the six months ended 30 June 2010 % | Increase/decrease (percentage points) |
| Coal operations | **81.1** | 79.4 | 1.7 |
| Coking operations | **6.6** | 7.2 | -0.6 |
| Coal mining equipment operations | **7.9** | 8.7 | -0.8 |
| Other operations | **4.4** | 4.7 | -0.3 |

## 2. *Segmental Revenue*

- **Coal operations**

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

For the six months ended 30 June 2011, the total revenue from coal operations of the Group increased by 21.2% to RMB34.023 billion from RMB28.082 billion for the six months ended 30 June 2010; revenue (net of other inter-segmental sales) increased by 21.6% to RMB33.893 billion from RMB27.879 billion for the six months ended 30 June 2010.

For the six months ended 30 June 2011, the Group's revenue from sales of self-produced commercial coal was RMB24.911 billion, representing an increase of RMB3.327 billion or 15.4% over the same period of 2010, among which, revenue (net of other inter-segmental sales) was RMB24.781 billion, representing an increase of RMB3.400 billion or 15.9% over the same period of 2010; sales revenue from proprietary coal trading was RMB9.083 billion, representing an increase of RMB2.606 billion or 40.2% over the same period of 2010; revenue from coal import and export agency services was RMB29 million, representing an increase of RMB8 million or 38.1% over the same period of 2010.

Changes in the Group's coal sales volume and selling price for the six months ended 30 June 2011 in comparison with the six months ended 30 June 2010 are set out as follows:

| | For the six months ended 30 June 2011 | | For the six months ended 30 June 2010 | | Increase/decrease | | Increase/decrease | |
|---|---|---|---|---|---|---|---|---|
| | Sales volume (10,000 tonnes) | Selling price (RMB/tonne) | Sales volume (10,000 tonnes) | Selling price (RMB/tonne) | Sales volume (10,000 tonnes) | Selling price (RMB/tonne) | Sales volume (%) | Selling price (%) |
| I. Self-produced commercial coal | | | | | | | | |
| Total | 5,013 | 494 | 4,616 | 463 | 397 | 31 | 8.6 | 6.7 |
| (I) Thermal coal | 4,944 | 482 | 4,563 | 454 | 381 | 28 | 8.3 | 6.2 |
| 1. Export | 34 | 795 | 73 | 638 | -39 | 157 | -53.4 | 24.6 |
| (1) Long-term contract | 34 | 795 | 72.3 | 634 | -38.3 | 161 | -53.0 | 25.4 |
| (2) Spot trading | ☆ | ☆ | 0.3 | 1,458 | -0.3 | — | -100.0 | — |
| 2. Domestic sales | 4,910 | 480 | 4,490 | 451 | 420 | 29 | 9.4 | 6.4 |
| (1) Long-term contract | 2,766 | 407 | 3,121 | 423 | -355 | -16 | -11.4 | -3.8 |
| (2) Spot trading | 2,144 | 575 | 1,369 | 513 | 775 | 62 | 56.6 | 12.1 |
| (II) Coking coal | 69 | 1,377 | 53 | 1,293 | 16 | 84 | 30.2 | 6.5 |
| 1. Export | ☆ | ☆ | ☆ | ☆ | — | — | — | — |
| 2. Domestic sales | 69 | 1,377 | 53 | 1,293 | 16 | 84 | 30.2 | 6.5 |
| (1) Long-term contract | 16 | 1,412 | 18 | 1,298 | -2 | 114 | -11.1 | 8.8 |
| (2) Spot trading | 53 | 1,366 | 35 | 1,290 | 18 | 76 | 51.4 | 5.9 |
| II. Proprietary coal trading | | | | | | | | |
| Total | 1,325 | 686 | 1,123 | 576 | 202 | 110 | 18.0 | 19.1 |
| (I) Self-operated exports | 3* | 2,220 | 1* | 2,968 | 2 | -748 | 200.0 | -25.2 |
| (II) Domestic resale | 1,188 | 689 | 1,008 | 587 | 180 | 102 | 17.9 | 17.4 |
| (III) Import trading | 134 | 620 | 107 | 461 | 27 | 159 | 25.2 | 34.5 |
| (IV) Transhipment trade | ☆ | ☆ | 7 | 568 | -7 | — | -100.0 | — |
| III. Import and export agency | | | | | | | | |
| Total | 169 | 17★ | 194 | 11★ | -25 | 6 | -12.9 | 54.5 |
| (I) Import agency | ☆ | ☆ | ☆ | ☆ | — | — | — | — |
| (II) Export agency | 169 | 17★ | 194 | 11★ | -25 | 6 | -12.9 | 54.5 |

☆ : N/A
* : Briquette export
★ : Agency service fee

- **Coking operations**

The Group's revenue from coking operations increased from RMB2.516 billion for the six months ended 30 June 2010 to RMB2.753 billion (generated entirely from revenue of external transactions) for the six months ended 30 June 2011, representing an increase of 9.4%. This was mainly due to an increase in the selling prices of coke and methanol as well as the sales volume of methanol as compared to the same period of 2010. The revenue from the coke sales of the Group for the first half of 2011 was RMB2.254 billion, representing an increase of RMB99 million as compared to the same period of 2010.

Changes in the sales volume and selling price of coke of the Group for the six months ended 30 June 2011 and for the six months ended 30 June 2010 are set out in the table below:

| | **For the six months ended 30 June 2011** | | For the six months ended 30 June 2010 | | Increase/decrease | | Increase/decrease | |
|---|---|---|---|---|---|---|---|---|
| | **Sales volume (10,000 tonnes)** | **Selling price (RMB/ tonne)** | Sales volume (10,000 tonnes) | Selling price (RMB/ tonne) | Sales volume (10,000 tonnes) | Selling price (RMB/ tonne) | Sales volume (%) | Selling price (%) |
| Self-produced | **102.4** | **1,711** | 108.5 | 1,614 | -6.1 | 97 | -5.6 | 6.0 |
| Domestic sales | **102.4** | **1,711** | 108.5 | 1,614 | -6.1 | 97 | -5.6 | 6.0 |
| Exports | ☆ | ☆ | ☆ | ☆ | — | — | — | — |
| Proprietary trading | **23.2** | **2,156** | 18.6 | 2,145 | 4.6 | 11 | 24.7 | 0.5 |
| Domestic sales | **15.0** | **1,824** | 9.8 | 1,831 | 5.2 | -7 | 53.1 | -0.4 |
| Exports | **8.2** | **2,761** | 8.8 | 2,552 | -0.6 | 209 | -6.8 | 8.2 |
| Export agency | **9.7** | **27★** | 0.2 | 34★ | 9.5 | -7 | 4,750.0 | -20.6 |

☆: N/A

★: Agency service fee

The Group's revenue from sales of methanol, coal tar, crude benzol, etc., in the coking operations of the Group (excluding coke sales) amounted to RMB499 million for the six months ended 30 June 2011, representing an increase of RMB138 million over the same period of 2010. The sales volume of the self-produced methanol by China Coal Longhua Company of the Group was 90.6 thousand tonnes. Meanwhile, to avoid competition within the same industry, as required by the undertakings made by China Coal Group upon the listing of the A Shares of the Company, all methanol produced by China Coal Longhua of China Coal Group was sold externally via the Group after the 0.25 million tonnes/year methanol project of China Coal Longhua Company in Heilongjiang was put into operation, which increased the sales of methanol by 33.6 thousand tonnes. In the first half of 2011, the Group's sales volume and comprehensive selling price of methanol amounted to 124,200 tonnes and RMB2,067/tonne, representing an increase of 8,400 tonnes and RMB416/tonne respectively over the same period of 2010. The Group's methanol sales volume generated a revenue of RMB257 million, representing an increase of RMB66 million as compared to the same period of 2010.

- **Coal mining equipment operations**

  The Group's revenue from the coal mining equipment operations increased from RMB3.383 billion for the six months ended 30 June 2010 to RMB3.899 billion for the six months ended 30 June 2011, representing an increase of 15.3%, of which the revenue (net of other inter-segmental sales) increased from RMB3.042 billion for the six months ended 30 June 2010 to RMB3.289 billion, representing an increase of 8.1%. The increase was mainly attributable to an increase of the sales volume of coal mining equipment as compared to the same period of 2010.

- **Other operations**

  For the six months ended 30 June 2011, the Group's total revenue from operations such as sales of primary aluminium and power generation increased by 10.5% to RMB2.101 billion from RMB1.901 billion for the six months ended 30 June 2010; revenue (net of other inter-segmental sales) increased by 10.8% to RMB1.832 billion from RMB1.653 billion for the six months ended 30 June 2010.

## (2) Cost of sales

### *1. Consolidated cost of sales*

For the six months ended 30 June 2011, the Group's cost of sales increased from RMB26.073 billion for the six months ended 30 June 2010 to RMB31.741 billion, representing an increase of 21.7%.

Materials costs increased from RMB14.064 billion for the six months ended 30 June 2010 to RMB17.829 billion, representing an increase of 26.8%. The increase was mainly attributable to the growth in the Group's materials consumption as a result of its expansion of production, the rise of raw materials prices and sales volume of proprietary coal trading, which led to the corresponding increase of materials costs.

Staff costs increased from RMB1.873 billion for the six months ended 30 June 2010 to RMB2.066 billion, representing an increase of 10.3%. The increase was mainly attributable to the adjustment of staff wages in light of the growth in business performance as well as the increase in the number of employees as a result of the Group's expansion of production and operation during the reporting period.

Depreciation and amortisation expenses increased from RMB1.596 billion for the six months ended 30 June 2010 to RMB1.909 billion, representing an increase of 19.6%. The increase was mainly attributable to an increase of production equipment and facilities being put into operation as a result of the Group's expansion of production and operation.

Repair and maintenance costs increased from RMB314 million for the six months ended 30 June 2010 to RMB502 million, representing an increase of 59.9%. The increase was mainly attributable to the higher utilisation rate of equipment as a result of the increase in coal production volume of the Group, resulting in the corresponding increase in expenditure on repair and maintenance.

Transportation costs increased from RMB4.377 billion for the six months ended 30 June 2010 to RMB4.782 billion, representing an increase of 9.3%. The increase was mainly attributable to the increase in the coal sales volume of the Group during the reporting period which bore transportation costs, resulting in the corresponding increase in the shipping and port expenses.

Sales taxes and surcharges increased from RMB691 million for the six months ended 30 June 2010 to RMB693 million, representing an increase of 0.3%. The increase was mainly attributable to the increase in corresponding taxes and surcharges as a result of the increase in the Group's coal production and sales volume and sales gross profit.

Other expenses increased from RMB3.158 billion for the six months ended 30 June 2010 to RMB3.960 billion, representing an increase of 25.4%. The increase was mainly attributable to the corresponding increase of expenses incurred in relation to coal mining, including environmental restoration expenses and sustainable development fund due to the increase of coal mining activities or production and sales volumes. In addition, the water discharge fee for mining of RMB3/tonne has been levied on the raw coal produced in Pingshuo Mining Area of the Group since 2011, whereas the levy of water resources compensation charges of RMB2/tonne based on the raw coal production for the same period of 2010 terminated from 2011 onwards, which led to the corresponding increase in costs.

## 2. *Segmental cost of sales*

- **Coal operations**

Cost of sales for the Group's coal operations increased from RMB19.948 billion for the six months ended 30 June 2010 to RMB24.968 billion for the six months ended 30 June 2011, representing an increase of 25.2%. Changes in the major cost items are set out as follows:

| Items | For the six months ended 30 June 2011 RMB100 million | For the six months ended 30 June 2010 RMB100 million (Restated) | Increase/decrease RMB100 million | % |
|---|---|---|---|---|
| Materials costs (excluding the cost of external purchases of raw coal for washing purpose and proprietary coal trading) | 27.70 | 21.35 | 6.35 | 29.7 |
| Cost of external purchases of raw coal for washing purpose | 8.71 | 8.67 | 0.04 | 0.5 |
| Proprietary coal trading cost | 89.42 | 63.04 | 26.38 | 41.8 |
| Labour costs | 15.67 | 14.04 | 1.63 | 11.6 |
| Depreciation and amortisation | 15.82 | 13.27 | 2.55 | 19.2 |
| Repair and maintenance | 4.39 | 2.80 | 1.59 | 56.8 |
| Transportation costs | 44.99 | 41.79 | 3.20 | 7.7 |
| Coal sustainable development fund (reserve) | 9.57 | 7.16 | 2.41 | 33.7 |
| Outsourcing mining engineering fee | 8.88 | 6.84 | 2.04 | 29.8 |
| Sales taxes and surcharges | 6.50 | 6.35 | 0.15 | 2.4 |
| Mining resources compensation charges | 1.73 | 1.47 | 0.26 | 17.7 |
| Water resources compensation charges (water discharge fee for mining) | 1.86 | 1.04 | 0.82 | 78.8 |
| Other | 14.44 | 11.66 | 2.78 | 23.8 |
| Total sales costs for coal operations | 249.68 | 199.48 | 50.20 | 25.2 |

For the six months ended 30 June 2011, the Group's cost of sales of self-produced commercial coal was RMB16.026 billion, representing an increase of RMB2.382 billion or 17.5% over the same period of 2010. The unit cost of sales of self-produced commercial coal totalling RMB319.69/tonne remained flat as compared to RMB319.78/tonne for the year ended 31 December 2010, representing an increase of RMB24.10/tonne or 8.2% as compared to RMB295.59/tonne for the six months ended 30 June 2010.

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

| | | | As compared to the six months ended 30 June 2010 | | | As compared to the year ended 31 December 2010 | |
|---|---|---|---|---|---|---|---|
| Items | **For the six months ended 30 June 2011 (RMB/tonne)** | For the six months ended 30 June 2010 (RMB/tonne) (Restated) | Increase/ decrease (RMB/tonne) | Percentage of increase/ decrease (%) | For the year ended 31 December 2010 (RMB/tonne) | Increase/ decrease (RMB/tonne) | Percentage of increase/ decrease (%) |
| Materials costs (excluding the cost of external purchases of raw coal for washing purpose) | **55.26** | 46.26 | 9.00 | 19.5 | 55.04 | 0.22 | 0.4 |
| Cost of external purchases of raw coal for washing purpose | **17.37** | 18.78 | -1.41 | -7.5 | 18.14 | -0.77 | -4.2 |
| Labour costs | **31.27** | 30.42 | 0.85 | 2.8 | 31.16 | 0.11 | 0.4 |
| Depreciation and amortisation | **31.56** | 28.75 | 2.81 | 9.8 | 32.18 | -0.62 | -1.9 |
| Repair and maintenance | **8.77** | 6.06 | 2.71 | 44.7 | 8.04 | 0.73 | 9.1 |
| Transportation costs | **89.74** | 90.53 | -0.79 | -0.9 | 89.42 | 0.32 | 0.4 |
| Sales taxes and surcharges | **12.97** | 13.75 | -0.78 | -5.7 | 11.11 | 1.86 | 16.7 |
| Coal sustainable development fund (reserve) | **19.10** | 15.52 | 3.58 | 23.1 | 16.50 | 2.60 | 15.8 |
| Mining resources compensation charges | **3.45** | 3.20 | 0.25 | 7.8 | 2.83 | 0.62 | 21.9 |
| Water resources compensation charges (water discharge fee for mining) | **3.71** | 2.25 | 1.46 | 64.9 | 2.61 | 1.10 | 42.1 |
| Outsourcing mining engineering fee | **17.72** | 14.82 | 2.90 | 19.6 | 21.01 | -3.29 | -15.7 |
| Other costs | **28.77** | 25.25 | 3.52 | 13.9 | 31.74 | -2.97 | -9.4 |
| Total unit cost of sales of self-produced commercial coal | **319.69** | 295.59 | 24.10 | 8.2 | 319.78 | -0.09 | — |

The increase in Group's unit cost of sales of self-produced commercial coal for the six months ended 30 June 2011 as compared to the same period of 2010 was mainly attributable to:

Unit cost of coal increased by RMB3.58/tonne in the coal sustainable development fund (reserve) as compared to the same period of 2010. From 2011, in compliance with payment standard, Shanghai Company booked the coal sustainable development reserve as expense in accordance with relevant policies of Xuzhou, Jiangsu Province, resulting in an increase of RMB0.96/tonne in the unit cost of sales of self-produced commercial coal. The subsidiaries of the Company in Shanxi Province were, from 1 March onwards, subject to the statutory increase in coal sustainable development fund by RMB3/tonne of raw coal (of which thermal coal increased to RMB16 from RMB13 and coking coal increased to RMB23 from RMB20) under relevant requirements of Shanxi Province, which resulted in an increase in the unit cost of self-produced commercial coal by RMB1.83/tonne. In addition, the unit cost of self-produced commercial coal increased by RMB0.79/tonne, which was mainly because the coal production volume from the Shanxi-based coal-producing enterprise under the Group, which contributed to the fund, amounted to a higher proportion of the Group's total coal production volume.

Unit materials costs increased by RMB9.00/tonne as compared to the same period of 2010. The increase was mainly attributable to the entering of the peak maintenance season of some of the equipment of the open pit mines, an increase of the working face excavation of underground mines as compared to the same period of 2010 and the increased investment in standardised safety resulting in the increased consumption cost of components, explosives, support materials, construction materials, anti-freeze fluid and other materials.

Unit expenses of depreciation and amortisation increased by RMB2.81/tonne as compared to the same period of 2010, which was mainly due to the increase in depreciation and amortisation costs as a result of the increase of production equipment and facilities gradually put into use from the second half of 2010 to the first half of 2011.

Unit repair and maintenance expenses increased by RMB2.71/tonne as compared to the same period of 2010. The increase was mainly due to the increase in expenses resulting from the concentrated repairing of certain production equipment during the reporting period.

Unit charges for water resources compensation (water discharge fee for mining) experienced an increase of RMB1.46/tonne as compared to the same period of 2010, which was mainly because the water discharge fee for mining of RMB3/tonne has been levied on the raw coal produced in Pingshuo Mining Area of the Group since 2011, whereas the levy of water resources compensation charges of RMB2/tonne based on the raw coal production for the same period of 2010 terminated from 2011 onwards.

Unit outsourcing mining engineering fees recorded an increase of RMB2.90/tonne as compared to the same period of 2010, which was primarily due to the increase in outsourcing excavation costs, underwriting fee for mechanised mining, underwriting fee for equipment and the number of small and medium underground outsourcing projects as a result of the expansion of the Group's production.

Other unit costs recorded an increase of RMB3.52/tonne as compared to the same period of 2010, which was mainly the result of the increase in environmental restoration expenses and the expenses on certain small and medium engineering projects incurred during the reporting period.

- **Coking operations**

  The cost of sales of coking operations increased from RMB2.396 billion for the six months ended 30 June 2010 to RMB2.629 billion for the six months ended 30 June 2011, representing an increase of 9.7%. The increase was mainly attributable to the increase in the sales volume of proprietary coke and methanol as compared to the same period of 2010 and the increase in the purchase costs of coal as raw materials.

- **Coal mining equipment operations**

  The cost of sales of coal mining equipment operations increased from RMB2.712 billion for the six months ended 30 June 2010 to RMB3.129 billion for the six months ended 30 June 2011, representing an increase of 15.4%. The increase was mainly attributable to the change in product structures, proportional increase of medium to high-end products and increased procurement price of steel and other raw materials and component parts.

## (3) Gross profit

For the six months ended 30 June 2011, the Group's gross profit increased from RMB9.017 billion for the six months ended 30 June 2010 to RMB10.026 billion, representing an increase of 11.2%; gross profit margin decreased from 25.7% for the six months ended 30 June 2010 to 24.0%, representing a decrease of 1.7 percentage points. The decrease in the gross profit margin of the Group as compared to the same period of 2010 was primarily due to an increase in proprietary coal trading sales with lower gross profit margin as compared to the same period of 2010 and an increase in its proportion to total sales. The Group actively increased proprietary coal trading sales mainly to prepare for the commissioning and production expansion of its coal mines which are under construction, so as to further reinforce and expand its market position.

The gross profits and gross profit margins of the Group's various operating segments for the six months ended 30 June 2011 and for the six months ended 30 June 2010 are as follows:

| | Gross profit | | | Gross profit margin | | |
|---|---|---|---|---|---|---|
| | **For the six months ended 30 June 2011 RMB100 million** | For the six months ended 30 June 2010 RMB100 million (Restated) | Increase/ decrease RMB100 million | **For the six months ended 30 June 2011 %** | For the six months ended 30 June 2010 % (Restated) | Increase/ decrease (percentage points) |
| Coal operations | **90.55** | 81.34 | 9.21 | **26.6** | 29.0 | -2.4 |
| Self-produced commercial coal | **88.85** | 79.40 | 9.45 | **35.7** | 36.8 | -1.1 |
| Proprietary coal trading | **1.41** | 1.73 | -0.32 | **1.6** | 2.7 | -1.1 |
| Coking operations | **1.24** | 1.20 | 0.04 | **4.5** | 4.8 | -0.3 |
| Coal mining equipment operations | **7.70** | 6.71 | 0.99 | **19.7** | 19.8 | -0.1 |
| Other operations | **1.37** | 1.90 | -0.53 | **6.5** | 10.0 | -3.5 |
| The Group | **100.26** | 90.17 | 10.09 | **24.0** | 25.7 | -1.7 |

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

## (4) Selling, general and administrative expenses

For the six months ended 30 June 2011, the selling, general and administrative expenses of the Group increased from RMB1.637 billion for the six months ended 30 June 2010 to RMB2.016 billion, representing an increase of 23.2%. The increase was mainly attributable an increase in labour cost of RMB0.210 billion as compared to the same period of 2010 as a result of an adjustment of staff wages in light of the growth in business performance, expansion of production and operation as well as the increase of the number of employees, etc.

## (5) Other income

For the six months ended 30 June 2011, the Group's other income decreased from RMB37 million for the six months ended 30 June 2010 to RMB21 million, representing a decrease of 43.2%. The decrease was mainly attributable to a decrease of RMB14 million in government grant and subsidy income as compared to the same period of 2010.

## (6) Other gains, net

For the six months ended 30 June 2011, the other net gains of the Group decreased by 86.5% to RMB34 million from RMB252 million for the six months ended 30 June 2010, which was mainly attributable to the recognition of other gains of RMB278 million for the excess of identifiable net asset fair value acquired over consideration paid for the shares of Xiaohuigou Coal acquired by the Group during the same period of 2010 whereas there was no such income during the reporting period.

## (7) Profit from operations

The Group's profit from operations increased from RMB7.669 billion for the six months ended 30 June 2010 to RMB8.065 billion for the six months ended 30 June 2011, representing an increase of 5.2%. Changes in profit from operations for various operating segments are as follows:

| | | For the six months ended 30 June 2011 RMB100 million | For the six months ended 30 June 2010 RMB100 million (restated) | Increase/Decrease RMB100 million | % |
|---|---|---|---|---|---|
| The Group | | **80.65** | 76.69 | 3.96 | 5.2 |
| In which: | Coal operations | **78.92** | 75.14 | 3.78 | 5.0 |
| | Coking operations | **0.73** | -0.23 | 0.96 | — |
| | Coal mining equipment operations | **3.46** | 2.84 | 0.62 | 21.8 |
| | Other operations | **0.26** | 1.05 | -0.79 | -75.2 |

Note: The above profit from operations for all the above operating segments are the figures before netting of inter-segmental sales.

## (8) Finance income and costs

The Group's net finance costs increased from RMB1 million for the six months ended 30 June 2010 to RMB11 million for the six months ended 30 June 2011. Specifically, the finance income of the Group decreased from RMB277 million for the six months ended 30 June 2010 to RMB258 million for the six months ended 30 June 2011, representing a decrease of 6.9%, which was mainly due to a decrease of RMB20 million in interest income from bank deposits as compared to the same period of 2010. The finance costs decreased from RMB279 million for the six months ended 30 June 2010 to RMB268 million, representing a decrease of 3.9%, which was mainly attributable to the decrease of net exchange loss of RMB29 million arising from the relevant financial activities during the reporting period as compared to the same period of 2010 and an increase of RMB20 million of interest expense arising from bank loans and provision as compared to the same period of 2010.

### (9) Profit before income tax

The Group's profit before income tax increased from RMB7.684 billion for the six months ended 30 June 2010 to RMB8.090 billion for the six months ended 30 June 2011, representing an increase of 5.3%.

### (10) Income tax expenses

The Group's income tax expenses increased from RMB1.972 billion for the six months ended 30 June 2010 to RMB1.989 billion for the six months ended 30 June 2011, representing an increase of 0.9%.

### (11) Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company increased from RMB5.195 billion for the six months ended 30 June 2010 to RMB5.598 billion for the six months ended 30 June 2011, representing an increase of 7.8%.

## III. Cash Flow

As at 30 June 2011, the Group had cash and cash equivalents amounting to RMB11.806 billion, representing a decrease of RMB857 million as compared to the cash and cash equivalents of RMB12.663 billion as at 30 June 2010.

Net cash generated from operating activities increased from RMB4.878 billion for the six months ended 30 June 2010 to RMB5.918 billion for the six months ended 30 June 2011, representing an increase of 21.3%. This was mainly attributable to an increase of RMB2.305 billion in net cash inflow generated from operations as compared to the same period of 2010 due to the expansion of operations, a decrease of RMB349 million in cash inflow from interest income as compared to the same period of 2010, an increase of RMB38 million in cash for interests payment as compared to the same period of 2010, and an increase of RMB878 million in cash for income tax payment as compared to the same period of 2010.

Net cash used in investing activities increased from RMB4.956 billion for the six months ended 30 June 2010 to RMB17.433 billion for the six months ended 30 June 2011, representing an increase of 251.8%, which was mainly attributable to RMB8.029 billion in cash outflow generated from term deposits with an initial term of over 3 months during the reporting period (cash inflow of RMB0.587 billion for the same period of 2010); an increase of RMB3.116 billion as compared to the same period of 2010 in the purchase of property, plant and equipment and the cash used as advance payments associated with the investments in the merger and acquisition of equity and an increase of RMB0.524 billion as compared to the same period 2010 in the cash used in investments in associates.

Net cash flow generated from financing activities increased from RMB111 million for the six months ended 30 June 2010 to RMB876 million for the six months ended 30 June 2011, representing an increase of 689.2%, which was mainly attributable to an increase of RMB2.996 billion as compared to the same period of 2010 of the Group's borrowings arising from the needs for production, operation and project construction during the reporting period. The final dividend payment for 2010 and the increase in repayment of debts during the reporting period had partially offset certain increase in cash received from borrowings.

## IV. Liquidity and Sources of Capital

For the six months ended 30 June 2011, the Group's funds were mainly derived from proceeds generated from business operations, bank loans and net amounts of funds raised in capital markets. The Group's funds were mainly used for investments in production facilities and equipment for coal, coking and coal mining equipment operations, repayment of debts owed by the Group, and the Group's working capital and general recurring expenditures.

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

## V. Assets and Liabilities

### (1) Property, plant and equipment

As at 30 June 2011, the net value of property, plant and equipment of the Group amounted to RMB48.233 billion, representing an increase of RMB1.815 billion or 3.9% as compared to RMB46.418 billion as at 31 December 2010. This was mainly attributable to the increase in corresponding production equipment and facilities as a result of the production expansion of the Company's coal production enterprises.

### (2) Mining rights

As at 30 June 2011, the net value of the Group's mining rights amounted to RMB17.530 billion, representing a decrease of RMB1.081 billion or 5.8% as compared to RMB18.611 billion as at 31 December 2010. This was mainly attributable to the classification of a corresponding amount of RMB937 million from mining rights to assets held for sale. This classification was related to the assets of Huajin Company, of which the Company will lose control according to the splitting proposal regarding Huajin Company that was passed in the third meeting convened by the Second Session of the Board on 27 May 2011.

## (3) Other non-current assets

As at 30 June 2011, other non-current assets of the Group amounted to RMB2.530 billion, representing an increase of 2.468 billion as compared to RMB62 million as at 31 December 2010. This was mainly attributable to the advance payment of mining rights and investment to be booked under other non-current assets by the Group according to the development progress of the projects. The payments shall be changed to mining rights or long-term equity investment upon acquisition or realisation of investment in future.

## (4) Trade and note receivables

As at 30 June 2011, the net amount of trade and note receivables of the Group amounted to RMB7.964 billion, representing an increase of RMB958 million or 13.7% as compared to RMB7.006 billion as at 31 December 2010, of which the net amount of trade receivables amounted to RMB5.485 billion, representing an increase of RMB911 million as compared to RMB4.574 billion as at 31 December 2010. The increase was mainly attributable to the increase in trade receivables in the normal settlement period as a result of the expansion of sales of the Group during the reporting period. Specifically, the trade receivables aged within six months amounted to RMB4.622 billion, representing an increase of RMB976 million or 26.8% as compared to RMB3.646 billion as at 31 December 2010.

## (5) Classification to assets and liabilities held for sale

As at 30 June 2011, the Group classified RMB6.993 billion and RMB5.504 billion as assets and liabilities held for sale respectively. This was mainly attributable to the fact that at the third meeting of the Second Session of the Board in 2011, which was convened on 27 May 2011, the proposal for splitting Huajin Company was passed. The assets of Huajin Company, of which the Company will lose control, and the relevant liabilities of such assets were classified as assets and liabilities held for sale accordingly pursuant to such splitting proposal.

## (6) Borrowings

As at 30 June 2011, the balance of borrowings of the Group amounted to RMB11.415 billion, representing a decrease of RMB723 million as compared to RMB12.138 billion as at 31 December 2010, of which the balance of long-term borrowings (including the portion due within one year) was RMB9.829 billion, representing a decrease of RMB1.913 billion as compared to RMB11.742 billion as at 31 December 2010, and the balance of short-term borrowings amounted to RMB1.586 billion, representing an increase of RMB1.190 billion as compared to RMB396 million as at 31 December 2010.

## VI. Significant Pledge of Assets

During the reporting period, the Group had no significant pledge of assets.

## VII. Significant Investment

For details of significant investment during the reporting period, please refer to " X. Other Major Events" under the section headed "Disclosure of Major Events" in this report.

## VIII. Material Acquisition and Disposal

For details of acquisitions and disposals during the reporting period, please refer to the section headed "IV. Assets Transactions" under "Disclosure of Major Events" in this report.

## IX. Registration and Issuance of Medium-term Notes and Short-term Bonds

For details regarding the registration and issuance of medium-term notes and short-term bonds during the reporting period, please refer to " X. Other Major Events" under the section headed "Disclosure of Major Events" in this report.

## X. Risks of Exchange Rate

The business operations of the Group were subject to the impact of fluctuations in the exchange rate of RMB. The export sales of the Group were primarily settled in US dollars and the Group had liabilities denominated in foreign currencies such as Yen and US dollars. Meanwhile, it was necessary for the Group to have procurement payments of imported coal, equipment and accessories settled in foreign currencies, mainly US dollars. As such, the fluctuations in the exchange rate between foreign currencies and RMB posed both pros and cons to the operation performance of the Group. The appreciation of RMB would decrease the Group's export income but also decrease the cost of importing coal, equipment and accessories and the repayment of overseas liabilities.

## XI. Risks of Commodity Value

The Group was also exposed to risks of commodity value arising from the changes in product prices and material costs of the Group.

## XII. Industry Risks

Like other coal companies and coking companies in the PRC, the business activities of the Group are regulated by the Chinese government in respect of the fields such as industrial policy, project approval, permits granting, specified industry tax, environmental protection and safety standard. As a result, the Group may face restrictions in expanding business or enhancing profitability. Besides, certain future policies of the coal and coal chemical related industries launched by the Chinese government may affect the business activities of the Group.

## XIII. Contingent Liabilities

### (1) Bank guarantees

As at 30 June 2011, the Group provided a guarantee of RMB550 million to secure the bank borrowings of Shanxi Pingshuo Gangue-fired Power Generation Co., Ltd., an associate of the Group, in proportion to the Group's shareholdings in it.

### (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 those that have been accounted for in the financial statements, there does not currently exist any other environmental protection liabilities that may have material adverse impact on the financial position of the Group.

### (3) Contingent legal liabilities

During the reporting period, the Company was not involved in any material litigation or arbitration, and to the knowledge of the Company, there is no material litigation or arbitration pending or threatened against or involving the Company.

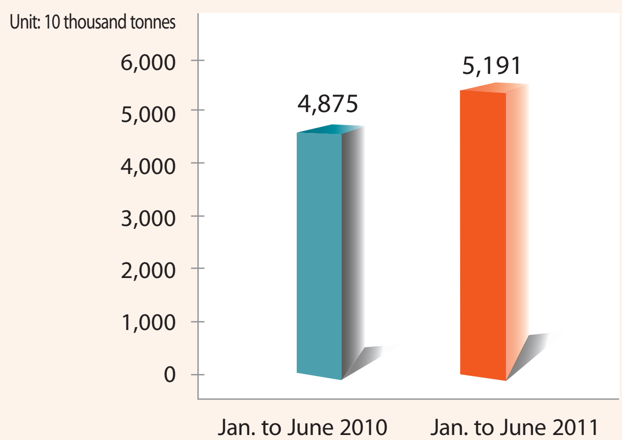
# Business Performance

## I. COAL OPERATIONS

In the first half of 2011, the Company took advantage of the favourable strong demand in coal market and periodical increases in thermal coal price, fully capitalising its coal production capacity, reasonably arranging the on-going production, leading to increased coal production as compared to the same period of 2010. The Company also strengthened coordination among production, transportation and sales, vigorously scheduling coal transportation to overcome the impact from the overhaul of Daqin Railway Line. The efforts in improving product profitability together with a considerable growth in coal sales volume brought about remarkable business results of coal operations as compared to the same period of 2010.

### (1) Coal production

Commerical Coal production volume




In the first half of 2011, the Company's commercial coal production volume reached 51.91 million tonnes, representing an increase of 3.16 million tonnes or 6.5% as compared to the same period of 2010. In particular, as a result of its advance deployment to mitigate the impact of coal quality fluctuations, Pingshuo Mining Area recorded 40.35 million tonnes of commercial coal production volume, representing an increase of 1.64 million tonnes or 4.2% as compared to the same period of 2010. At Dongpo Coal Mine, as a result of the reasonable continuation of mining and enhanced technological support, commercial coal production volume posted a growth of 117.4% as compared to the same period of 2010. Shuozhong Company achieved a growth of 172.1% as compared to the same period of 2010 in commercial coal production volume by proactively expanding procurement scope of raw material coal, fully utilising the coal processing capacity and increasing coal washing input.

| Commercial coal production (10 thousand tonnes) | January to June 2011 | January to June 2010 | Change % |
|---|---|---|---|
| Pingshuo Mining Area | 4,035 | 3,871 | 4.2 |
| Datun Mining Area | 392 | 428 | -8.4 |
| Liliu Mining Area | 115 | 106 | 8.5 |
| Dongpo Coal Mine | 350 | 161 | 117.4 |
| Nanliang Coal Mine | 84 | 105 | -20.0 |
| Shuozhong Company | 302 | 111 | 172.1 |
| Dazhong Company | 152 | 170 | -10.6 |
| Total | 5,191 | 4,875 | 6.5 |

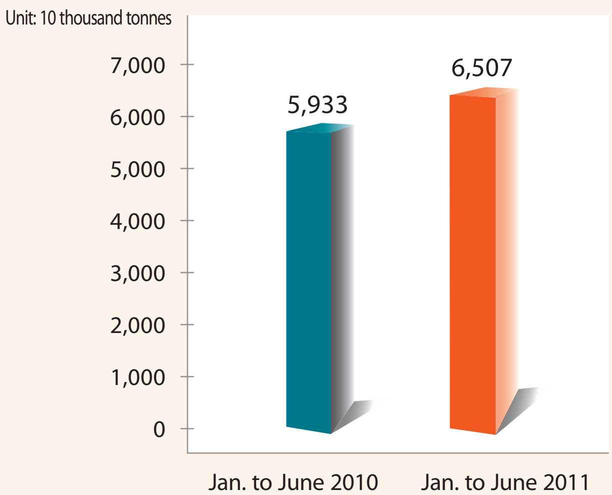
Note: There was certain intra-group transaction commercial coal volume in the Company, which amounted to 2.39 million tonnes for January to June 2011 (January to June 2010: 0.77 million tonnes).

Addressing the coal quality fluctuations in Pingshuo Mining Area, the Company managed to curb the coal quality deterioration trend to some extent through various integrated technologies including source forecast, process control and coal and rock separation. During the first half of 2011, both coal washing recovery ratio and high grade coal ratio recorded an increase as compared to the end of 2010. In the second half of 2011, the Company will continue to carry out coal quality maintenance measures such as optimising excavation and loading processes to ensure further growth on the existing foundation.

## (2) Coal sales

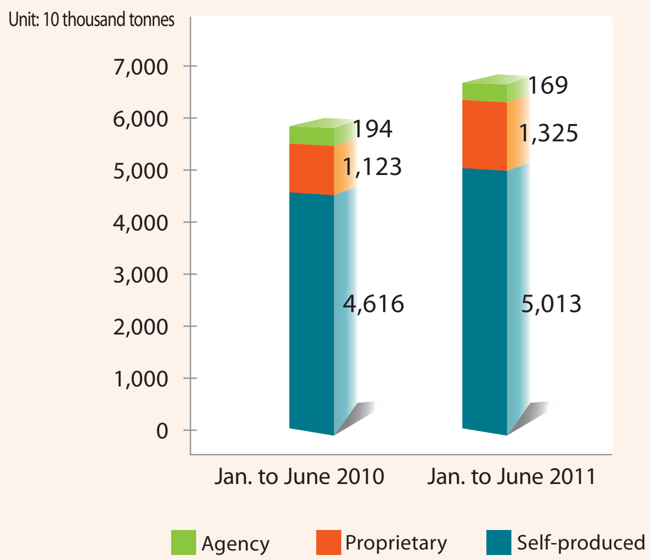
In the first half of 2011, coal market witnessed an overall tight supply as a result of the booming energy-intensive industries in China, insufficient hydropower due to deferred flood season and decrease in coal import. Based on improved sales and logistic networks, the Company actively developed procurement resources to boost coal trade. In the first half of 2011, the Company's commercial coal sales volume reached 65.07 million tonnes, representing an increase of 5.74 million tonnes or 9.7% as compared to the same period of 2010.

**Commerical coal sales volume**

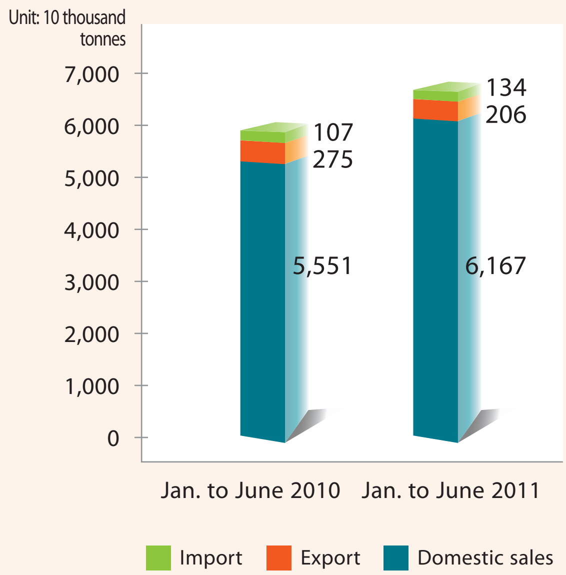


## Business Performance

By product sources



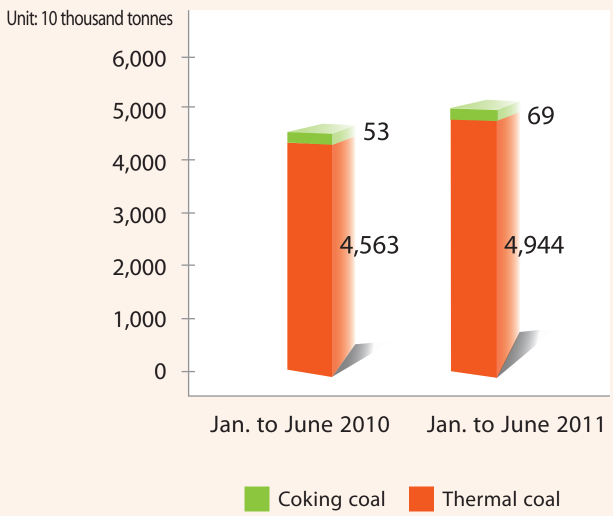

By market



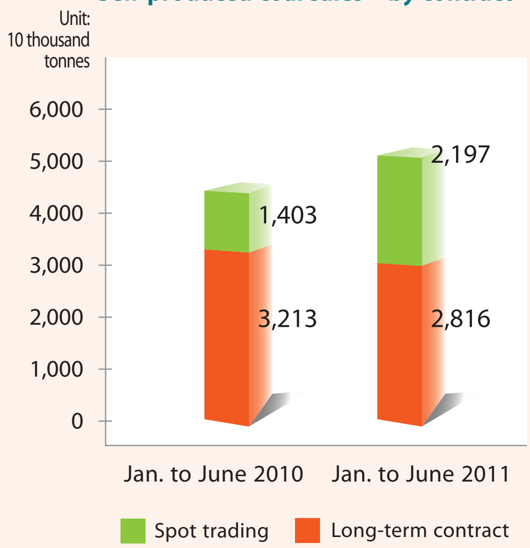
## 1. *A continuous steady growth in sales volume of self-produced coal*

In the first half of 2011, sales volume of self-produced coal reached 50.13 million tonnes, representing an increase of 3.97 million tonnes or 8.6% as compared to the same period of 2010. In particular, domestic sales reached 49.79 million tonnes, representing an increase of 4.36 million tonnes or 9.6% as compared to the same period of 2010; export of self-produced coal reached 0.34 million tonnes, representing a decrease of 0.39 million tonnes or 53.4% as compared to the same period of 2010. The domestic spot sales ratio of self-produced commercial coal reached 44.1%, 13.2 percentage points higher than that of the same period of 2010.

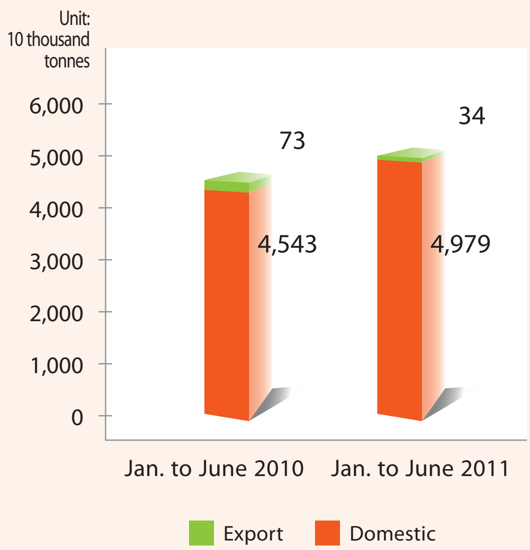
**Self-produced coal sales – by coal type**



**Self-produced coal sales – by contract**




**Self-produced coal sales – by market**



### 2. *A strong growth momentum in sales volume of proprietary coal trading as compared to the same period of 2010*

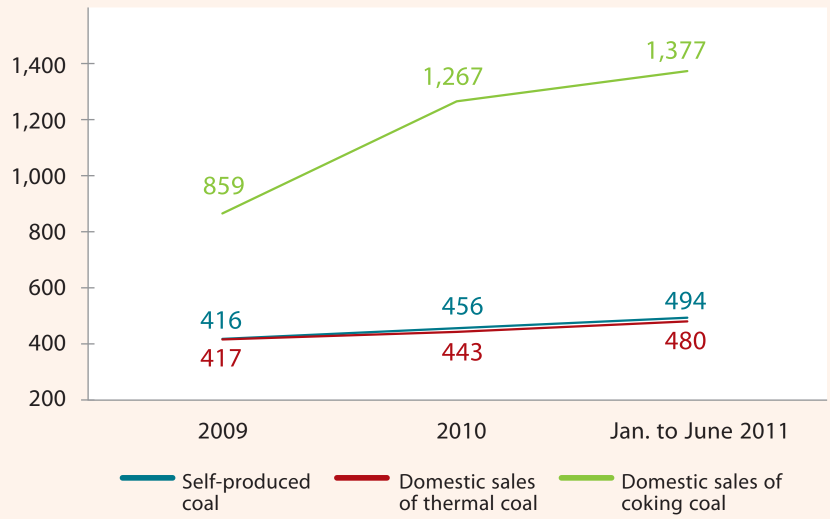
Capturing the favourable market opportunities in the first half of 2011, the Company actively expanded procurement sources to boost coal sales. In the first half of 2011, sales volume of proprietary coal trading reached 13.25 million tonnes, representing an increase of 2.02 million tonnes or 18.0% as compared to the same period of 2010. In particular, domestic sales volume reached 11.88 million tonnes, representing an increase of 1.8 million tonnes or 17.9% as compared to the same period of 2010; import sales volume reached 1.34 million tonnes, representing an increase of 0.27 million tonnes or 25.2% as compared to the same period of 2010.

| Sales volume of commercial coal (10 thousand tonnes) | | January to June 2011 | January to June 2010 | Change % |
|---|---|---|---|---|
| (1) Domestic sales of self-produced coal | | **4,979** | 4,543 | 9.6 |
| By region: | North China | **2,205** | 1,213 | 81.8 |
| | East China | **2,053** | 1,766 | 16.3 |
| | South China | **704** | 625 | 12.6 |
| | Northeast China | **—** | 37 | -100.0 |
| | Other | **17** | 902 | -98.1 |
| By coal type: | Thermal coal | **4,910** | 4,490 | 9.4 |
| | Coking coal | **69** | 53 | 30.2 |
| By contract: | Long-term contract | **2,782** | 3,140 | -11.4 |
| | Spot trading | **2,197** | 1,403 | 56.6 |
| (2) Self-produced coal export | | **34** | 73 | -53.4 |
| By region: | Taiwan, China | **22** | 58 | -62.1 |
| | Korea | **3** | 12 | -75.0 |
| | Japan | **9** | 3 | 200.0 |
| | Other | **—** | — | — |
| By coal type: | Thermal coal | **34** | 73 | -53.4 |
| | Coking coal | **—** | — | — |
| By contract: | Long-term contract | **34** | 72.3 | -53.0 |
| | Spot trading | **—** | 0.3 | -100.0 |
| (3) Proprietary trade | | **1,325** | 1,123 | 18.0 |
| Including: | Self-operated export | **3** | 1 | 200.0 |
| | Domestic resale | **1,188** | 1,008 | 17.9 |
| | Import trading | **134** | 107 | 25.2 |
| | Transshipment trading | **—** | 7 | -100.0 |
| (4) Export agency | | **169** | 194 | -12.9 |
| Total | | **6,507** | 5,933 | 9.7 |

### 3. *A stable increase in coal selling price*

During the reporting period, the average selling price of self-produced commercial coal of the Company was RMB494/tonne, representing an increase of RMB31/tonne or 6.7% as compared to the same period of 2010. In particular, the average domestic selling price of self-produced thermal coal was RMB480/tonne, representing an increase of RMB29/tonne or 6.4% as compared to the same period of 2010; the average domestic selling price of self-produced coking coal was RMB1,377/tonne, representing an increase of RMB84/tonne or 6.5%; the average export price of self-produced thermal coal was RMB795/tonne, representing an increase of RMB157/tonne or 24.6% as compared to the same period of 2010.

**Selling prices of self-produced coal**




The domestic selling price of self-produced thermal coal under long-term contract was RMB407/tonne, representing a decrease of RMB16/tonne or 3.8% as compared to the same period of 2010. The domestic spot selling price was RMB575/tonne, representing an increase of RMB62/tonne or 12.1% as compared to the same period of 2010.

## II COKING OPERATIONS

During the reporting period, the Company's coke production was 1.03 million tonnes, representing a decrease of 80,000 tonnes or 7.2% as compared to the same period of 2010. Coke sales volume reached 1.35 million tonnes, representing an increase of 80,000 tonnes or 6.3% as compared to the same period of 2010, of which the sales of self-produced coke was

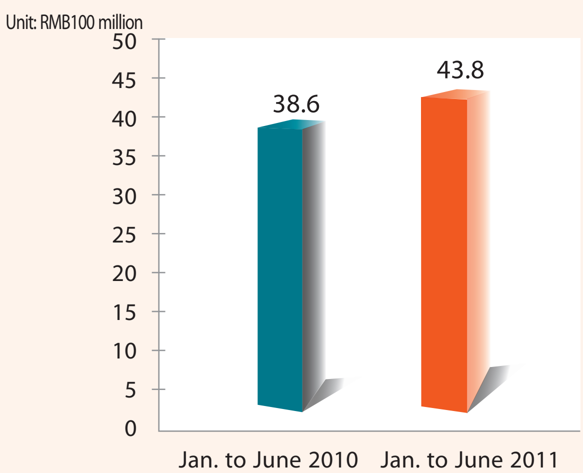
1.02 million tonnes, representing a decrease of 70,000 tonnes or 6.4% as compared to the same period of 2010. The average selling price of self-produced coke was RMB1,711/tonne, representing an increase of 6.0% as compared to the same period of 2010. The consolidated price of proprietary coke was 2,156/tonne, representing an increase of 0.5% as compared to the same period of 2010.

During the reporting period, the Company produced 82,000 tonnes of methanol, representing an increase of 10.6% as compared to the same period of 2010, and sold 0.124 million tonnes of methanol, representing an increase of 6.9% as compared to the same period of 2010. The average selling price was RMB2,067/tonne, representing an increase of 25.2% as compared to the same period of 2010.

## III COAL MINING EQUIPMENT OPERATIONS

In the first half of 2011, the Company's coal mining equipment products maintained the growth momentum both in production and sales. The production volume of coal mining equipment reached 0.199 million tonnes, representing an increase of 37,000 tonnes or 22.8% as compared to the same period of 2010. A total of 75,018 units (sets) of coal mining equipment products were produced, representing an increase of 2.5% as compared to the same period of 2010. Total production value of coal mining equipment operations was RMB4.38 billion, representing an increase of RMB0.52 billion or 13.5% as compared to the same period of 2010. The total contractual amount for new orders amounted to RMB5.04 billion, representing an increase of 6.6% as compared to the same period of 2010.

**Production value of coal mining equipment**



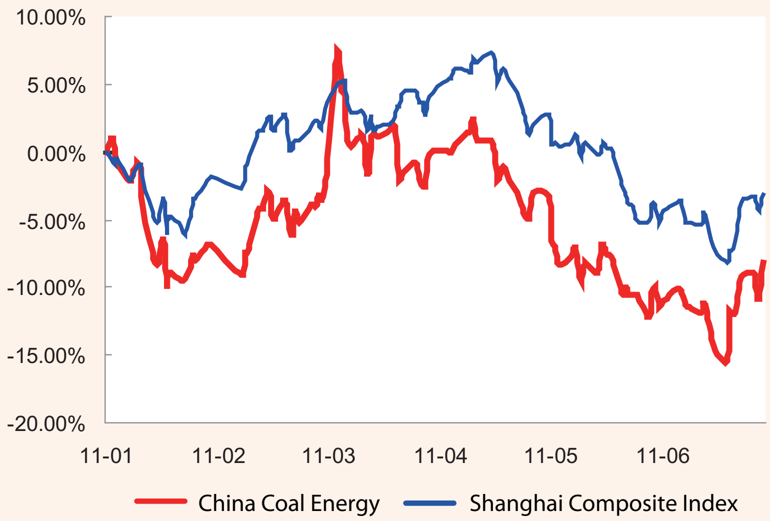

## IV OTHER OPERATIONS

In the first half of 2011, the production volume of the Company's primary aluminum was 52,000 tonnes, and electricity generated was 2.07 billion kwh.

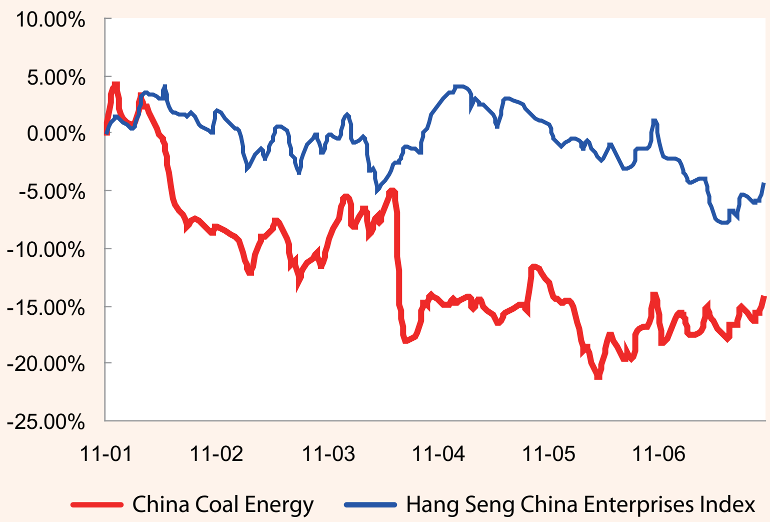
# Investor Relations

In the first half of 2011, the global economy recovered at a slow pace, inflation pressure increasingly intensified, the European debt crisis continued to escalate and there were still many uncertainties affecting the recovery of the global economy. In the face of the complicated and changing international situation and new issues emerging in the domestic economy, the Chinese government strengthened its efforts in macro-control, focused on the transformation of economic development mode and adopted effective measures, so as to maintain a steady operation of the domestic economy. As at 30 June 2011, Shanghai Composite Index closed at 2,762.08, representing a decrease of 3.2% from the beginning of 2011; and Hang Seng China Enterprises Index closed at 12,576.68, representing a decrease of 2.4% from the beginning of 2011.

**Share price performance of China Coal Energy A Share (601898.SH) in the first half of 2011**




**Share price performance of China Coal Energy H Share (01898.HK) in the first half of 2011**



## Investor Relations

China Coal Energy always highly values the management of investor relations, considering the maintenance of investor relations as part of the Company's ongoing strategic management. The Company's management of investor relations aims to, on the basis of ensuring standardised and sufficient information disclosure, continuously enhance the transparency of corporate governance and increase investors' recognition of the Company's values through accurate, timely and clear bilateral communication with investors and analysts in respect of industry prospect, operations and development of the Company, etc. In the first half of 2011, the Company conducted extensive communication with the capital market through various channels including non-deal domestic and overseas road shows and reverse road shows, press conferences of business results and presentation, domestic and overseas investor fora and reception of investor visits. With 216 meetings and 842 attendees in total, the Company staged 3 press conferences of business results and presentation and 62 meetings of non-deal road shows, participated in 12 investment fora organised by domestic and overseas securities firms, and arranged one batch of investors comprising 34 attendees for field visit to coal production base in Shanxi.

The Company placed high importance to recommendations and opinions from the capital market. Keeping a close eye on rating and valuation changes of the Company on the capital market, the Company studied and analysed the methodology and approach for building the valuation model for listed companies and made specific in-depth communication on its concerns with coal analysts, which facilitated the correct understanding of the Company's inherent investment value on the capital market.

The Company focused on enhancing voluntary information disclosure through an investor relations column that was set up at the Company's website to disclose monthly up-to-date information of the Company including its production and operation data. Furthermore, dedicated staff were appointed to patiently answer different questions of investors through an investor enquiry hotline, fax line and mailbox so as to stay in close contact with small and medium investors all the time and fully satisfy the needs of investors.

The Company also placed emphasis on communication with mainstream financial media, especially emerging print media and internet media. In the first half of 2011, China Coal Energy staged two media symposiums at which its excellent business results and promising development potential were fully demonstrated, building up a favourable media environment for the Company's development in the long run.

**List of investor relations events in the first half of 2011**

| Activities | Time | Type | Name of activity | Session(s) | Number of attendees |
|---|---|---|---|---|---|
| Major activities | March 2011 | A Share | Press conference of 2010 annual results | 1 | 25 |
| | | | Non-deal road show: Beijing, Shanghai, Shenzhen, Guangzhou | 21 | 59 |
| | March 2011 | H Share | Press conference of 2010 annual results | 1 | 125 |
| | | | Media Presentation for annual results | 1 | 28 |
| | | | Non-deal road show: Hong Kong, Australia, Europe | 41 | 75 |
| | Sub-total | | | 65 | 312 |
| Investment fora | January 2011 | H Share | Deutsche Bank Access China Conference in Beijing | 2 | 26 |
| | January 2011 | H Share | The eleventh UBS Greater China Symposium | 3 | 30 |
| | April 2011 | H Share | Nomura China Meeting | 3 | 22 |
| | May 2011 | H Share | The second Morgan Stanley Investment Forum | 2 | 35 |
| | May 2011 | H Share | CLSA China Forum 2011 | 3 | 22 |
| | May 2011 | A Share | Qilu Securities Face-to-face Meeting between Listed Companies in upstream and raw materials sectors and institutional investors | 1 | 8 |
| | May 2011 | H Share | Macquarie Securities Bulk Commodities Annual Meeting | 1 | 40 |
| | June 2011 | H Share | The seventh J. P. Morgan China Investment Forum | 3 | 18 |
| | June 2011 | H Share | Credit Suisse China Investment Annual Meeting | 3 | 11 |
| | June 2011 | H Share | Standard Chartered Bank Earth Resources Conference | 4 | 15 |
| | June 2011 | A Share | Great Wall Securities Interim Strategies Meeting 2011 | 1 | 11 |
| | June 2011 | H Share | CITIC Securities Interim Strategies Meeting 2011 | 1 | 50 |
| | Sub-total | | | 27 | 288 |
| Day-to-day receptions | January to June | A+H Share | | 124 | 208 |
| Reverse road shows | June | A+H Share | | | 34 |
| | **Total** | | | 216 | 842 |

China Coal Energy obtained extensive attention and recognition from the capital market for its longstanding and consistent efforts in improving corporate governance. In the first half of 2011, the Company won the Tenth Session of Top 100 Listed Companies Award (ranking 28th) from China Enterprise Reform and Development Society and Warton Economic Institute. It won the Top 100 Most Valuable Listed Companies on Main Board of China 2010 issued by Securities Times and ranked 452nd in the FT Global 500 for 2011 published by the Financial Times of the UK.

In the second half of 2011, China Coal Energy will continue to adhere to its principles of transparency, integrity, fairness and openness and continue to maintain close communication with the capital market and enhance the capital market's understanding and recognition of the Company so as to strike a balance between maximising the interests of Shareholders and enhancing the Company's inherent value.

# Corporate Governance

## I. Corporate Governance

During the reporting period, by strictly complying with overseas and domestic laws and regulations and applicable listing rules, the Company further optimised its corporate governance structure and continuously improved its corporate governance standard. The Company's corporate governance had been in compliance with the requirements of relevant domestic and overseas regulatory documents including the Principles for Corporate Governance of Listed Companies promulgated by CSRC, the SSE Listing Rules and the Listing Rules.

In making critical decisions on major issues and managing daily operations, the Company's governing body, decision-making body, supervisory body and executive body duly discharged their respective duties and responsibilities, further supported, checked and balanced against each other, and were dedicated to creating values for shareholders and society in accordance with the prescribed responsibilities and functions of the General Meeting of the Shareholders, the Board, the Supervisory Committee and the corporate management.

In addition to upholding the existing management systems, the Company has been strengthening the system construction. In particular, the Company further improved its corporate governance by formulating the "Accountability System for Material Errors in Annual Report Information Disclosure", "Working System for the Secretary to the Board" and "Management System for the Regulation of Financial Transactions with Related Parties".

The Company strictly complied with the Listing Rules, the SSE Listing Rules and the "Information Disclosure Management System" of the Company and by upholding the principle of "being stringent rather than lenient, being abundant rather than scarce", the Company made periodic reports, provisional announcements and disclosures in a true, accurate, complete and timely manner.

During the reporting period, the Company had been independent from China Coal Group, the controlling shareholder, in terms of business, staff, assets and finance.

## II. Compliance with the Code on Corporate Governance Practices

The Company always places great importance on corporate governance and the enhancement of its transparency. The Company also continuously strengthens its internal control to attain legitimate and efficient operations in accordance with the requirements of overseas and domestic regulatory authorities on corporate governance, thereby maximising shareholder returns through sound corporate governance.



During the reporting period, the Company has complied with the principles and code provisions set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules.

## III. 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" as set out in Appendix 10 of the Listing Rules. Having made specific enquiries, the Company confirmed that each director and supervisor of the Company had complied with the Model Code during the reporting period.

## IV. Board Meetings

During the reporting period, the Board held a total of three meetings.

At the first meeting in 2011 of the Second Session of the Board held on 22 March 2011, eighteen resolutions were considered and approved. Details are as below:

1. Resolution on Annual Report for 2010 of the Company and its Summary, Results Announcement for 2010;

2. Resolution on Directors' Report of the Company for 2010;

3. Resolution on Financial Report of the Company for 2010;

4. Resolution on Proposed Profit Distribution Plan of the Company for 2010;

5. Resolution on Production and Operating Plans of the Company for 2011;

6. Resolution on Capital Expenditure Plan of the Company for 2011;

7. Resolution on Financial Plan of the Company for 2011;

8. Resolution on Engaging Auditors to Review Interim Financial Report and Audit Annual Financial Report for 2011;

9. Resolution on Remuneration of Directors, Supervisors of the Company for 2011;

10. Resolution on Report of the Board on the Self-assessment of Internal Control of the Company for 2010;

11. Resolution on Social Responsibility Report of the Company for 2010;

12. Resolution on Operational Results Evaluation for Senior Management of the Company for 2011;

13. Resolution on the Registration and Issuance of Medium-term Notes and Short-term Bonds of the Company;

14. Resolution on the Investment and Construction of Phase 1 of Ordos Tuke Fertiliser Project;

15. Resolution on the Formulation of The Accountability System for Material Errors in Annual Report Information Disclosure;

16. Resolution on Implementation Rules of the Internal Control System of the Company;

17. Resolution on General Mandates to Issue Shares;

18. Resolution on Convening of Annual General Meeting for 2010.

At the second meeting in 2011 of the Second Session of the Board held on 27 April 2011, Resolution on First Quarterly Report for 2011 of the Company was considered and approved.

At the third meeting in 2011 of the Second Session of the Board held on 27 May 2011, three resolutions were considered and approved, details of which are stated below:

1. Resolution on the Split and Restructuring of Huajin Coking Coal Co., Ltd;

2. Resolution on Working System for the Secretary to the Board of the Company;

3. Resolution on Management System for the Regulation of Financial Transactions with Related Parties.

During the reporting period, all relevant matters including the quorum, convening, holding and voting procedures of the Board meeting are in compliance with the laws and regulations including the PRC Company Law and the requirements of the Articles of Association. All directors were diligent, responsible, and dedicated to promoting the interests of the Company and Shareholders as a whole.

## V. Meetings of Board Committees

### (1) Audit Committee

During the reporting period, the Audit Committee of the Board held two meetings. At the first meeting in 2011 of the Second Session of the Audit Committee of the Board held on 21 March 2011, the following ten resolutions were considered and approved:

1. Resolution on Annual Report for 2010 of the Company and its Summary, Results Announcement for 2010;

2. Resolution on Financial Report of the Company for 2010;

3. Resolution on Report of the Board on the Self-assessment of Internal Control of the Company for 2010;

4. Resolution on Proposed Profit Distribution Plan of the Company for 2010;

5. Resolution on Production and Operating Plans of the Company for 2011;

6. Resolution on Financial Plan of the Company for 2011;

7. Resolution on the Registration and Issuance of Medium-term Notes and Short-term Bonds of the Company;

8. Resolution on Engaging Auditors of the Company to Review Interim Financial Report and Audit Annual Financial Report for 2011;

9. Resolution on the Formulation of The Accountability System for Material Errors in Annual Report Information Disclosure;

10. Resolution on Implementation Rules of the Internal Control System of the Company.

At the second meeting in 2011 of the Second Session of the Audit Committee of the Board held on 26 April 2011, the resolution on the First Quarterly Report for 2011 of the Company was considered and approved.

The Audit Committee of the Board has reviewed the interim report of the Company. In addition, the Company's external auditor, PricewaterhouseCoopers, has performed an independent review of the condensed consolidated interim financial information of the Company for the six months ended 30 June 2011 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, in any material aspect, been properly prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting".

## (2) Remuneration Committee

During the reporting period, the Remuneration Committee of the Board held one meeting on 21 March 2011, at which the following three resolutions were considered and approved:

1. Resolution on Annual Report for 2010 of the Company and its Summary, Results Announcement for 2010;

2. Resolution on Remuneration of Directors, Supervisors of the Company for 2011;

3. Resolution on Performance Targets for Senior Management of the Company for 2011.

## (3) Strategic Planning Committee

During the reporting period, the Strategic Planning Committee of the Board held one meeting on 21 March 2011, at which the following three resolutions were considered and approved:

1. Resolution on Annual Report for 2010 of the Company and its Summary, Results Announcement for 2010;

2. Resolution on Capital Expenditure Plan of the Company for 2011;

3. Resolution on the Investment and Construction of Phase 1 of Ordos Tuke Fertiliser Project.

## (4) Safety, Health and Environmental Protection Committee

During the reporting period, the Safety, Health and Environmental Protection Committee of the Board held one meeting on 21 March 2011, at which the following two resolutions were considered and approved:

1. Resolution on Annual Report for 2010 of the Company and its Summary, Results Announcement for 2010;

2. Resolution on Social Responsibility Report of the Company for 2010.

## (5) Nomination Committee

During the reporting period, the nomination committee of the Board did not convene any meeting.

## VI. Meetings of Supervisory Committee

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

At the first meeting in 2011 of the Second Session of the Supervisory Committee convened on 22 March 2011, six resolutions in relation to the Annual Report for 2010 of the Company and its Summary, Results Announcement for 2010, Report of the Supervisory Committee for 2010, Annual Financial Report for 2010, Proposed Profit Distribution Plan for 2010, Report of the Board for 2010 on the Self-assessment of the Company's Internal Control and the Proposal on Standards for Internal Control were considered and approved.

At the second meeting in 2011 of the Second Session of the Supervisory Committee held on 26 April 2011, Resolution on First Quarterly Report for 2011 of the Company was considered and approved.

## VII. Management of Connected Transactions

During the reporting period, the Company continued to strengthen connected transaction management, strictly observed the various agreements signed with the connected parties and effectively managed connected transactions in accordance with the requirements of the Listing Rules and the SSE Listing Rules and the "Management Measures on Connected Transactions" of the Company and its enforcement regulations.

The Company has entered into a series of framework agreements of continuing connected transactions with China Coal Group and other connected parties, including the Coal Export and Sales Agency Framework Agreement, Coal Supplies Framework Agreement, Integrated Materials and Services Mutual Provision Framework Agreement, Mine Construction, Mine Design and General Contracting Service Framework Agreement, Mine Design and General Contracting Service Framework Agreement, Property Leasing Framework Agreement, Land Use Rights Leasing Framework Agreement, Trademark Licensing Framework Agreement, Coal and Other Related Products and Services Supply Framework Agreements and Railway Leasing and Management Entrustment Service Framework Agreement. During the reporting period, each of the above-mentioned continuing connected transaction has been performed in accordance with the relevant signed and announced framework agreements and pricing principles.

Concerning each of the continuing connected transactions, the Company has been implementing budget management, monthly monitoring, early warning for caps and regular consultation system. Through improving the management system of the connected transactions, optimising the organisational structure and staffing, as well as the adoption of various other management and control measures, the Company further improved the connected transaction management and control system and enhanced internal control. Through the establishment of a "Management System for the Regulation of Financial Transactions with Related Parties", the Company further enhanced the management of financial transactions between the Company and its related parties to protect the legal interest of investors, and ensured the compliance with legal and regulatory requirements for all connected transactions during the reporting period.

# Disclosure of Major Events

## I. SHARE CAPITAL STRUCTURE

The Company's share capital structure as at 30 June 2011 is as follows:

| Type of Shares | Number of Shares | Percentage of the total issued share capital % |
|---|---|---|
| A Share(s) | 9,152,000,400 | 69.03 |
| Inclusive of A Shares held by China Coal Group | 7,481,643,774 | 56.43 |
| H Share(s) | 4,106,663,000 | 30.97 |
| Inclusive of H Shares held by China Coal Hong Kong | 120,000,000 | 0.90 |
| Total | 13,258,663,400 | 100.00 |
| Inclusive of shares held by China Coal Group and parties acting in concert with it | 7,601,643,774 | 57.33 |

## II. DISTRIBUTION OF FINAL DIVIDENDS FOR 2010

The profit distribution plan of the Company for 2010 was approved at the Company's 2010 Annual General Meeting on 27 May 2011. Net profit attributable to the Shareholders of the Company in the Company's consolidated financial statements prepared under the PRC GAAP amounted to RMB6,908,978,000 (the lower of profits after income tax stated in the financial statements prepared under the PRC GAAP and the IFRS), 30% of which (totalling RMB2,072,693,400) were distributed to the Shareholders as cash dividends. The dividends were RMB0.15633 (tax inclusive) per share based on the Company's total issued share capital of 13,258,663,400 shares. Such final dividends were paid to the Shareholders of the Company on 28 June 2011.

Pursuant to Notice Regarding Questions on Withholding Enterprise Income Tax When PRC Resident Enterprises Distribute Dividend to Foreign Non-resident Enterprise Shareholders of H Shares (Guo Shui Han [2008] No. 897) issued by the State Administration of Taxation of the PRC, the Company shall withhold enterprise income tax at a tax rate of 10% on cash dividends paid to H Shareholders who are foreign non-resident enterprises. Pursuant to the rules regarding individual income tax on dividends and bonuses from listed companies imposed by the State Administration of Taxation and the Ministry of Finance of the PRC, cash dividends paid to A Shareholders of the Company who are natural persons shall also be subject to an individual income tax with 50% of the dividends as taxable income and withholding of individual income tax by the Company at a tax rate of 20% according to the current tax law.

Pursuant to Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guo Shui Fa [1993] No. 045 Document (Guo Shui Han [2011] No. 348) issued by the State Administration of Taxation, where overseas resident individual shareholders obtain dividends and bonuses from shares issued in Hong Kong by the PRC non-foreign-invested enterprises, such dividends and bonuses shall, according to the category of "interests, dividend and bonus income", generally be subject to individual income tax to be withheld by the withholding agent at a tax rate of 10%. However, the tax rates for respective overseas resident individual shareholders are determined according to the relevant tax treaties between the countries where they are residing and Mainland China. Subject to relevant requirements, in order to ensure that the Company's dividends are distributed to all Shareholders as scheduled, the Company has withheld the individual income tax at a tax rate of 20% from the total dividends to be distributed to the individual H Shareholders, which amounts to HK$982,043.51 in distributing the final dividend for 2010 to the individual H Shareholders. If the tax rates under the tax treaties between the countries where those individual H Shareholders are residing and Mainland China are less than 20% (excluding 20%), the Company will refund the corresponding tax amount equivalent to the differences between the tax calculated at 20% and each of the effective tax rates applicable to the relevant individual H Shareholders. The refund of the tax differences to related individual H Shareholders is expected to be made on or around 1 September 2011.

## III. INTERIM PROFIT DISTRIBUTION PLAN FOR 2011

The Company will not distribute any interim dividends for 2011.

## IV. ASSETS TRANSACTIONS

On 27 May 2011, the third meeting in 2011 of the Second Session of the Board of the Company resolved to approve the split and restructuring arrangement of Huajin Company. Pursuant to the arrangement, Huajin Company will be split into two limited liability companies by way of split-off in accordance with laws and both of the limited liability companies will be jointly held by the Company and Shanxi Coking Coal each with 50% shareholding. Upon the split, the company holding Wangjialing assets will become a subsidiary of the Company, while Huajin Company will cease to be a subsidiary of the Company. The legal name of the company holding Wangjialing assets shall be approved by and registered with the competent industry and commerce authorities. In addition, the Company has been approved to unilaterally make the capital contribution in the company holding Wangjialing assets which therefore will be held 51% and 49% by the Company and Shanxi Coking Coal respectively upon the split. Shanxi Coking Coal has also been approved to unilaterally make the capital contribution in Huajin Company which therefore will be held 51% by Shanxi Coaking Coal and 49% by the Company respectively upon the capital contribution.

On 12 June 2011, the name of the company holding Wangjialing assets has been approved by the Shanxi Provincial Administration of Industry & Commerce as China Coal (Shanxi) Huajin Energy Co., Ltd.

On 5 August 2011, the Company officially entered into the Split Agreement of Huajin Coking Coal Co., Ltd with Shanxi Coking Coal, Huajin Company and China Coal Huajin Company. China Coal Huajin Company is currently in the process of the industrial and commercial registration.

For details, please refer to the announcement and information published on the websites of SSE, HKSE and the Company on 27 May and 8 August 2011.

Save for the aforementioned split arrangement of Huajin Company, the Company did not enter into other significant assets transactions during the reporting period.

## V. INVESTMENT OF THE COMPANY DURING THE REPORTING PERIOD

### (1) Performance of Capital Expenditure Budget during the Reporting Period

In 2011, the Company's capital expenditure mainly focused on four major sectors, which were coal, coal chemical, coal mining equipment and power generation, and included three categories, namely infrastructure projects, acquisition and maintenance of fixed assets and equity investment. The capital expenditure budget for 2011 was RMB34.237 billion in total. During the reporting period, the actual investment amount was RMB8.718 billion, representing 25.46% of the annual budget.

Unit: RMB100 Million

| No. | Business segment | Actual capital expenditure from January to June 2011 | Percentage of the total budget (%) | Annual Budget for 2011 | Actual Investment Percentage % |
|---|---|---|---|---|---|
| 1 | Coal | 60.10 | 68.94 | 243.47 | 24.68 |
| 2 | Coal chemical | 19.49 | 22.36 | 71.99 | 27.07 |
| 3 | Coal mining equipment | 2.17 | 2.49 | 16.30 | 13.31 |
| 4 | Power generation | 4.44 | 5.09 | 2.01 | 220.90 |
| 5 | Other | 0.98 | 1.12 | 8.60 | 11.40 |
| | **Total** | **87.18** | **100.00** | **342.37** | **25.46** |

During the reporting period, most of the Company's key construction projects were located in northern China with short construction periods. In addition, as a result of certain factors such as land expropriation, village relocation and the national industry policies, progress of construction was varyingly delayed. In addition, some projects are in the process of applying for external approval or carrying out preliminary work. It is expected that the construction of such projects will commence in the second half of 2011.

## (2) Use of Proceeds

### 1. *General Use of Proceeds*

Unit: RMB100 Million

| Year of proceeds-raising | Method | Net proceeds | Total amount of proceeds used during the reporting period | Total amount of proceeds used accumulatively | Balance of unapplied proceeds | Intended use and whereabouts of unapplied proceeds |
|---|---|---|---|---|---|---|
| 2006 | Initial Issuance of H Shares | 144.66 | — | 144.66 | — | — |
| 2008 | Initial Issuance of A Shares | 253.20 | 6.30 | 152.14 | 101.06 | Deposited as term deposit with the bank in which the special account for proceeds was maintained. |
| **Total** | / | **397.86** | **6.30** | **296.80** | **101.06** | / |

### 2. *Use of Proceeds from Issuance of H Shares*

After deducting related expenses, the net proceeds from issuance of H shares of the Company amounted to RMB14.466 billion. As at 31 December 2009, all the net proceeds had been utilised in accordance with the intended usage disclosed in the prospectus of H shares. As at 30 June 2011, the progress of each of the projects is as follows:

1) Construction of Pingshuo Antaibao Underground Mine and Heilongjiang Methanol Project with an annual production capacity of 0.25 million tonnes has been completed, and the projects have come into operation and generated revenue;

2) Pingshuo East Open Pit Mine Project, related coal washing plants and dedicated railways in Pingshuo Mining Area, and the comprehensive utilisation project of waste materials of coal mines in Heilongjiang province were still under construction with no revenue generated.

### 3. *Use of Proceeds from Issuance of A Shares*

As at 30 June 2011, the actual application of A Share proceeds amounted to RMB15.214 billion, representing approximately 60.1% of the net proceeds from the issuance of A Shares, details of which are listed below:

Unit: RMB100 Million

| Net Proceeds Raised | 253.20 | Total proceeds applied during the reporting period | | | | 6.30 |
|---|---|---|---|---|---|---|
| | | Total proceeds applied accumulatively | | | | 152.14 |
| **Committed project** | **Any change in project** | **Proposed investment amount** | **Actual investment amount** | **Whether planned schedule was met** | **Expected revenue** | **Actual revenue** |
| Ordos project and ancillary engineering projects with an annual production capacity of 25 million tonnes of coal, 4.2 million tonnes of methanol and 3 million tonnes of dimethyl ether | No | 41.58 | 17.41 | No | — | — |
| Heilongjiang project and ancillary engineering projects with an annual production capacity of 10 million tonnes of coal, 1.8 million tonnes of methanol and 0.6 million tonnes of olefin | No | — | 0.12 | No | — | — |
| Supplement of working capital of the Company for general corporate purposes or for the acquisitions of core business related assets | No | 41.33 | 41.33 | Yes | — | — |
| Nalin River No. 2 Coal Mine Project developed by Wushenqi Mengda Mining Company Limited with an annual production capacity of 8 million tonnes of coal | Yes | 16.69 | 13.30 | Yes | — | — |

Unit: RMB 100 Million

| Net Proceeds Raised | 253.20 | Total proceeds applied during the reporting period | | | | 6.30 |
|---|---|---|---|---|---|---|
| | | Total proceeds applied accumulatively | | | | 152.14 |
| Committed project | Any change in project | Proposed investment amount | Actual investment amount | Whether planned schedule was met | Expected revenue | Actual revenue |
| Muduchaideng Coal Mine Project developed by Ordos Yihua Mining Resources Company Limited with an annual production capacity of 6 million tonnes of coal | Yes | 44.64 | 16.94 | Yes | — | — |
| Xiaohuigou Coal Mine Project developed by China Coal (Shanxi) Pingshuo Xiaohuigou Coal Industry Company Limited with an annual production capacity of 3 million tonnes of coal | Yes | 28.06 | 8.53 | Yes | — | — |
| Hecaogou Coal Mine Project developed by Shaanxi Yan'an Hecaogou Coal Mine Co., Ltd. with an annual production capacity of 3 million tonnes of coal | Yes | 12.00 | 7.00 | Yes | — | — |
| Zhangjiakou Coal Machinery Equipment Industrial Park Project developed by China Coal Zhangjiakou Coal Mining Machinery Co., Ltd. | Yes | 23.62 | 6.53 | Yes | — | — |
| Energy and Chemical Comprehensive Utilisation Project developed by Shaanxi Yulin Energy Chemical Company Limited with an annual production capacity of 0.6 million tonnes of polyethylene and 0.6 million tonnes of polypropylene | Yes | 21.00 | 12.60 | Yes | — | — |
| Supplement of working capital of the Company for general corporate purpose or for the acquisitions of core business related assets | Yes | 28.38 | 28.38 | Yes | — | — |
| **Total** | — | — | **152.14** | — | — | — |

| | |
|---|---|
| Reasons for failure to meet schedule (by project) | Ordos project and ancillary engineering facilities with an annual production capacity of 25 million tonnes of coal, 4.2 million tonnes of methanol and 3 million tonnes of dimethyl ether: Currently the application for the project approval is underway and the preparation works are basically completed. |
| Intended use and whereabouts of unapplied proceeds | Deposited as term deposit with the bank in which the special account for proceeds was maintained. |

## (3) Status of Investment Projects with Funds not Raised through the Issuance of Shares

The status of major investment projects with funds not raised through the issue of shares for 2011 is set out below:

Unit: RMB100 Million

| Name of the project | Amount involved in the project | Progress of the project | | |
|---|---|---|---|---|
| | | Actual investment from January to June 2011 | The accumulative investment up to the end of June 2011 | Revenue generated from the project |
| Wangjialing Coal Mine in Xiangning of Shanxi with a production capacity of 6 million tonnes/year | 50.21 | 3.91 | 36.54 | Currently, the project is not completed and no revenue is generated. |
| Kongzhuang Mine renovation and expansion works in Jiangsu | 5.32 | 0.52 | 4.01 | Currently, the project is not completed and no revenue is generated. |
| Pingshuo Anjialing No.1 Underground Mine Coal Preparation Plant expansion and renovation works | 1.40 | 0.09 | 0.88 | Currently, the project is not completed and no revenue is generated. |
| Pingshuo Muguajie Coal Preparation Plant expansion and renovation works | 9.53 | 2.17 | 7.48 | Currently, the project is not completed and no revenue is generated. |

Unit: RMB100 Million

| Name of the project | Amount involved in the project | Progress of the project | | |
|---|---|---|---|---|
| | | Actual investment from January to June 2011 | The accumulative investment up to the end of June 2011 | Revenue generated from the project |
| Renovation and expansion project of Xinjiang 106# Mine | 6.77 | 0.32 | 2.12 | Currently, the project is not completed and no revenue is generated. |
| Chemical fertiliser production by coke-oven gas in Lingshi of Shanxi | 9.97 | 1.22 | 2.66 | Currently, the project is not completed and no revenue is generated. |
| Mengda coal-based methanol in Ordos | 35.48 | 2.51 | 5.66 | Currently, the project is not completed and no revenue is generated. |
| Phase 1 of Ordos Tuke Fertiliser Project | 95.11 | 6.13 | 7.15 | Currently, the project is not completed and no revenue is generated. |
| High-precision aluminum sheets project in Jiangsu | 17.01 | 0.26 | 14.09 | Currently, the project is not completed and no revenue is generated. |

## VI. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2011, the Company and its subsidiaries had not purchased, sold or redeemed any securities (the term "securities" has the meaning ascribed to it under the Listing Rules) of the Company.

## VII. SUBSTANTIAL INTERESTS AND SHORT POSITIONS

As at 30 June 2011, pursuant to Section 336 of Part XV of the Securities and Futures Ordinance, persons (other than directors and supervisors) who had interests and/or held short positions in the shares of the Company or underlying shares as recorded in the register of interests and/or short positions in shares or underlying shares are listed in the table below:

| Name of Shareholders | Number of shares | Class of shares | Nature of interest | Capacity | Percentage of the respective type of shares in issue (%) | Percentage of the total shares in issue (%) |
|---|---|---|---|---|---|---|
| China National Coal Group Corporation | 7,481,643,773 | A Share(s) | N/A | Beneficial owner | 81.75 | 56.43 |
| Blackrock, Inc. | 280,419,031 | H Share(s) | Long position | Interests of controlled corporation | 6.83 | 2.11 |
| | 25,927,362 | | Short position | | 0.63 | 0.20 |
| Davis Selected Advisers, L.P. | 248,098,000 | H Share(s) | Long position | Investment manager | 6.04 | 1.87 |
| Morgan Stanley | 235,563,263 | H Share(s) | Long position | Interests of controlled corporation | 5.74 | 1.78 |
| | 85,197,971 | | Short position | | 2.07 | 0.64 |
| Government of Singapore Investment Corporation Pte Ltd | 206,762,390 | H Share(s) | Long position | Person with security interests in shares | 5.03 | 1.56 |
| JPMorgan Chase & Co. | 206,274,861 | H Share(s) | Long position | Of which, 37,013,761 shares were held by beneficial owners, 54,391,000 shares were held by persons with security interests in shares, 114,870,100 shares were held by custodian-corporation/ authorised lending agents | 5.02 | 1.56 |
| | 19,822,722 | | Short position | Beneficial owner | 0.48 | 0.15 |
| | 114,870,100 | | Lending pool | Custodian-corporation/ authorised lending agents | 2.80 | 0.87 |

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

Save as disclosed above, as at 30 June 2011, according to the register of interests and/or short positions in the shares or underlying shares required to be maintained pursuant to section 336 of Part XV of the Securities and Futures Ordinance, there were no other persons who had interest and/or held short positions in the Company's shares or underlying shares.

## VIII. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2011, none of the directors, supervisors or chief executive of the Company had any interests and/or short positions in shares, underlying shares 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 HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

As at 30 June 2011, the Company had not granted any rights to any directors, supervisors or chief executive of the Company or their spouses or children under 18 years of age to subscribe for shares or debentures of the Company or its associated corporations nor did they exercise any such rights to subscribe for the aforesaid shares or debentures.

## IX. EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2011, the Company had a total of 55,674 employees, of whom, 4,669 were management staff, 8,517 were technical staff, 987 were sales staff, 35,409 were production staff and 6,092 were other staff.

The Board and senior management of the Company have implemented an annual remuneration package and a corresponding appraisal and incentive scheme. The annual remuneration for senior management consists of basic salary and performance-based compensation. The basic salary is determined on the basis of the operational scale of the Company, with reference to the prevailing market wages and income of employees. The performance-based compensation is determined in line with the actual operational results of the Company. The basic salary for the directors and senior management of the Company is paid on a monthly basis whereas the performance-based compensation is subject to the annual performance appraisal.

The Company actively optimises the allocation of human resources. Through public recruitment of management and technical staff, and cooperation with higher education institutions to establish training programmes and develop much needed talents for the Company, and the introduction of new recruitment, training and deployment mechanism, the Company secured sufficient human resources for the production, operation and sustainable development of the Company.

## X. OTHER MAJOR EVENTS

### (1) Issuance of Medium-term Notes and Short-term Bonds

"The Resolution in relation to the Registration and Issuance of Medium-term Notes and Short-term Bonds of the Company" was considered and passed at the Company's 2010 Annual General Meeting on 27 May 2011, pursuant to which, the Company was authorised to issue medium-term notes and short-term bonds, and register the medium-term notes and short-term bonds for an amount of up to RMB35 billion (or as determined based on 40% of the latest audited net assets at each registration), respectively, including the proposed initial registration and issuance of medium-term notes of RMB15 billion in 2011.

The proceeds from the above-mentioned issuance of medium-term notes and short-term bonds are intended to be used for replenishing the general working capital of the Company and for adjusting debt structure. The proceeds from the medium-term notes might also be injected to related projects of the Company in line with actual needs.

On 27 May 2011, the Company applied for the registration of medium-term notes with an amount of RMB15 billion by officially submitting the "Registration Report on the Issuance of Medium-term Notes of China Coal Energy Company Limited" to the National Association of Financial Market Institutional Investors. The proceeds will be used to replenish the general working capital of the Company. On 20 July, the Company received a Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2011] No. MTN122) from the National Association of Financial Market Institutional Investors which stated the acceptance of the registration of the first tranche of medium-term notes of the Company for 2011 and specified the following: 1. The Company may issue the first tranche of medium-term notes for 2011 in the registered amount of RMB15 billion and such registered amount will be effective for 2 years commencing from the date of issuing the notice. The joint lead underwriters of the medium-term notes are Industrial and Commercial Bank of China Limited and China International Capital Corporation Limited; 2. The Company may issue medium-term notes in tranches within the registration effective period and the issuance of the first tranche shall be completed within 2 months of registration.

According to the requirements of the above notices, the Company will make appropriate arrangements for the issuance and settlement of the medium-term notes and relevant information disclosure.

For details, please refer to the Company's announcements and information published on the websites of SSE, HKSE and the Company on 19 May, 27 May and 21 July 2011.

## (2) Tuke Fertiliser Project

"The Resolution in relation to Investment in Construction of Phase 1 of Ordos Tuke Fertiliser Project" was considered and passed at the first meeting for 2011 of the Company's Second Session of the Board on 22 March 2011, pursuant to which, the Company was approved to invest in the construction of Phase 1 of Tuke Fertiliser Project and establish a new wholly-owned subsidiary of the Company to carry out the project. To control risks, the Company decided to carry out the project in phases, and the scale of Phase 1 of the project was 1 million tonnes per year of synthetic ammonia and 1.75 million tonnes per year of urea with estimated total investment of approximately RMB9.51056 billion.

Tuke Fertiliser Project was filed and approved by the Development and Reform Commission of the Inner Mongolia Autonomous Region in September 2009 (Nei Fa Gai Gong Zi [2009] No. 2137). In March 2011, the project fully commenced construction and ordering of long-term equipment. On 8 June, China Coal Ordos Energy and Chemical Co., Ltd., which was responsible for the construction and operation of the project, was established and duly entered into a master contractor agreement with the contractor with respect to the design, procurement and construction of major equipment for air separation, gasification, synthetic ammonia and urea. At present, the construction of the project is progressing steadily.

For details, please refer to the Company's announcement and information published on the websites of SSE, HKSE and the Company on 22 March 2011.

## (3) The Flooding Accident of Wangjialing Coal Mine of Huajin Company

As a result of the flooding accident occurred on 28 March 2010 in the course of construction at Wangjialing Coal Mine, a mine under construction owned by Huajin Company (a 50%-owned subsidiary of the Company), the completion date of the construction of Wangjialing Coal Mine, which would have originally been scheduled in October 2010, was delayed. On 21 January 2011, Huajin Company was imposed a penalty of RMB2.25 million under the Circular on Results of Investigation and Treatment on Two Extraordinarily Serious Production Safety Accidents at Two Coal Mines (An Wei Ban [2011] No.2) issued by the Office of Safe Production Commission under the accident investigation panel of the State Council. After the accident, the Company immediately launched the special rectification campaign for safe production, focusing on management on flooding and gas prevention and treatment and strengthening field monitoring and examination to eliminate potential accidents and solidify comprehensive works of safe production. Currently, the preparation for resuming the operation of Wangjialing Coal Mine is in full swing.

### (4) Environmental Protection

In May 2010, the Ministry of Environmental Protection of China issued the Circular on Examination Results after Environment Inspection on Listed Companies, which addressed the environmental issues in eliminating obsolete capacity of China Coal and Coke Mudanjiang Limited and relocation in relation to China Coal and Coke Jiuxin Limited in Lingshi county, both being subsidiaries of the Company. The Company placed great importance on the elimination of obsolete capacity of China Coal and Coke Mudanjiang Limited, and thoroughly resolved the issue on 30 January 2011. In response to the involvement of China Coal and Coke Jiuxin Limited in the relocation of local villagers in Lingshi county, the Company took initiatives to communicate and negotiate with the local government and villagers. Currently, the issue is being addressed in an active manner.

## XI. FORWARD-LOOKING STATEMENTS

The Company would like to draw the readers' attention to the forward-looking nature of certain statements above. These forward-looking statements are subject to risks, uncertainties and assumptions, which are beyond the Company's control. Such potential risks and uncertainties include those concerning the market conditions of coal, mining machinery and coking operations in China, the changes of the regulatory environment and the Company's capability to successfully execute its business strategies. In addition, these forward-looking statements only reflect the Company's current views with respect to future events but do not serve as a guarantee of the Company's future performance. The Company will continue to update these forward-looking statements. Actual results of the Company's performance may differ from the forward-looking statements due to a number of factors.

# Independent Auditor's Report

pwc

羅兵咸永道

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION**
**TO THE BOARD OF DIRECTORS OF CHINA COAL ENERGY COMPANY LIMITED**
(Incorporated in the People's Republic of China with limited liability)

## Introduction

We have reviewed the interim financial information set out on pages 62 to 107, which comprises the condensed consolidated balance sheet of China Coal Energy Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2011 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 16 August 2011

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
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# Condensed Consolidated Interim Balance Sheet

As at 30 June 2011
*(Amounts expressed in RMB)*

| | Note | 30 June 2011 RMB'000 Unaudited | 31 December 2010 RMB'000 Audited |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 7 | **48,233,063** | 46,417,897 |
| Investment properties | | **30,535** | 31,158 |
| Land use rights | | **2,736,859** | 2,563,782 |
| Mining rights | 8 | **17,530,240** | 18,611,170 |
| Intangible assets | | **52,115** | 42,579 |
| Investments in associates | | **4,687,882** | 3,994,877 |
| Investments in jointly controlled entities | | **408,526** | 426,516 |
| Available-for-sale financial assets | | **1,382,014** | 1,220,765 |
| Deferred income tax assets | 15 | **286,282** | 180,737 |
| Long-term receivables | | **524,894** | 684,894 |
| Other non-current assets | | **2,529,682** | 61,844 |
| **Total non-current assets** | | **78,402,092** | 74,236,219 |
| **Current assets** | | | |
| Inventories | 9 | **6,593,604** | 6,215,074 |
| Trade and note receivables | 10 | **7,963,509** | 7,005,589 |
| Prepayments and other receivables | 11 | **4,471,575** | 5,438,569 |
| Derivative financial instruments and other financial assets at fair value through profit or loss | | **5** | — |
| Assets classified as held for sale | 23 | **6,992,711** | — |
| Restricted bank deposits | 12 | **2,500,391** | 2,494,816 |
| Term deposits with initial terms of over three months | 12 | **12,564,867** | 4,623,526 |
| Cash and cash equivalents | 12 | **11,805,683** | 22,922,396 |
| **Total current assets** | | **52,892,345** | 48,699,970 |
| **TOTAL ASSETS** | | **131,294,437** | 122,936,189 |
| **EQUITY** | | | |
| **Equity attributable to the equity holders of the Company** | | | |
| Share capital | 13 | **13,258,663** | 13,258,663 |
| Reserves | | **43,674,428** | 42,817,680 |
| Retained earnings | | | |
| – Dividends proposed after the balance sheet date | | **—** | 2,072,693 |
| – Others | | **20,637,111** | 15,899,535 |
| | | **77,570,202** | 74,048,571 |
| **Non-controlling interests** | | **12,892,757** | 12,289,979 |
| **Total equity** | | **90,462,959** | 86,338,550 |

# Condensed Consolidated Interim Balance Sheet

As at 30 June 2011
*(Amounts expressed in RMB)*

| | Note | 30 June 2011 RMB'000 Unaudited | 31 December 2010 RMB'000 Audited |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Long-term borrowings | 14 | **9,126,338** | 10,715,916 |
| Long-term payables | | **14,196** | 15,807 |
| Deferred income tax liabilities | 15 | **4,680,986** | 5,091,269 |
| Deferred revenue | | **310,167** | 295,992 |
| Provision for employee benefits | | **240,661** | 265,726 |
| Provision for close down, restoration and environmental costs | 18 | **845,057** | 822,149 |
| Other non-current liability | | **139,805** | — |
| **Total non-current liabilities** | | **15,357,210** | 17,206,859 |
| **Current liabilities** | | | |
| Trade and note payables | 16 | **8,409,718** | 9,253,983 |
| Accruals and other payables | 17 | **7,575,665** | 6,997,116 |
| Tax payables | | **1,625,452** | 1,651,327 |
| Short-term borrowings | 14 | **1,585,796** | 396,196 |
| Current portion of long-term borrowings | 14 | **703,220** | 1,025,989 |
| Liabilities directly associated with assets classified as held for sale | 23 | **5,504,215** | — |
| Current portion of provision for close down, restoration and environmental costs | 18 | **70,202** | 66,169 |
| **Total current liabilities** | | **25,474,268** | 19,390,780 |
| **Total liabilities** | | **40,831,478** | 36,597,639 |
| **TOTAL EQUITY AND LIABILITIES** | | **131,294,437** | 122,936,189 |
| **NET CURRENT ASSETS** | | **27,418,077** | 29,309,190 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **105,820,169** | 103,545,409 |

The accompanying notes are an integral part of this condensed consolidated interim financial information.

This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 16 August 2011.

**Wang'an**
*Chairman of the Board*
*Executive Director*

**Weng Qing'an**
*Chief Financial Officer*

**Chai Qiaolin**
*Manager of Finance Department*

# Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2011
*(Amounts expressed in RMB, except per share data)*

| | | **Six months ended 30 June** | |
|---|---|---|---|
| | | **RMB'000** | RMB'000 |
| | | **2011** | 2010 |
| | | **Unaudited** | Unaudited and |
| | Note | | restated |
| **Revenue** | 6 | **41,766,888** | 35,089,896 |
| **Cost of sales** | | | |
| Materials | | **(17,828,840)** | (14,064,396) |
| Staff costs | | **(2,066,375)** | (1,873,063) |
| Depreciation and amortisation | | **(1,909,127)** | (1,595,923) |
| Repair and maintenance | | **(501,811)** | (314,449) |
| Transportation costs | | **(4,782,001)** | (4,377,432) |
| Sales taxes and surcharges | | **(692,549)** | (691,366) |
| Others | | **(3,959,949)** | (3,156,221) |
| **Cost of sales** | | **(31,740,652)** | (26,072,850) |
| **Gross profit** | | **10,026,236** | 9,017,046 |
| Selling, general and administrative expenses | | **(2,016,492)** | (1,637,346) |
| Other income | | **21,095** | 37,332 |
| Other gains, net | | **34,474** | 252,343 |
| **Profit from operations** | | **8,065,313** | 7,669,375 |
| Finance income | 20 | **257,514** | 277,466 |
| Finance costs | 20 | **(268,106)** | (278,905) |
| Share of profits of associates and jointly controlled entities | | **34,847** | 15,705 |
| **Profit before income tax** | | **8,089,568** | 7,683,641 |
| Income tax expense | 21 | **(1,988,766)** | (1,971,622) |
| **Profit for the period** | | **6,100,802** | 5,712,019 |
| **Profit attributable to:** | | | |
| Equity holders of the Company | | **5,597,744** | 5,194,555 |
| Non-controlling interests | | **503,058** | 517,464 |
| | | **6,100,802** | 5,712,019 |
| **Basic and diluted earnings per share for the profit attributable to the equity holders of the Company (RMB Yuan)** | | **0.42** | 0.39 |
| **Dividends distributed** | 22 | **2,072,693** | 1,986,651 |
| **Dividends proposed after the balance sheet date** | 22 | **—** | — |

The accompanying notes are an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2011
*(Amounts expressed in RMB)*

| | Six months ended 30 June | |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **2011** | 2010 |
| | **Unaudited** | Unaudited and restated |
| **Profit for the period** | **6,100,802** | 5,712,019 |
| **Other comprehensive income:** | | |
| Fair value gains/(losses) on available-for-sale financial assets, net of tax | **132** | (7,352) |
| Currency translation differences | **(3,552)** | (932) |
| **Other comprehensive loss for the period, net of tax** | **(3,420)** | (8,284) |
| **Total comprehensive income for the period** | **6,097,382** | 5,703,735 |
| **Total comprehensive income attributable to:** | | |
| Equity holders of the Company | **5,594,324** | 5,186,271 |
| Non-controlling interests | **503,058** | 517,464 |
| | **6,097,382** | 5,703,735 |

The accompanying notes are an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2011
*(Amounts expressed in RMB)*

| | Attributable to the equity holders of the Company | | | | | |
|---|---|---|---|---|---|---|
| | **Share capital** RMB'000 | **Reserves** RMB'000 | **Retained earnings** RMB'000 | **Subtotal** RMB'000 | **Non-controlling interests** RMB'000 | **Total equity** RMB'000 |
| **Unaudited** | | | | | | |
| **Balance at 1 January 2010** | | | | | | |
| **(as previously reported)** | 13,258,663 | 37,299,283 | 13,670,548 | 64,228,494 | 9,214,509 | 73,443,003 |
| Effect of adoption of IFRS 1 (Note 3(b)) | — | 4,894,142 | (527,244) | 4,366,898 | 385,801 | 4,752,699 |
| **Balance at 1 January 2010 (restated)** | 13,258,663 | 42,193,425 | 13,143,304 | 68,595,392 | 9,600,310 | 78,195,702 |
| Total comprehensive income for the | | | | | | |
| period ended 30 June 2010 | — | (8,284) | 5,194,555 | 5,186,271 | 517,464 | 5,703,735 |
| Appropriations | — | 674,900 | (674,900) | — | — | — |
| Dividends (Note 22) | — | — | (1,986,651) | (1,986,651) | (86,829) | (2,073,480) |
| Acquisition of a subsidiary | — | — | — | — | 1,176,644 | 1,176,644 |
| Contributions | — | — | — | — | 398,560 | 398,560 |
| Disposal of a subsidiary | — | — | — | — | (12,010) | (12,010) |
| Others | — | — | — | — | (390) | (390) |
| **Balance at 30 June 2010 (restated)** | 13,258,663 | 42,860,041 | 15,676,308 | 71,795,012 | 11,593,749 | 83,388,761 |
| **Unaudited** | | | | | | |
| **Balance at 1 January 2011** | 13,258,663 | 42,817,680 | 17,972,228 | 74,048,571 | 12,289,979 | 86,338,550 |
| Total comprehensive income for the | | | | | | |
| period ended 30 June 2011 | — | (3,420) | 5,597,744 | 5,594,324 | 503,058 | 6,097,382 |
| Appropriations | — | 860,168 | (860,168) | — | — | — |
| Dividends (Note 22) | — | — | (2,072,693) | (2,072,693) | (105,280) | (2,177,973) |
| Contributions | — | — | — | — | 205,000 | 205,000 |
| **Balance at 30 June 2011** | 13,258,663 | 43,674,428 | 20,637,111 | 77,570,202 | 12,892,757 | 90,462,959 |

The accompanying notes are an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30 June 2011
*(Amounts expressed in RMB)*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **RMB'000** | RMB'000 |
| | | **2011** | 2010 |
| | | **Unaudited** | Unaudited and |
| | Note | | restated |
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 24 | **8,320,753** | 6,016,322 |
| Interest paid | | **(312,463)** | (273,958) |
| Interest income received | | **139,784** | 489,177 |
| Income tax paid | | **(2,230,517)** | (1,353,147) |
| Net cash generated from operating activities | | **5,917,557** | 4,878,394 |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | | **(6,871,394)** | (4,507,440) |
| Proceeds from disposal of property, plant and equipment | | **22,193** | 15,187 |
| Purchases of land use rights, mining rights and intangible assets | | **(347,377)** | (228,804) |
| Proceeds from disposal of available-for-sale financial assets | | **900** | 35,000 |
| Purchases of available-for-sale financial assets | | **(475,043)** | — |
| Prepayment for investments | | **(786,839)** | (35,000) |
| Purchase of non-controlling interest subsidiaries | | **—** | (118,370) |
| Acquisition of subsidiaries | | **(309,986)** | (580,151) |
| Increase in investments in associates | | **(666,062)** | (142,120) |
| Dividends received | | **6,568** | 33,200 |
| Increase in investments in jointly controlled entities | | **895** | — |
| (Increase)/Decrease in placement of term deposits with initial terms of over three months | | **(8,029,165)** | 587,320 |
| Disposal of subsidiaries | | **—** | (14,787) |
| Cash inflow from government grant | | **22,088** | — |
| Net cash used in investing activities | | **(17,433,222)** | (4,955,965) |

# Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30 June 2011
*(Amounts expressed in RMB)*

| | Note | Six months ended 30 June | |
|---|---|---|---|
| | | **RMB'000** | RMB'000 |
| | | **2011** | 2010 |
| | | **Unaudited** | Unaudited and restated |
| **Cash flows from financing activities** | | | |
| Proceeds from short-term borrowings | | **1,722,001** | 60,000 |
| Repayments of short-term borrowings | | **(332,400)** | (50,885) |
| Proceeds from long-term borrowings | | **1,833,800** | 500,000 |
| Repayments of long-term borrowings | | **(349,381)** | (246,109) |
| Repayments of borrowings from non-controlling shareholders | | **—** | (456,234) |
| Contributions from non-controlling shareholders | | **190,000** | 398,560 |
| Dividends paid to the Company's shareholders | | **(2,065,209)** | — |
| Dividends paid to non-controlling shareholders | | **(122,510)** | (94,065) |
| Net cash generated from financing activities | | **876,301** | 111,267 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(10,639,364)** | 33,696 |
| Cash and cash equivalents, at beginning of the period | | **22,922,396** | 12,628,413 |
| Decrease in cash and cash equivalent due to be classified as held for sale | | **(466,954)** | — |
| Net foreign exchange (losses)/gains | | **(10,395)** | 1,374 |
| **Cash and cash equivalents at end of the period** | | **11,805,683** | 12,663,483 |

The accompanying notes are an integral part of this condensed consolidated interim financial information.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2011
*(Amounts expressed in RMB unless otherwise stated)*

## 1 ORGANISATION AND PRINCIPAL ACTIVITIES

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

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

This condensed consolidated interim financial information was approved for issue on 16 August 2011.

This condensed consolidated interim financial information has been reviewed, not audited by the independent auditors.

## 2 BASIS OF PRESENTATION

**(a)** This condensed consolidated interim financial information for the six months ended 30 June 2011 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 2010, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

### (b) Acquisition of Shanxi Pinglu Xindu Coal Mining Group Company Limited in the six months ended 30 June 2011

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

## 2 BASIS OF PRESENTATION (Continued)

### (b) Acquisition of Shanxi Pinglu Xindu Coal Mining Group Company Limited in the six months ended 30 June 2011 (Continued)

| **Consideration:** | RMB'000 |
|---|---|
| Cash paid for the acquisition | 309,986 |
| Unpaid portion | 22,307 |
| **Total consideration** | 332,293 |
| Less: Share of fair value of identifiable assets acquired | (332,293) |
| | — |
| **Recognised amounts of identifiable assets acquired and liabilities assumed** | |
| Property, plant and equipments | 229,511 |
| Inventories | 9,350 |
| Mining rights | 85,613 |
| Land use right | 7,819 |
| **Total identifiable net assets** | 332,293 |
| Attributable to the equity holders of the Company | 332,293 |
| Attributable to non-controlling interests | — |
| | 332,293 |
| Cash paid for the acquisition | 309,986 |
| Cash and cash equivalents acquired from the acquisition | — |
| **Net cash outflow from the acquisition** | 309,986 |

| **For the period ended 30 June 2011** | RMB'000 |
|---|---|
| Revenue | — |
| Loss for the period | (11,236) |
| Net cash outflow from operating activities | (5,284) |
| Net increase of cash and cash equivalent | 2,941 |

## 3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

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

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011.

- IAS 24 (Revised), 'Related party disclosures' is effective for annual period beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of IAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

  - The name of the government and the nature of their relationship;
  - The nature and amount of any individually significant transactions; and
  - The extent of any collectively-significant transactions qualitatively or quantitatively.

  It also clarifies and simplifies the definition of a related party. See note 27 for disclosures of transactions among government related entities. The Group has applied IAS 24 (Revised) from 1 January 2011.

- Amendment to IAS 34 'Interim financial reporting' is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in IAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures. The Group has applied IAS 34 from 1 January 2011.

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) The following amendment to standard has been issued and is effective for the financial year beginning 1 January 2011, which has been early adopted by the Group:

- IFRS 1 (amendment), 'First time Adoption of International Financial Reporting Standards', clarifies that entities may employ the 'deemed cost' exemption not only when the 'deemed cost' is measured before the date of transition to IFRS, but also if the 'deemed cost' is measured during the first IFRS reporting period. This amendment should be applied for annual periods beginning on or after 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Group has applied this amendment from 1 January 2010.

| | For the period ended and as at 30 June 2010 | | |
|---|---|---|---|
| | RMB'000 (as previously reported) | RMB'000 (restatement) | RMB'000 (restated) |
| Profit attributable to equity holders of the Company | 5,445,702 | (251,147) | 5,194,555 |

### (c) Standards, amendments and interpretations to existing standards effective in 2011 but not relevant to the Group:

- Amendment to IAS 32, 'Classification of rights issues'
- IFRIC-Int 14 (amendments), 'Prepayments of a minimum funding requirement'
- IFRIC-Int 19, 'Extinguishing financial liabilities with equity instruments'

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) The following new standards, new interpretations and amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

- IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess IFRS 9's full impact.

- IAS 12 (Amendment) 'Deferred tax: Recovery of underlying assets' introduces an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted.

- IFRS 7 (Amendment) 'Disclosures - Transfers of financial assets' introduces new disclosure requirement on transfers of financial assets. Disclosure is required by class of asset of the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. The gain or loss on the transferred assets and any retained interest in those assets must be given. In addition, other disclosures must enable users to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. The disclosures must be presented by type of ongoing involvement. For example, the retained exposure could be presented by type of financial instrument (such as guarantees, call or put options), or by type of transfer (such as factoring of receivables, securitisations or securities lending). The amendment is applicable to annual periods beginning on or after 1 July 2011 with early adoption permitted.

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) The following new standards, new interpretations and amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2011 and have not been early adopted: (Continued)

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

- IFRS 10 'Consolidated financial statements', replaces all of the guidance on control and consolidation in IAS 27, 'Consolidated and separate financial statements', and SIC-12, 'Consolidation-special purpose entities'. IAS 27 is renamed 'Separate financial statements', and it continues to be a standard dealing solely with separate financial statements. The existing guidance for separate financial statements is unchanged.

  The revised definition of control under IFRS 10 focuses on the need to have both power and variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. The determination of power is based on current facts and circumstances and is continuously assessed. The fact that control is intended to be temporary does not obviate the requirement to consolidate any investee under the control of the investor. Voting rights or contractual rights may be evidence of power, or a combination of the two may give an investor power. Power does not have to be exercised. IFRS 10 includes guidance on 'de facto' control, participating and protective rights and agent/principal relationships. IFRS 10 is applicable retrospectively to annual periods beginning on or after 1 January 2013, except if there is no change to consolidation status, no adjustment is required. Also, there are some transitional provisions on impracticability in accordance with IFRS 10. Early adoption is permitted.

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) The following new standards, new interpretations and amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2011 and have not been early adopted: (Continued)

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

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

  A joint venture, in contrast, gives the parties rights to the net assets or outcome of the arrangement. A joint venturer does not have rights to individual assets or obligations for individual liabilities of the joint venture. Instead, joint venturers share the net assets and, in turn, the outcome (profit or loss) of the activity undertaken by the joint venture. Joint ventures are accounted for using the equity method in accordance with IAS 28, 'Investments in associates'. IFRS 11 is applicable retrospectively to annual periods beginning on or after 1 January 2013 with early adoption permitted.

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) The following new standards, new interpretations and amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2011 and have not been early adopted: (Continued)

- IFRS 12, 'Disclosure of interests in other entities', sets out the required disclosures for entities reporting under the two new standards, IFRS 10, 'Consolidated financial statements', and IFRS 11, 'Joint arrangements'. It replaces the disclosure requirements currently found in IAS 28, 'Investments in associates'. The existing guidance and disclosure requirements for separate financial statements are unchanged under IAS 27 (as amended in 2011).

  IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. IFRS 12 is applicable retrospectively to annual periods beginning on or after 1 January 2013 with early adoption permitted.

- IFRS 13 'Fair value measurements', explains how to measure fair value and aims to enhance fair value disclosures. It does not say when to measure fair value or require additional fair value measurements. It does not apply to transactions within the scope of IFRS 2, 'Share-based payment', or IAS 17, 'Leases', or to certain other measurements that are required by other standards and are similar to, but are not, fair value (for example, value in use in IAS 36, 'Impairment of assets'). IFRS 13 is applicable retrospectively to annual periods beginning on or after 1 January 2013 with early adoption permitted.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2011
*(Amounts expressed in RMB unless otherwise stated)*

## 4 ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010, with the exception of changes in estimates that are required in determining the provision for income taxes.

## 5 FINANCIAL RISK MANAGEMENT

### 5.1 Financial risk factors

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

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2010.

There have been no changes in the risk management department since year end or in any risk management policies.

### 5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

## 5 FINANCIAL RISK MANAGEMENT (Continued)

### 5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 30 June 2011, the Group has the following assets which we defined as level 1 that are measured at fair value:

| | **As at 30 June 2011 RMB'000 Unaudited** | As at 31 December 2010 RMB'000 Audited |
|---|---|---|
| Available-for-sale financial assets | | |
| – Equity securities | **16,259** | 16,083 |

The fair value of financial instruments traded in active market is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2011
*(Amounts expressed in RMB unless otherwise stated)*

## 6 SEGMENT INFORMATION

### 6.1 General information

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

The chief operating decision-maker ("CODM") has been identified as the President Office (總裁辦公會). It reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports reviewed by the President Office that are used to make strategic decisions.

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

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

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

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

- Coal – Production and sales of coal;

- Coke and coal-chemical products – Production and sales of coke and coal-chemical products;

- Mining machinery – Manufacturing and sales of mining machinery.

Turnover consists of sales from coal, coke and coal-chemical products and mining machinery, which are RMB33,893 million, RMB2,753 million and RMB3,289 million for the six months ended 30 June 2011 and RMB27,879 million, RMB2,516 million and RMB3,042 million for the six months ended 30 June 2010 respectively.

## 6 SEGMENT INFORMATION (Continued)

### 6.2 Information about reportable segment profit, assets and liabilities

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

The measurement of profit or loss, assets and liabilities of the operating segments are the same as those described in the summary of significant accounting policies. The CODM evaluates performance on the basis of profit or loss before income tax expense. The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices. The amounts of segment information are denominated in RMB, which is consistent with the amounts in the reports used by the CODM.

#### *b. Reportable segments' profit, assets and liabilities*

| | For the six months ended and as at 30 June 2011 (Unaudited) | | | | |
|---|---|---|---|---|---|
| | Coal RMB'000 | Coke and coal-chemical product RMB'000 | Machinery RMB'000 | Others (Note (a)) RMB'000 | Total RMB'000 |
| **Revenue** | | | | | |
| Total Revenue | 34,023,139 | 2,752,794 | 3,899,010 | 2,100,940 | 42,775,883 |
| Inter-segment revenue | (129,864) | — | (609,967) | (269,164) | (1,008,995) |
| Revenue from external customers | 33,893,275 | 2,752,794 | 3,289,043 | 1,831,776 | 41,766,888 |
| **Profit from operations** | 7,892,218 | 72,733 | 345,665 | 26,378 | 8,336,994 |
| **Profit/(loss) before tax expense** | 7,738,965 | 65,422 | 319,580 | (13,791) | 8,110,176 |
| Interest income | 16,011 | 28,692 | 2,444 | 135 | 47,282 |
| Interest expense | (129,888) | (470) | (8,560) | (28,019) | (166,937) |
| Depreciation and amortisation | (1,713,565) | (88,447) | (70,180) | (44,434) | (1,916,626) |
| Share of profits of associates and jointly controlled entities | 2,159 | 17,936 | 6,340 | — | 26,435 |
| Income tax expense | (1,930,364) | (2,815) | (44,745) | (10,842) | (1,988,766) |
| **Other material non-cash items** | | | | | |
| Provision for impairment of assets | (43,342) | (11) | (3,044) | (1,074) | (47,471) |
| **Segment assets and liabilities** | | | | | |
| Segment assets | 74,958,946 | 7,668,264 | 10,086,335 | 5,095,653 | 97,809,198 |
| Including investment in associates and jointly controlled entities | 389,245 | 569,578 | 58,772 | — | 1,017,595 |
| Expenditures for non-current assets | 5,908,762 | 314,927 | 623,739 | 5,593 | 6,853,021 |
| Segment liabilities | 25,728,102 | 822,053 | 4,160,642 | 3,344,372 | 34,055,169 |

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2011
*(Amounts expressed in RMB unless otherwise stated)*

## 6 SEGMENT INFORMATION (Continued)

### 6.2 Information about reportable segment profit, assets and liabilities (Continued)

#### *b. Reportable segments' profit, assets and liabilities (Continued)*

| | For the six months ended 30 June 2010 (Unaudited and restated) and as at 31 December 2010 (Audited) | | | | |
|---|---|---|---|---|---|
| | Coal RMB'000 | Coke and coal-chemical product RMB'000 | Machinery RMB'000 | Others (Note (a)) RMB'000 | Total RMB'000 |
| **Revenue** | | | | | |
| Total Revenue | 28,082,122 | 2,515,589 | 3,383,447 | 1,900,854 | 35,882,012 |
| Inter-segment revenue | (202,643) | — | (341,428) | (248,045) | (792,116) |
| Revenue from external customers | 27,879,479 | 2,515,589 | 3,042,019 | 1,652,809 | 35,089,896 |
| **Profit from operations** | 7,513,697 | (22,994) | 284,137 | 105,057 | 7,879,897 |
| **Profit/(loss) before tax expense** | 7,342,369 | (44,416) | 258,271 | 81,590 | 7,637,814 |
| Interest income | 15,178 | 25,879 | 1,145 | 292 | 42,494 |
| Interest expense | (102,544) | (42) | (6,161) | (21,571) | (130,318) |
| Depreciation and amortisation | (1,513,332) | (85,297) | (59,259) | (33,482) | (1,691,370) |
| Share of profits of associates and jointly controlled entities | 15,298 | 4,099 | 2,107 | — | 21,504 |
| Income tax expense | (1,901,154) | (11,228) | (45,712) | (13,528) | (1,971,622) |
| **Other material non-cash items** | | | | | |
| Provision for impairment of assets | (7,261) | (68,125) | (15,515) | (25,414) | (116,315) |
| **Segment assets and liabilities** | | | | | |
| Segment assets | 65,846,430 | 6,491,023 | 9,238,469 | 5,047,863 | 86,623,785 |
| Including investment in associates and jointly controlled entities | 351,919 | 551,642 | 77,431 | — | 980,992 |
| Expenditures for non-current assets | 10,845,221 | 825,279 | 558,849 | 183,058 | 12,412,407 |
| Segment liabilities | 23,199,577 | 492,288 | 4,223,025 | 3,126,651 | 31,041,541 |

Note:

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

## 6 SEGMENT INFORMATION (Continued)

### 6.3 Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

#### *a. Revenue*

| | Six months ended 30 June | |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **2011** | 2010 |
| | **Unaudited** | Unaudited |
| Total revenue for reportable segments | **42,775,883** | 35,882,012 |
| Elimination of inter-segment revenue | **(1,008,995)** | (792,116) |
| Entity's revenue | **41,766,888** | 35,089,896 |

#### *b. Profit from operations*

| | Six months ended 30 June | |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **2011** | 2010 |
| | **Unaudited** | Unaudited and restated |
| Total profit from operations for reportable segments | **8,336,994** | 7,879,897 |
| Elimination of inter-segment profits | **(67,402)** | (98,732) |
| Other corporate loss | **(204,279)** | (111,790) |
| Profit from operations | **8,065,313** | 7,669,375 |

#### *c. Profit before tax*

| | Six months ended 30 June | |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **2011** | 2010 |
| | **Unaudited** | Unaudited and restated |
| Total profit before tax expense for reportable segments | **8,110,176** | 7,637,814 |
| Elimination of inter-segment profits | **(56,476)** | (98,732) |
| Other corporate income | **35,868** | 144,559 |
| Profit before tax expense | **8,089,568** | 7,683,641 |

## 6 SEGMENT INFORMATION (Continued)

### 6.3 Reconciliations of reportable segment revenue, profit or loss, assets and liabilities (Continued)

#### *d. Assets*

| | **30 June 2011 RMB'000 Unaudited** | 31 December 2010 RMB'000 Audited |
|---|---|---|
| Total assets for reportable segments | **97,809,198** | 86,623,785 |
| Elimination of inter-segment accounts | **(2,328,459)** | (2,562,752) |
| Other unallocated amounts | **35,813,698** | 38,875,156 |
| Entity's assets | **131,294,437** | 122,936,189 |

#### *e. Liabilities*

| | **30 June 2011 RMB'000 Unaudited** | 31 December 2010 RMB'000 Audited |
|---|---|---|
| Total liabilities for reportable segments | **34,055,169** | 31,041,541 |
| Elimination of inter-segment accounts | **(2,198,042)** | (2,340,652) |
| Other unallocated amounts | **8,974,351** | 7,896,750 |
| Entity's liabilities | **40,831,478** | 36,597,639 |

## 6 SEGMENT INFORMATION (Continued)

### 6.3 Reconciliations of reportable segment revenue, profit or loss, assets and liabilities (Continued)

#### *f. Other material items*

| | For the six months ended and as at 30 June 2011 (Unaudited) | | |
|---|---|---|---|
| | **Reportable segment totals RMB'000** | **Adjustments (Note a) RMB'000** | **The Group's totals RMB'000** |
| Interest income | **47,282** | **210,232** | **257,514** |
| Interest expense | **(166,937)** | **(72,958)** | **(239,895)** |
| Depreciation and amortisation | **(1,916,626)** | **(4,285)** | **(1,920,911)** |
| Share of profits of associates and jointly controlled entities | **26,435** | **8,412** | **34,847** |
| Income tax expense | **(1,988,766)** | **—** | **(1,988,766)** |
| Provision for impairment of assets | **(47,471)** | **(14,924)** | **(62,395)** |
| Investment in associates and jointly controlled entities | **1,017,595** | **4,078,813** | **5,096,408** |
| Expenditures for non-current assets | **6,853,021** | **5,600** | **6,858,621** |

| | For the six months ended 30 June 2010 (Unaudited and restated) and as at 31 December 2010 (Audited) | | |
|---|---|---|---|
| | Reportable segment totals RMB'000 | Adjustments (Note a) RMB'000 | The Group's totals RMB'000 |
| Interest income | 42,494 | 234,972 | 277,466 |
| Interest expense | (130,318) | (78,190) | (208,508) |
| Depreciation and amortisation | (1,691,370) | (597) | (1,691,967) |
| Share of profits/(losses) of associates and jointly controlled entities | 21,504 | (5,799) | 15,705 |
| Income tax expense | (1,971,622) | — | (1,971,622) |
| Provision for impairment of assets | (116,315) | — | (116,315) |
| Investment in associates and jointly controlled entities | 980,992 | 3,440,401 | 4,421,393 |
| Expenditures for non-current assets | 12,412,407 | 120,375 | 12,532,782 |

Note:

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

## 6 SEGMENT INFORMATION (Continued)

### 6.4 Geographical information

#### *Analysis of revenue*

| | Six months ended 30 June | |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **2011** | 2010 |
| | **Unaudited** | Unaudited |
| Domestic markets | **41,399,837** | 34,539,868 |
| Asia-Pacific markets | **364,908** | 545,624 |
| Other overseas markets | **2,143** | 4,404 |
| | **41,766,888** | 35,089,896 |

Note:

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

#### *Analysis of non-current assets*

| | **30 June** | 31 December |
|---|---|---|
| | **2011** | 2010 |
| | **RMB'000** | RMB'000 |
| | **Unaudited** | Audited |
| Domestic markets | **76,351,962** | 72,788,440 |
| Asia-Pacific markets | **6,115** | 6,312 |
| Other overseas markets | **37,649** | 39,965 |
| | **76,395,726** | 72,834,717 |

### 6.5 Information about major customers

Revenue from top five customers of the Group for the six months ended 30 June 2011 represents approximately 17% of the Group's total revenue (for the six months ended 30 June 2010: 21%).

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2011
*(Amounts expressed in RMB unless otherwise stated)*

## 7 PROPERTY, PLANT AND EQUIPMENT

| | **30 June 2011 RMB'000 Unaudited** | 31 December 2010 RMB'000 Audited |
|---|---|---|
| Opening net book amount | **46,417,897** | 38,120,837 |
| Acquisition of subsidiaries (Note 2(b)) | **229,511** | 89,571 |
| Additions | **6,311,577** | 12,297,270 |
| Disposals | **(415,786)** | (806,344) |
| Depreciation charge | **(1,641,064)** | (3,120,756) |
| Provision for impairment | **(33,928)** | (162,681) |
| Assets classified as held for sale (Note 23) | **(2,635,144)** | — |
| Closing net book amount | **48,233,063** | 46,417,897 |

## 8 MINING RIGHTS

| | **30 June 2011 RMB'000 Unaudited** | 31 December 2010 RMB'000 Audited |
|---|---|---|
| Opening net book amount | **18,611,170** | 15,259,134 |
| Acquisition of subsidiaries (Note 2(b)) | **85,613** | 3,585,353 |
| Additions | **10** | 177,437 |
| Amortisation | **(229,464)** | (410,754) |
| Assets classified as held for sale (Note 23) | **(937,089)** | — |
| Closing net book amount | **17,530,240** | 18,611,170 |

The mining rights comprised exploration rights and mining licences. The exploration rights are not subject to amortisation, and the mining licences are amortised from the commencement of commercial production of coal mine.

## 9 INVENTORIES

| | 30 June 2011 RMB'000 Unaudited | 31 December 2010 RMB'000 Audited |
|---|---|---|
| Coal | **1,285,288** | 1,348,515 |
| Coke | **178,065** | 92,050 |
| Machinery for sale | **1,661,574** | 1,804,850 |
| Auxiliary materials, spare parts and tools | **3,468,677** | 2,969,659 |
| | **6,593,604** | 6,215,074 |

## 10 TRADE AND NOTE RECEIVABLES

| | 30 June 2011 RMB'000 Unaudited | 31 December 2010 RMB'000 Audited |
|---|---|---|
| Trade receivables, net (Note (a)) | **5,485,248** | 4,574,155 |
| Note receivables (Note (b)) | **2,478,261** | 2,431,434 |
| | **7,963,509** | 7,005,589 |

Notes:

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

| | 30 June 2011 RMB'000 Unaudited | 31 December 2010 RMB'000 Audited |
|---|---|---|
| Within 6 months | **4,622,099** | 3,646,348 |
| 6 months – 1 year | **417,960** | 603,957 |
| 1 – 2 years | **442,707** | 334,310 |
| 2 – 3 years | **78,507** | 70,174 |
| Over 3 years | **219,433** | 222,617 |
| Trade receivables, gross | **5,780,706** | 4,877,406 |
| Less: Impairment of receivables | **(295,458)** | (303,251) |
| Trade receivables, net | **5,485,248** | 4,574,155 |

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2011
*(Amounts expressed in RMB unless otherwise stated)*

## 10 TRADE AND NOTE RECEIVABLES (Continued)

Notes: (Continued)

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

Trade receivables are with credit terms of six months. For receivables that are past due, impairment assessment is made. The individually impaired receivables relate to customers in unexpected difficult economic situations.

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, domestically and internationally dispersed.

The Group does not hold any collateral as security.

Trade receivables from related parties are unsecured, interest free and repayable in accordance with the relevant contract entered into between the Group and the related parties.

(b) Note receivables are bills of exchange with maturity of less than one year.

## 11 PREPAYMENTS AND OTHER RECEIVABLES

| | **30 June 2011 RMB'000 Unaudited** | 31 December 2010 RMB'000 Audited |
|---|---|---|
| Advances to suppliers | **2,339,882** | 2,115,323 |
| Interest receivable | **164,326** | 46,596 |
| Dividends receivable | **26,850** | 32,904 |
| Amounts due from related parties, gross | **884,596** | 459,334 |
| Prepayment for investment and mining rights | **—** | 2,093,994 |
| Amounts due from third parties, gross | **1,439,145** | 1,073,995 |
| | **4,854,799** | 5,822,146 |
| Less: Impairment of other receivables | **(383,224)** | (383,577) |
| Prepayments and other receivables, net | **4,471,575** | 5,438,569 |

## 12 CASH AND BANK DEPOSITS

| | **30 June 2011 RMB'000 Unaudited** | 31 December 2010 RMB'000 Audited |
|---|---|---|
| Restricted bank deposits (Note (a)) | **2,500,391** | 2,494,816 |
| Term deposits with initial terms of over three months | **12,564,867** | 4,623,526 |
| Cash and cash equivalents | | |
| – Cash on hand | **1,943** | 1,054 |
| – Deposits with banks and other financial institutions | **11,803,740** | 22,921,342 |
| | **26,870,941** | 30,040,738 |

Note:

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

## 13 SHARE CAPITAL

| | **30 June 2011 (Unaudited)** | | 31 December 2010 (Audited) | |
|---|---|---|---|---|
| | **Number of shares (thousands)** | **Nominal value RMB'000** | Number of shares (thousands) | Nominal value RMB'000 |
| Registered, issued and contributed: | | | | |
| Domestic shares of RMB1.00 each | | | | |
| – held by China Coal Group | **7,481,644** | **7,481,644** | 7,481,644 | 7,481,644 |
| – held by other A share shareholders | **1,670,356** | **1,670,356** | 1,670,356 | 1,670,356 |
| H shares of RMB1.00 each | | | | |
| – held by a wholly owned subsidiary of China Coal Group | **120,000** | **120,000** | 120,000 | 120,000 |
| – held by other H share shareholders | **3,986,663** | **3,986,663** | 3,986,663 | 3,986,663 |
| | **13,258,663** | **13,258,663** | 13,258,663 | 13,258,663 |

## 13 SHARE CAPITAL (Continued)

A summary of the movements in the Company's issued share capital is tabulated below:

| | Domestic shares held by China Coal Group | Domestic shares held by other A share shareholders | H shares held by a wholly owned subsidiary of China Coal Group | H shares held by other H share shareholders | Total |
|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2010 (Audited) and 31 December 2010 (Audited) and 30 June 2011 (Unaudited) | 7,481,644 | 1,670,356 | 120,000 | 3,986,663 | 13,258,663 |

Notes:

(a) The Domestic shares (A shares) rank pari passu, in all material respects, with the H shares. The China Coal Group has promised a lock-up period of 36 months for transfer of approximately 7,626,667,000 A shares, commencing on the date on which the A shares were listed on the Shanghai Stock Exchange. These restricted shares held by China Coal Group became tradeable commencing from 1 February 2011.

# Notes to the Condensed Consolidated Interim Financial Information

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## 14 BORROWINGS AND BANKING FACILITIES

| | **30 June 2011 RMB'000 Unaudited** | 31 December 2010 RMB'000 Audited |
|---|---|---|
| **Long-term borrowings** | | |
| Bank loans and loans from other financial institutions | | |
| – Secured | **—** | 772,755 |
| – Unsecured | **9,813,558** | 10,953,150 |
| | **9,813,558** | 11,725,905 |
| Other unsecured loans from | | |
| – Non-controlling shareholders of certain subsidiaries | **16,000** | 16,000 |
| | **9,829,558** | 11,741,905 |
| Less: Amount due within one year under current liabilities | **(703,220)** | (1,025,989) |
| | **9,126,338** | 10,715,916 |
| **Short-term borrowings** | | |
| Bank loans and loans from other financial institutions | | |
| – Unsecured | **1,585,796** | 395,596 |
| Other unsecured loans from | | |
| – Non-controlling shareholders of certain subsidiaries | **—** | 600 |
| | **1,585,796** | 396,196 |

## 14 BORROWINGS AND BANKING FACILITIES (Continued)

Notes:

(a) The movements in borrowings are analysed below:

| | Six months ended 30 June 2011 RMB'000 Unaudited | Year ended 31 December 2010 RMB'000 Audited |
|---|---|---|
| Opening balance | 12,138,101 | 12,276,339 |
| Additions | 3,555,801 | 940,900 |
| Payments | (681,781) | (1,207,426) |
| Exchange (gains)/losses | (16,757) | 128,288 |
| Liabilities directly associated with assets classified as held for sale (Note 23) | (3,580,010) | — |
| Ending balance | 11,415,354 | 12,138,101 |

(b) The Group's long-term borrowings are repayable as follows:

| | 30 June 2011 RMB'000 Unaudited | 31 December 2010 RMB'000 Audited |
|---|---|---|
| **Banks loans and loans from other financial institutions** | | |
| – Within one year | 703,220 | 1,025,989 |
| – In the second year | 1,387,540 | 1,940,356 |
| – In the third to fifth year | 2,995,485 | 2,906,950 |
| – After the fifth year | 4,727,313 | 5,852,610 |
| | 9,813,558 | 11,725,905 |
| **Loans from non-controlling interests of certain subsidiaries** | | |
| – In the third to fifth year | 16,000 | 16,000 |
| | 9,829,558 | 11,741,905 |

(c) The Group has the following undrawn borrowing facilities:

| | 30 June 2011 RMB'000 Unaudited | 31 December 2010 RMB'000 Audited |
|---|---|---|
| Floating rates | | |
| – Expiring within one year | 18,500,000 | 24,153,330 |
| – Expiring beyond one year | 196,021,000 | 190,592,030 |
| | 214,521,000 | 214,745,360 |

## 15 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The movements in deferred tax assets and liabilities during the period, without taking into account the offsetting of balances within the same tax jurisdiction, are as follows:

| | **Deferred income tax assets** RMB'000 | **Deferred income tax liabilities** RMB'000 | **Total** RMB'000 |
|---|---|---|---|
| **Unaudited** | | | |
| Opening balance at 1 January 2011 | 532,672 | (5,443,204) | (4,910,532) |
| Credited/(Charged) to income statement | 154,219 | (542) | 153,677 |
| Charged to equity due to fair value change in available-for-sale financial assets | — | (44) | (44) |
| Liabilities directly associated with assets classified as held for sale (Note 23) | — | 362,195 | 362,195 |
| Ending balance at 30 June 2011 | 686,891 | (5,081,595) | (4,394,704) |
| **Audited** | | | |
| Opening balance at 1 January 2010 | 485,197 | (4,574,033) | (4,088,836) |
| Credit/(Charged) to income statement | 47,475 | (1,423) | 46,052 |
| Acquisition of certain subsidiaries | — | (870,588) | (870,588) |
| Charged to equity due to fair value change in available-for-sale financial assets | — | 2,840 | 2,840 |
| Ending balance at 31 December 2010 | 532,672 | (5,443,204) | (4,910,532) |

## 16 TRADE AND NOTE PAYABLES

| | 30 June 2011 RMB'000 Unaudited | 31 December 2010 RMB'000 Audited |
|---|---|---|
| Trade payables (Note (a)) | **8,089,289** | 8,526,123 |
| Note payables | **320,429** | 727,860 |
| | **8,409,718** | 9,253,983 |

Note:

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

| | 30 June 2011 RMB'000 Unaudited | 31 December 2010 RMB'000 Audited |
|---|---|---|
| Less than 1 year | **6,477,294** | 7,471,070 |
| 1 — 2 years | **1,380,243** | 805,979 |
| 2 — 3 years | **74,701** | 120,096 |
| Over 3 years | **157,051** | 128,978 |
| | **8,089,289** | 8,526,123 |

# Notes to the Condensed Consolidated Interim Financial Information

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*(Amounts expressed in RMB unless otherwise stated)*

## 17 ACCRUALS AND OTHER PAYABLES

| | **30 June 2011 RMB'000 Unaudited** | 31 December 2010 RMB'000 Audited |
|---|---|---|
| Customer deposits and receipts in advance | **2,694,646** | 2,488,729 |
| Dividends payable | **8,502** | 25,732 |
| Payable for site restoration | **105,575** | 131,109 |
| Mineral resource compensation payable | **103,865** | 73,043 |
| Salaries and staff welfare payable | **791,028** | 585,545 |
| Interest payable | **14,049** | 116,964 |
| Payable for a mining right | **590,523** | 583,586 |
| Payable for acquisition of subsidiaries | **1,345,711** | 1,319,965 |
| Amounts due to related parties | **854,950** | 644,885 |
| Amounts due to third parties | **1,066,816** | 1,027,558 |
| | **7,575,665** | 6,997,116 |

## 18 PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

| | **30 June 2011 RMB'000 Unaudited** | 31 December 2010 RMB'000 Audited |
|---|---|---|
| Opening balance | **888,318** | 1,187,957 |
| Interest charge on unwinding of discount on provision | **16,219** | 36,482 |
| Provision, net | **81,530** | 39,778 |
| Payments | **(70,808)** | (375,899) |
| Ending balance | **915,259** | 888,318 |
| Less: current portion | **(70,202)** | (66,169) |
| | **845,057** | 822,149 |

## 19 EXPENSES BY NATURE

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

| | Six months ended 30 June | |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **2011** | 2010 |
| | **Unaudited** | Unaudited and restated |
| Depreciation | **1,531,830** | 1,444,977 |
| Amortisation | **267,575** | 232,049 |
| Cost of inventories sold | **17,828,840** | 14,064,396 |
| Transportation costs | **4,782,001** | 4,377,432 |
| Sales tax and surcharges | **692,549** | 691,366 |
| Auditors' remuneration | **2,000** | 2,800 |
| Net gains on disposal of property, plant and equipment | **(12,042)** | (10,675) |
| Repair and maintenance | **526,665** | 355,110 |
| Operating lease rentals | **68,507** | 64,212 |
| Provision for impairment of investments in associates | **—** | 617 |
| Provision for impairment of property, plant and equipment | **34,085** | 86,516 |
| Provision for impairment of receivables | **28,310** | 29,182 |
| Staff costs (including directors' emoluments) | **3,009,003** | 2,605,559 |
| Resource compensation fees | **358,674** | 257,976 |
| Sustainable development charge | **957,490** | 716,414 |
| Other expenses | **3,681,657** | 2,792,265 |
| Total cost of sales, selling, general and administrative expenses | **33,757,144** | 27,710,196 |

## 20 FINANCE INCOME AND COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **2011** | 2010 |
| | **Unaudited** | Unaudited |
| Interest expense: | | |
| – Bank borrowings | **353,485** | 337,220 |
| – Provisions: unwinding of discount | **21,897** | 18,335 |
| Other incidental borrowing costs and charges | **5,735** | 19,270 |
| Net foreign exchange loss on financing activities | **22,476** | 51,127 |
| Finance costs | **403,593** | 425,952 |
| Less: amounts capitalised on qualifying assets | **(135,487)** | (147,047) |
| Total finance costs | **268,106** | 278,905 |
| Finance income: | | |
| – interest income on short-term bank deposits | **232,054** | 252,224 |
| – interest income on loans to related parties | **25,460** | 25,242 |
| Total finance income | **257,514** | 277,466 |
| Net finance costs | **10,592** | 1,439 |

Note:

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

| | Six months ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | **Unaudited** | Unaudited |
| Capitalisation rate used to determine the amount of finance costs eligible for capitalisation | **3.99% – 6.08%** | 2.18% – 6.04% |

# Notes to the Condensed Consolidated Interim Financial Information

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*(Amounts expressed in RMB unless otherwise stated)*

## 21 INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **2011** | 2010 |
| | **Unaudited** | Unaudited |
| Current income tax | | |
| – PRC enterprise income tax (Note (a)) | **2,142,443** | 1,832,770 |
| Deferred income tax (Note 15) | **(153,677)** | 138,852 |
| | **1,988,766** | 1,971,622 |

Note:

(a) The provision for PRC enterprise income tax ("EIT") is calculated based on the statutory income tax rate of 25%, except for certain subsidiaries which are taxed at preferential tax rates ranging from 12.5% to 24% based on the applicable PRC tax laws and regulations.

## 22 DIVIDENDS

| | Six months ended 30 June | |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **2011** | 2010 |
| | **Unaudited** | Unaudited |
| Dividends | | |
| – final dividends for 2009 (Note (a)) | **—** | 1,986,651 |
| – final dividends for 2010 (Note (b)) | **2,072,693** | — |

Notes:

(a) The Board of Directors, in a meeting held on 22 April 2010, proposed to distribute a final dividend for 2009 to equity holders of the Company of RMB1,987 million (RMB0.1498 per share), based on total number of shares which are in issue as at 31 December 2009. Such dividend distribution was approved by the shareholders' meeting held on 25 June 2010 and had been fully paid to shareholders in July 2010.

(b) The Board of Directors, in a meeting held on 22 March 2011, proposed to distribute a final dividend for 2010 to equity holders of the Company of RMB2,073 million (RMB0.1563 per share), based on total number of shares which are in issue as at 31 December 2010. Such dividend distribution was approved by the shareholders' meeting held on 27 May 2011 and had been fully paid to shareholders in June 2011.

## 23 HELD FOR SALE ASSET AND LIABILITY

On 27 May 2011, the Board of the Company resolved to approve the split and restructuring agreement of Huajin Coking Coal Co.,Ltd. ("Huajin Company"), which is part of the Group's coal segment. The completion date for the split and restructuring agreement is expected to be after 30 June 2011 (see also Note 28(a)). As such, Huajin Company's assets and liabilities are classified as a held-for-sale group as at 30 June 2011. However, Huajin Company is not a discontinued operation at 30 June 2011 as it does not represent a major line of business.

Huajin Company's assets and liabilities were remeasured at the lower of carrying amount and fair value less cost to sell at the date of held for sale classification.

The major classes of assets and liabilities of Huajin Company in the held-for-sale group are as follows:

| | **As at 30 June 2011**<br>RMB'000<br>Unaudited |
|---|---|
| **Assets classified as held for sale** | |
| Property, plant and equipment | 2,635,144 |
| Land use rights | 148,817 |
| Mining right | 937,089 |
| Intangible assets | 643 |
| Available-for-sale financial assets | 338,070 |
| Long-term receivables | 160,000 |
| Inventories | 124,613 |
| Trade and notes receivable | 908,961 |
| Prepayments and other receivables | 256,073 |
| Restricted bank deposits | 280,523 |
| Term deposits with initial terms of over three months | 87,824 |
| Cash and cash equivalents | 466,954 |
| Other non-current asset | 648,000 |
| **Total assets of the held-for-sale group** | 6,992,711 |

## 23 HELD FOR SALE ASSET AND LIABILITY (Continued)

| | **As at 30 June 2011**<br>RMB'000<br>Unaudited |
|---|---|
| **Liabilities directly associated with assets classified as held for sale** | |
| – Trade and notes payable | 751,120 |
| – Accruals and other payables | 680,522 |
| – Short-term borrowings | 200,000 |
| – Long-term borrowings | 2,939,010 |
| – Current portion of long-term borrowings | 441,000 |
| – Taxes payable | 130,368 |
| – Deferred income tax liabilities | 362,195 |
| **Total liabilities of the held-for-sale group** | 5,504,215 |
| **Total net assets of the held-for-sale group** | 1,488,496 |

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2011
*(Amounts expressed in RMB unless otherwise stated)*

## 24 NOTES TO THE CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

### (a) Reconciliation of profit for the period to net cash inflows generated from operations

| | Six months ended 30 June | |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **2011** | 2010 |
| | **Unaudited** | Unaudited and restated |
| Profit before income tax | **8,089,568** | 7,683,641 |
| Adjustments for: | | |
| Property, plant and equipment ("PPE") | | |
| – depreciation charge | **1,531,830** | 1,444,977 |
| – net gains on disposals | **(12,042)** | (10,675) |
| Investment properties | | |
| – depreciation charge | **623** | 623 |
| Land use rights, mining rights and intangible assets | | |
| – amortisation charge | **267,575** | 232,049 |
| Provision for impairment of long-term investment | **—** | 617 |
| Provision for impairment of PPE | **34,085** | 86,516 |
| Provision for impairment of receivables | **28,310** | 29,182 |
| Share of profits of associates and jointly controlled entities | **(34,847)** | (15,705) |
| Net foreign exchange transaction losses | **22,476** | 51,127 |
| Gains on disposal of investments | **—** | (6,249) |
| Interest income | **(257,514)** | (277,466) |
| Interest expense | **239,895** | 208,508 |
| Dividend income | **(514)** | — |
| Negative goodwill | **—** | (277,819) |
| Changes in working capital: | | |
| Inventories | **(449,511)** | (822,541) |
| Trade receivables | **(1,872,443)** | (2,962,294) |
| Prepayments and other receivables | **(1,206,195)** | (1,179,743) |
| Trade payables | **167,099** | 1,003,757 |
| Accruals, advance and other payables | **2,072,799** | 1,038,931 |
| Restricted bank deposits | **(286,098)** | (212,171) |
| Decrease in provision for employee benefits | **(25,065)** | (28,590) |
| Increase in provision for close down, restoration, and environmental costs | **10,722** | 29,647 |
| **Cash generated from operations** | **8,320,753** | 6,016,322 |

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2011
*(Amounts expressed in RMB unless otherwise stated)*

## 25 CONTINGENT LIABILITIES

### (a) Bank and other guarantees

As at 30 June 2011 and 31 December 2010, the undiscounted amount of potential future payments under guarantees given to banks in respect of banking facilities extended to the parties below are as follows:

| | **30 June 2011 RMB'000 Unaudited** | 31 December 2010 RMB'000 Audited |
|---|---|---|
| Associates | **550,000** | 550,000 |

**(b)** The Group are defendants in certain lawsuits as well as plaintiffs in other proceedings arising in the ordinary course of business. While the outcomes of such lawsuits or other proceedings cannot be determined at present, management believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group.

## 26 COMMITMENTS

### (a) Capital commitments

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

| | **30 June 2011 RMB'000 Unaudited** | 31 December 2010 RMB'000 Audited |
|---|---|---|
| Property, plant and equipment | **7,824,625** | 5,800,014 |
| Others | **314,747** | 242,864 |
| | **8,139,372** | 6,042,878 |

## 26 COMMITMENTS (Continued)

### (b) Operating lease commitments – where the Group is the lessee

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

| | 30 June 2011 RMB'000 Unaudited | 31 December 2010 RMB'000 Audited |
|---|---|---|
| Land and buildings: | | |
| – Within 1 year | **49,173** | 82,467 |
| – From 1 year to 5 years | **92,908** | 113,998 |
| – Over 5 years | **110,259** | 142,659 |
| | **252,340** | 339,124 |

## 27 SIGNIFICANT RELATED PARTY TRANSACTIONS

China Coal Group, the immediate parent of the Company, is controlled by the PRC government. The PRC government is the Company's ultimate controlling party. In accordance with IAS 24 (revised 2010), 'Related Party Disclosures', related parties include China Coal Group and its subsidiaries, other state-owned enterprises and their subsidiaries which the PRC government has control, joint control or significant influence over, and enterprises which the Company is able to control, joint control or significant influence over, key management personnel of the Company and China Coal Group and their close family members.

Related parties do not include public utilities (including electricity, telecommunication and postal service providers) and government department and agencies that do not control, jointly control or significant influence over the Company and with which transactions are conducted in the ordinary course of business at arm's length market prices.

## 27 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

The Group has extensive transactions with China Coal Group. For the purpose of disclosures of related party transactions, to the extent possible, the Group has procedures in place to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are related parties. Management believes that all material related party transactions and balances, of which they are aware of, have been adequately disclosed.

Sales of goods and provision of services to state-owned enterprises are at prescribed prices or prices which are also available to other customers. The Group considers that these related party transactions are entered into in the ordinary course of business.

Set out below is a summary of significant related party transactions and balances in the six months ended 30 June 2011 and 2010.

### (a) Related party transactions

| | **Six months ended 30 June** | |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **2011** | 2010 |
| | **Unaudited** | Unaudited |
| **Transactions with the Parent Company and fellow subsidiaries:** | | |
| ***Coal Export and Sales (i)*** | | |
| Charges paid for agency services of coal export | **2,191** | 57 |
| ***Integrated Material and Services Mutual Provision (ii)*** | | |
| Charges paid for production material and ancillary services | **979,416** | 686,657 |
| Charges paid for support services | **33,978** | 38,038 |
| Revenue received from supply of production material and ancillary services | **515,541** | 165,907 |
| Revenue received from provision of coal export-related services | **33,259** | 19,918 |

## 27 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

### (a) Related party transactions (Continued)

| | Six months ended 30 June | |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **2011** | 2010 |
| | **Unaudited** | Unaudited |
| ***Mine Construction and Design (iii)*** | | |
| Charges paid for construction services | **1,297,177** | 695,433 |
| ***Property Leasing (iv)*** | | |
| Rental charge paid | **39,435** | 36,151 |
| ***Land Use Rights (v)*** | | |
| Rental charge paid | **11,045** | 11,045 |
| ***Mine Design (vi)*** | | |
| Charges paid for mine design services | **43,652** | 73,155 |
| ***Coal Supplies (vii)*** | | |
| Charges paid for coal supplies | **255,570** | 42,106 |
| **Transactions with jointly controlled entities** | | |
| ***Sales and services provided*** | | |
| Sales of coal | **—** | 6,845 |
| Interest income | **11,457** | 11,359 |
| Purchases of materials | **3,666** | — |
| **Transactions with associates** | | |
| ***Sales and services provided*** | | |
| Sales of machinery and materials | **10,031** | 22,614 |
| Income from renting property, plant and equipment | **57,693** | 66,054 |
| ***Purchases of goods and services*** | | |
| Purchases of materials and spare parts | **19,014** | 37,308 |
| Transportation services (viii) | **208,503** | 208,468 |

## 27 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

### (a) Related party transactions (Continued)

Note:

(i) Under PRC law and regulations, coal exports shall only be made through one of four authorised PRC enterprises including China Coal Group. The Company appointed China Coal Group as its coal export sales agent under a Coal Export and Sales Agency Framework Agreement entered into on 31 December 2008. Pursuant to the agreement, the agency fee for coal exports to countries and territories other than the China Taiwan market is 0.7% of the FOB price in respect of each ton of coal products exported; and the agency fee for the coal exports and sales to the China Taiwan market is 0.7% of the FOB price, plus USD0.5 per ton of coal products sold. The agency fees are payable on a monthly basis, effective from 31 December 2008.

(ii) The Company and China Coal Group entered into Integrated Materials and Services Mutual Provision Framework Agreement on 31 December 2008, under which the Company provides to China Coal Group and China Coal Group provides to the Company production material supplies and ancillary services, and the Company also provides to China Coal Group export-related services.

(iii) The Company and China Coal Group entered into a Mine Construction, Mine Design and General Contracting Service Framework Agreement on 31 December 2008. Pursuant to the agreement, China Coal Group and its subsidiaries and units shall provide coal mine construction services to the Company and its subsidiaries and units and the Company and its subsidiaries and units shall provide mine design and general contracting services to China Coal Group and its subsidiaries and units.

(iv) The Company and China Coal Group entered into a Property Leasing Framework Agreement on 5 September 2006, under which the Company leases from China Coal Group certain buildings and properties in the PRC for general business and ancillary purposes.

(v) The Company and China Coal Group entered into a Land Use Rights Leasing Framework Agreement on 5 September 2006, under which the Company leases certain land use rights in the PRC from China Coal Group for general business and ancillary purposes.

(vi) The Company and China Coal Group entered into a Mine Design and General Contracting Service Framework Agreement on 4 December 2009, under which China Coal Group and its subsidiaries and units shall provide coal mine design and general contracting services to the Company and its subsidiaries and units.

(vii) The Company and China Coal Group entered into a Coal Supplies Framework Agreement On 31 December 2008, under which China Coal Group will procure that all coal products produced from the retained mines be supplied exclusively to the Company, and has undertaken not to sell any such coal products to any third party.

(viii) The Company entered into a Railway Leasing and Management Entrustment Service Framework Agreement with Shuozhou Pingshuo Luda Railway Transportation Co., Limited ("Pingshuo Luda"; an associate) on 30 December 2008, under which Pingshuo Luda leases a railway from the Company and also provides railway management entrustment services to the Company.

## 27 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

### (a) Related party transactions (Continued)

#### *Transactions with other state-owned enterprises*

During the six months ended 30 June 2011, majority of the following Group's activities are conducted with other government-related entities:

- Sales of coal;
- Sales of machinery and equipment;
- Purchases of coal;
- Purchases of materials and spare parts;
- Purchases of transportation services; and
- Cash and bank balances and borrowings.

Apart from transactions with China Coal Group, fellow subsidiaries, associates and jointly controlled entities, the Group has transactions with other state-controlled entities include but not limited to the following:

- Lease of assets;
- Retirement benefit plans.

| | Six months ended 30 June | |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **2011** | 2010 |
| | **Unaudited** | Unaudited |
| **Key management compensation** | | |
| Salary, allowances and other benefits | | |
| – Directors and supervisors | **1,081** | 1,243 |
| – Other key management | **1,039** | 1,333 |
| Pension costs-defined contribution plans | | |
| – Directors and supervisors | **30** | 27 |
| – Other key management | **89** | 92 |

## 28 SUBSEQUENT EVENTS

(a) On 5 August 2011 the Company entered into an agreement ("the Split Agreement") with Shanxi Coking Coal Group Co., Ltd ("Shanxi Coking Coal"), Huajin Company, and China Coal (Shanxi) Huajin Energy Co., Ltd (a new company to be established; "China Coal Huajin Company"). Pursuant to the Split Agreement, Huajin Company will be split into two limited liability companies by way of split-off, and these two companies are Huajin Company and China Coal Huajin Company. China Coal Huajin Company will be owned as to 50% by the Company and Shanxi Coking Coal, respectively, and the Company will control the board of China Coal Huajin Company. As such, China Coal Huajin Company will be treated as a subsidiary of the Company. Huajin Company will continue to be owned as to 50% by Shanxi Coking Coal and the Company, respectively. Shanxi Coking Coal will control the board of Huajin Company upon completion of the Split and Huajin Company will cease to be a subsidiary of the Company. No consideration will be paid for the Split. Upon completion of the Split, the Company intends to increase its capital contribution in China Coal Huajin Company such that China Coal Huajin Company will be held as to 51% and 49% by the Company and Shanxi Coking Coal, respectively. Shanxi Coking Coal also intends to increase its capital contribution in Huajin Company such that Huajin Company will be held as to 49% and 51% by the Company and Shanxi Coking Coal, respectively.

(b) "The Resolution in relation to the Registration and Issuance of Medium-term Notes and Short-term Bonds of the Company" was considered and passed at the Company's 2010 Annual General Meeting on 27 May 2011, pursuant to which, the Company was authorised to issue medium-term notes and short-term bonds. According to the resolution, on the same day, the Company applied for the registration of medium-term notes with an amount of RMB15 billion by officially submitting the "Registration Report on the Issuance of Medium-term Notes of China Coal Energy Company Limited" to the National Association of Financial Market Institutional Investors. The proceeds will be used to replenish the general working capital of the Company. On 20 July 2011, the Company received a notice of acceptance of registration (Zhong Shi Xie Zhu [2011] No. MTN122) from the National Association of Financial Market Institutional Investors which stated the acceptance of the registration of the first tranche of medium-term notes of the Company for 2011 and specified the following: 1. The Company may issue the first tranche of medium-term notes for 2011 in the registered amount of RMB15 billion and such registered amount will be effective for 2 years commencing from the date of issuing the notice. 2. The Company may issue medium-term notes in tranches within the registration effective period and the issuance of the first tranche shall be completed within 2 months of registration. On 10 August 2011, the Company issued the official release announcement and prospectus. The first tranche of medium-term notes in 2011 with an amount of RMB15 billion will be officially released on 17 August 2011.

# Company Profile

| | |
|---|---|
| Statutory Chinese Name | 中國中煤能源股份有限公司 |
| Abbreviated Statutory Chinese Name | 中煤能源股份 |
| English Name of the Company | China Coal Energy Company Limited |
| Abbreviated English Name | China Coal Energy |
| Legal Representative | Wang An |

**Information about Secretary to the Board of Directors**

| | |
|---|---|
| Name of Secretary to the Board | Zhou Dongzhou |
| Address of Secretary to the Board | Secretariat of the Board of Directors, China Coal Energy Company Limited, No. 1 Huangsidajie, Chaoyang District, Beijing, PRC |
| Telephone Number of Secretary to the Board | (8610)-82236028 |
| Fax Number of Secretary to the Board | (8610)-82256479 |
| E-mail Address of Secretary to the Board | IRD@chinacoal.com |

**Basic Information of the Company**

| | |
|---|---|
| Registered Address and Office Address of the Company | No. 1 Huangsidajie, Chaoyang District, Beijing, PRC |
| Postal Code | 100120 |
| Internet Website | http://www.chinacoalenergy.com |
| E-mail Address | IRD@chinacoal.com |
| Names of newspapers designated for information disclosure | China Securities Journal, Shanghai Securities News, Securities Times |
| Internet Website designated by CSRC for annual report publication | http://www.sse.com.cn |
| Internet Website designated by the Stock Exchange of Hong Kong for annual report publication | http://www.hkex.com.hk |
| Location for inspection of annual report of the Company | Secretariat of the Board of Directors, China Coal Energy Company Limited, No. 1 Huangsidajie, Chaoyang District, Beijing, PRC |

## Brief Information of the Shares of the Company

| Type of shares | Stock Exchange for listing of shares | Short name of stock | Stock code | Short name of stock before change |
|---|---|---|---|---|
| A Shares | Shanghai Stock Exchange | 中煤能源 | 601898 | |
| H Shares | The Stock Exchange of Hong Kong Limited | China Coal Energy | 01898 | |

| | |
|---|---|
| Authorised Representatives of the Company | Yang Lieke, Zhou Dongzhou |
| Company Secretary | Zhou Dongzhou |

## Other Relevant Information

| | |
|---|---|
| Date of first registration of the Company | 22 August 2006 |
| Location of first registration of the Company | No. 1 Huangsidajie, Chaoyang District, Beijing, PRC |
| Date of change in registration of the Company | 28 June 2010 |
| Location of change in registration of the Company | No change |
| Registration Number of Corporate Business License | 100000000040475 |
| Tax Registration Number | Jing Shui Zheng Zi No.110105710934289 |
| Organisation code | 71093428-9 |

## Information of the Accounting Firms of the Company

| | |
|---|---|
| Name of domestic accounting firm of the Company | PricewaterhouseCoopers Zhong Tian CPAs Limited Company |
| Office address of the domestic accounting firm of the Company | 11/F, PricewaterhouseCoopers Centre, 2 Corporate Avenue, No. 202 Hu Bin Road, Luwan District, Shanghai, PRC |
| Name of international accounting firm of the Company | PricewaterhouseCoopers |
| Office address of the international accounting firm of the Company | 22/F, Prince's Building, Central, Hong Kong |

| Information of the Legal Advisors of the Company | |
|---|---|
| PRC legal advisor of the Company | Beijing Jiayuan Law Firm |
| Address | F407 Ocean Plaza, 158 Fuxingmennei Avenue, Xicheng District, Beijing, PRC |
| Foreign legal advisor of the Company | Freshfields Bruckhaus Deringer |
| Address | 11/F, Two Exchange Square, Central, Hong Kong |

| Share Registrars and Transfer Offices for Domestic and Overseas Listed Shares | |
|---|---|
| Registrar and Transfer Office for A Shares | China Securities Depository and Clearing Corporation Limited Shanghai Branch |
| Address | 36/F, China Insurance Building, 166 Lujiazui East Avenue, Pudong New District, Shanghai, PRC |
| Registrar and Transfer Office for H Shares | Computershare Hong Kong Investors Services Limited |
| Address | Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong |

# Definitions



| | |
|---|---|
| A Share(s) | the domestic ordinary share(s) of RMB1.00 each in the share capital of the Company, which are listed on the SSE and traded in RMB |
| Articles of Association | the articles of association passed at the inaugural meeting of the Company on 18 August 2006 and approved by the relevant state authorities, as amended and supplemented from time to time |
| Board of the Company/Board | the board of directors of China Coal Energy Company Limited |
| China Coal Group | China National Coal Group Corporation, the controlling shareholder of the Company |
| China Coal Hong Kong | China Coal Hong Kong Limited, a wholly-owned overseas subsidiary of China Coal Group |
| China Coal Longhua | China Coal Longhua Group Co., Ltd. (中煤黑龍江煤炭化工(集團)有限公司), a subsidiary of China Coal Group |
| CSRC | China Securities Regulatory Commission |
| China Coal and Coke | China Coal and Coke Holdings Limited |
| Directors | the directors of the Company, including all the executive, non-executive and independent non-executive directors |
| H Share(s) | the overseas listed foreign share(s) of RMB1.00 each in the ordinary share capital of the Company which are listed on the HKSE and traded in Hong Kong dollars |
| HKSE | The Stock Exchange of Hong Kong Limited |
| Listing Rules | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| Ministry of Finance | the Ministry of Finance of the People's Republic of China |
| NSSF | National Council for Social Security Fund of the People's Republic of China |
| Pingshuo Coal Industry Company | China Coal Pingshuo Coal Industry Company Limited |
| Pingshuo Luda Company | Shuozhou Pingshuo Luda Railway Transportation Co., Ltd. |
| Pingshuo Mining Area | the coal mining area in Shanxi Province which mainly consists of the Antaibao Open Pit Mine and Underground Mine, the Anjialing Open Pit Mine and Underground Mine, and the Jingdong Mine |

| | |
|---|---|
| SAIC | the State Administration for Industry and Commerce of the People's Republic of China |
| SASAC | the State-owned Assets Supervision and Administration Commission of the State Council |
| Shanghai Company | Shanghai Datun Energy Resources Company Limited |
| Share(s) | the ordinary share(s) of RMB1.00 each in the share capital of the Company, including A Share(s) and H Share(s) |
| Shareholder(s) | the shareholder(s) of the Company, including holder(s) of H Shares and holder(s) of A Shares |
| SSE | the Shanghai Stock Exchange |
| SSE Listing Rules | the Listing Rules of the Shanghai Stock Exchange |
| The Company/Company/ China Coal Energy | China Coal Energy Company Limited, a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the HKSE (stock code: 01898) and the A Shares of which are listed on the SSE (stock code: 601898) |
| The Group | the Company and its subsidiaries |
| Huajin Company | Huajin Coking Coal Co., Ltd |
| Shanxi Coking Coal | Shanxi Coking Coal Group Co., Ltd. |
| China Coal Huajin Company | China Coal (Shanxi) Huajin Energy Co., Ltd., the new company resulting from the split of Huajin Company, is currently in the process of the industrial and commercial registration, and upon completion of the split will be a subsidiary of the Company to own Wangjialing assets |
| Zhongtian Synergetic Company | Zhongtian Synergetic Energy Company Limited |
| China Coal Longhua Company | China Coal Heilongjiang Coal Chemical Engineering Company Limited (中煤能源黑龍江煤化工有限公司) |
| Tuke Fertiliser Project | A fertiliser project located at the Ordos Tuke Industrial Zone which is invested and constructed by China Coal Ordos Energy and Chemical Co., Ltd., a wholly-owned subsidiary of the Company |

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ENERGY FOR PROSPEROUS LIFE

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