



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



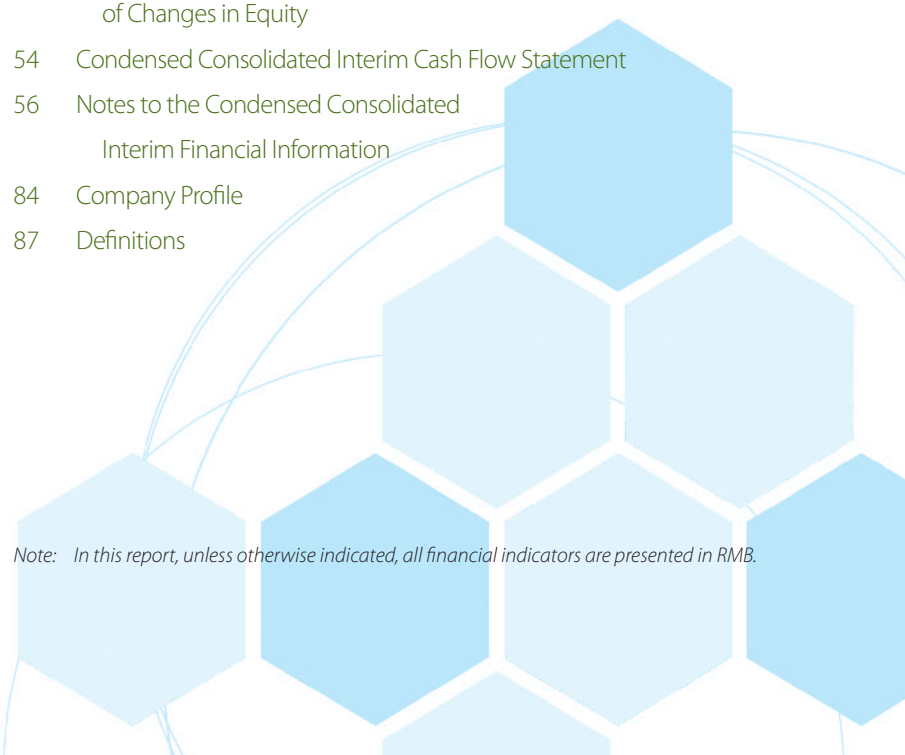
2012 中期報告

Interim Report



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

Overview of Key Business Data

Items	January to June 2012	January to June 2011 (Restated)*	Change (%)
(1) Coal operations (10 thousand tonnes)			
Production volume of commercial coal	5,524	5,191	6.4
Sales volume of commercial coal	7,209	6,633	8.7
Of which: Sales volume of self-produced commercial coal	5,375	5,013	7.2
(2) Coking operations (10 thousand tonnes)			
Production volume of coke	92	103	-10.7
Sales volume of coke	119	135	-11.9
Of which: Sales volume of self-produced coke	90	102	-11.8
(3) Coal mining equipment operations			
Production value of coal mining equipment (RMB 100 million)	46.5	43.8	6.2
Sales volume of coal mining equipment (10 thousand tonnes)	19.5	16.1	21.1

*: During the reporting period, the Company acquired the entire equity interest in China Coal Sales and Transportation Company from China Coal Group. Pursuant to the relevant requirements, the relevant data for the comparative period have been restated (same as below).

Commercial Coal Production (10 thousand tonnes)	January to June 2012	January to June 2011	Change (%)
China Coal Pingshuo Company	4,439	4,035	10.0
Shanghai Energy Company	390	392	-0.5
Huajin Coking Coal Company	-	115	-
China Coal Huajin Company	13	-	-
Dongpo Company	415	350	18.6
Nanliang Company	72	84	-14.3
Shuozhong Company	334	302	10.6
Dazhong Company	204	152	34.2
Shaanxi Company	5	-	-
Total	5,524	5,191	6.4

Note: 1. There was certain intra-group transactions of commercial coal in the Company, the volume of which amounted to 3.48 million tonnes for January to June 2012 and 2.39 million tonnes for the same period of 2011.

2. Commercial coal production for January to June 2011 included 1.15 million tonnes from Huajin Coking Coal Company before its equity split.

Overview of Key Business Data

Coal mining equipment production value (RMB 100 million)	January to June 2012	January to June 2011	Change (%)
Conveyor equipment	17.6	17.3	1.7
Support equipment	13.9	13.9	–
Road header	4.5	3.8	18.4
Shearer	5.0	3.8	31.6
Electric mining motor	5.5	5.0	10.0
Total	46.5	43.8	6.2

Sales volume of commercial coal (10 thousand tonnes)	January to June 2012	January to June 2011 (Restated)	Change (%)
(1) Domestic sales of self-produced coal	5,336	4,979	7.2
By region: North China	2,047	2,205	-7.2
East China	2,266	2,053	10.4
South China	995	704	41.3
Others	28	17	64.7
By coal type: Thermal coal	5,333	4,910	8.6
Coking coal	3	69	-95.7
By contract: Long-term contract	2,352	2,782	-15.5
Spot trading	2,984	2,197	35.8
(2) Self-produced coal export	39	34	14.7
By region: Taiwan, China	7	22	-68.2
Korea	☆	3	–
Japan	32	9	255.6
Others	☆	☆	–
By coal type: Thermal coal	39	34	14.7
Coking coal	☆	☆	–
By contract: Long-term contract	39	34	14.7
Spot trading	☆	☆	–
(3) Proprietary trading	1,665	1,451	14.7
Of which: Self-operated exports	2	3	-33.3
Domestic resale	1,441	1,314	9.7
Import trading	217	134	61.9
Transshipment trading	5	☆	–
(4) Import & export agency sales	169	169	–
Including: Import agency	41	☆	–
Export agency	128	169	-24.3
Total	7,209	6,633	8.7

☆: N/A

Overview of Key Financial Data

Summary of consolidated balance sheet

Unit: RMB 100 Million

Items	As at 30 June 2012	As at 31 December 2011 (Restated)*	Change (%)	Notes to financial statements
Assets	1,652.68	1,606.75	2.9	
Of which: Property, plant and equipment	664.87	602.48	10.4	Note 7
Mining and exploration rights	314.30	284.20	10.6	Note 8
Investment in associates	77.64	70.59	10.0	
Inventories	76.63	72.91	5.1	Note 10
Trade and notes receivables	105.55	79.77	32.3	Note 11
Term deposits with initial terms of over 3 months	91.62	112.95	-18.9	Note 13
Cash and cash equivalents	148.11	209.27	-29.2	Note 13
Equity	974.94	961.70	1.4	
Of which: Equity attributable to the equity holders of the Company	837.48	819.62	2.2	
Non-controlling interests	137.46	142.08	-3.3	
Liabilities	677.74	645.05	5.1	
Of which: Long-term borrowings	162.26	114.56	41.6	Note 15
Provision for close down, restoration and environmental costs	11.61	11.15	4.1	Note 20
Trade and notes payables	125.13	109.70	14.1	Note 18
Taxes payable	17.87	35.65	-49.9	

*: During the reporting period, the Company acquired the entire equity interest in China Coal Sales and Transportation Company from China Coal Group. Pursuant to the relevant requirements of the accounting standards, the relevant data for the comparative period have been restated (same as below).

Summary of consolidated income statement

Unit: RMB 100 Million

Items	For the six months ended 30 June 2012	For the six months ended 30 June 2011 (Restated)	Change (%)	Notes to financial statements
Revenue	454.08	430.98	5.4	Note 6
Cost of sales	359.33	330.05	8.9	
Gross profit	94.75	100.93	-6.1	
Profit from operations	72.33	80.59	-10.2	
Profit before tax	72.69	80.75	-10.0	
Profit for the reporting period	54.52	60.86	-10.4	
Profit attributable to the equity holders of the Company	51.24	55.83	-8.2	
Basic earnings per share attributable to the equity holders of the Company (RMB/share)	0.39	0.42	-7.1	

Summary of the operating results of segments (for the six months ended and as at 30 June 2012)

Unit: RMB 100 Million

Items	Coal operations	Coking operations	Coal mining equipment operations	Other operations	Non-operating items	Elimination	Total
Revenue	375.02	23.45	45.32	20.58	-	-10.29	454.08
Of which: Revenue from external sales	373.35	23.45	39.76	17.52	-	-	454.08
Profit from operations	71.69	-1.18	3.46	-	-1.57	-0.07	72.33
Profit before tax	71.66	-1.73	3.38	-0.27	-0.28	-0.07	72.69
Assets	898.46	125.84	126.44	63.09	479.73	-40.88	1,652.68
Liabilities	208.61	16.23	52.75	49.87	388.52	-38.24	677.74

Summary of consolidated cash flow statement

Unit: RMB 100 Million

Items	For the six months ended 30 June 2012	For the six months ended 30 June 2011 (Restated)
Net cash generated from operating activities	41.04	57.71
Net cash used in investing activities	-122.03	-174.42
Net cash generated from financing activities	19.83	9.96
Net decrease in cash and cash equivalents	-61.16	-106.75
Cash and cash equivalents at the beginning of the period	209.27	230.28
Decrease in cash and cash equivalents as affected by assets classified as held for sale	-	-4.67
Net foreign exchange losses	-	-0.10
Cash and cash equivalents at the end of the period	148.11	118.76

Reconciliation of profit before tax to net cash generated from operations

Unit: RMB 100 Million

Items	For the six months ended 30 June 2012	For the six months ended 30 June 2011 (Restated)
Profit before tax	72.69	80.75
Adjustments for:		
Depreciation and amortisation	21.53	20.29
Losses/(gains) from disposal of property, plant and equipment	0.09	-0.12
Provision for impairment of receivables, inventories and property, plant and equipment	1.86	0.89
Share of profits of associates and jointly controlled entities	-2.08	-0.35
Net foreign exchange (gains)/losses	-0.17	0.22
Interest and dividend income	-4.28	-2.58
Interest expense	6.10	2.47
Changes in working capital	-31.86	-19.62
Decrease in provision for employee benefits	-0.05	-0.25
Increase in provision for close down, restoration and environmental costs	0.27	0.11
Net cash generated from operating activities	64.10	81.81



Chairman Wang An

Dear Shareholders,

Since the beginning of 2012, global economy has suffered from a sluggish course of recovery and the deepening impact of the European debt crisis. With a noticeable slowdown in economic growth, China witnessed a reverse change of coal supply and demand as characterised by the plunging spot prices of thermal coal, especially the unexpected declining rate and the amplitude in May and June, posing a challenge to the Company's production and operation activities. Addressing the drastic coal market changes, the Company proactively realigned its marketing strategy, strengthened market development and improved the coordination among production, transportation and sales. By optimising commercial coal mix structure, improving product quality and curbing cost hikes to respond to the adverse market, the Company managed to maintain a steady and rapid growth both in production and sales.

In the first half of 2012, despite the unfavourable factors including stringent requirement on production safety, complicated geological conditions in mining areas and the tension between mining and stripping, the Company scheduled coal production in a scientific manner to tap on productive potential, leading to a notable increase in coal production.

The Company's raw coal production volume was 70.34 million tonnes, representing an increase of 7.3% as compared to the same period of 2011, and the production volume of commercial coal reached 55.24 million tonnes, representing an increase of 6.4% as compared to the same period of 2011. The coal production volume of China Coal Pingshuo Company reached a record high of 44.39 million tonnes, representing an increase of 10.0% as compared to the same period of 2011. Steady quality improvements were recorded for commercial coal, as the Company optimised the mining process and enhanced equipment and technology management to increase raw coal washing ratio and strengthen the quality control over washing and selection process. Overall stability of production safety was achieved during the reporting period, which was attributed to the heightened ability in ensuring production safety under the firmly established human-oriented safety concept.

The Company continued to improve its marketing system to give full play to the advantages in integrated operation, while speeding up the deployment of sales and logistic networks to enable its market exploration and customer services to stay closer to the market. In spite of the increasing difficulties in coal sale, the Company maintained a rapid growth in sales scale for the first half of 2012. Coal sales volume reached 72.09 million tonnes, representing an increase of 8.7% as compared to the same period of 2011, of which, sales volume of self-produced coal reached 53.75 million tonnes, representing an increase of 7.2% as compared to the same period of 2011. Striving to secure railway capacity, the Company achieved coal transportation of 46.51 million tonnes through railways, recording an increase of 4.63 million tonnes as compared to the same period of 2011. Through flexible product strategy in tune with market needs, the commercial coal mix structure was further optimised. While consolidating thermal coal sales under long-term contracts, the Company took advantage of the high spot coal prices in the first quarter to increase the sales of spot coal, leading to a further improvement in product profitability. For the first half of 2012, the

Company's sales revenue amounted to RMB 45.408 billion, representing an increase of 5.4% as compared to the same period of 2011.

The Company continued to reinforce its cost management. Cost hikes were effectively curbed, mainly attributable to enhanced productivity, strengthened quota management, lower material consumption and renovations of obsolete facilities. During the first half of 2012, the unit cost of sales of self-produced commercial coal was RMB 345.09 per tonne, representing an increase of 7.9% as compared to the same period of 2011 and remained flat as compared to that of the whole year of 2011. During the reporting period, the Company's profit before income tax decreased by 10% as compared to the same period of 2011 to RMB 7.269 billion, mainly due to the plummeting spot coal prices and the higher losses recorded by the coking business. Profit attributable to the equity holders of the Company was RMB 5.124 billion, representing a decrease of 8.2% as compared to the same period of 2011. Basic earnings per share were RMB 0.39, representing a decrease of RMB 0.03 as compared to the same period of 2011.

The Company accelerated the construction of coal mine projects in the first half of 2012. The main structures of Pingshuo East Open Pit Mine and ancillary coal preparation plant have been completed, and the dedicated railway line will be ready for operation in this October. The first working face of Wangjialing Coal Mine is to commence trial production in this October. The first working face of Hecaogou Coal Mine, with installation and commissioning completed, has commenced trial operation. The renovation and expansion project of Kongzhuang Coal Mine was basically completed. Xiaohuigou Coal Mine was preparing for construction. Meanwhile, the coal chemical projects were progressing steadily. In particular, the main structures and foundation construction of Tuke Fertiliser Project were close to completion, with major equipment starting installation. The coke oven gas produced chemical fertiliser project in Lingshi of Shanxi, with major equipment being installed, is expected to be completed by the end of

Chairman's Statement

2012. Coal mining equipment projects also progressed smoothly. At Zhangjiakou Coal Machinery Equipment Industrial Park, the casting plant, hydraulic plant and mining chain plant are to be completed and the forging plant is to commence joint trial operation by the end of 2012. At Ordos Equipment Manufacturing Base, the main structures of four plants are expected to be completed by the end of 2012.

Accelerating the construction of its technological innovation system, the Company pressed forward the major technological projects and key researches, which heightened the supporting and guiding role of technologies. In the first half of 2012, a number of technological R&D centres expedited construction progress or commenced operation, and a series of coal mining and equipment manufacturing technologies passed acceptance inspection and were applied successfully. The Company was granted 50 patents, including 10 invention patents, maintaining the rapid growth momentum. The Company strived to develop "Green China Coal" in light of the development philosophy of "A green China Coal to benefit the nature", demonstrated by the prize of "Low Carbon Model of China 2012" from China News Agency and China Newsweek. The subsidiary China Coal Pingshuo Company was granted "The 7th session of China Baosteel Environmental Friendly Prize", the highest social recognition of environmental protection in China.

During the first half of 2012, the domestic coal industry showed a weakened pattern of oversupply as a result of the slower macro economic growth, higher hydropower output and the competitions from imported coal. In the second half of 2012, amid the pressure of slower macro economic growth, Chinese government will adhere to the key note of "Seeking Progress in Stability" and properly handle the targets of stabilising growth, upgrading structure and curbing inflation, with a higher priority to be placed on stabilising growth. The series of economic stimulus packages should gradually emerge as a driving force to the coal and related industries. In the long-term perspective, as coal is the most important

fundamental energy source in China, the cyclical corrections in the industry will be instrumental to normalise market behaviours and thus beneficial for the sustainable and healthy industrial development. In the future, coal enterprises should still be able to maintain desirable profitability, as driven by the increasing industry concentration and improving management practices.

During the second half of 2012, China Coal Energy will keep a close eye on market evolution while enhancing the communication and coordination with major users and sectors in an aim to expand coal sales. Focuses will be placed on production organisation, coal quality management and cost control, including:

- exercising stringent control over costs and expenses. The Company will exercise rigid budget constraints on costs and strictly implement cost management responsibilities, aiming to cut down material consumption and procurement costs. While containing labour costs in a reasonable manner, the Company will actively introduce new technologies and processes to scale down costs through technological advance.
- reinforcing product quality management. In addition to geological exploration and forecast, the Company will improve the layout and continuation of working faces to reasonably arrange selective mining and mixed mining. Meanwhile, efforts will be taken to reinforce the management of coal transportation and loading and unloading as well as the control on washing and selection process, coupled with stricter assessment to optimise the commercial coal mix structure.
- consolidating and expanding market sales. Adopting flexible sales strategy to improve its decision-making and execution efficiency, the Company will secure major users while aggressively developing new customers with better sales service. The Company will ensure smooth coordination among production, transportation and sales, aiming at a higher contribution from the sales arm.

- actively organising coal production. The Company will speed up its efforts to eliminate the prominent bottlenecks including insufficient stripping of open pit mines and the tension in continuation, seeking to maximise equipment utilisation and productivity for continuous growth momentum of coal production.
- speeding up project construction. Through comprehensive planning, careful scheduling and proactive preliminary preparation, the Company will improve the coordination among major projects and key nodes and ancillary projects to meet the annual construction targets, aiming to put the projects on stream as soon as possible.

On behalf of the Board, I would like to express sincere appreciation for the longstanding trust and support from our Shareholders. Although the business environment of China Coal Energy was affected to a certain extent due to a slower macro economic growth, the Board and all staff of the Company forged ahead through the difficulties and met the production and operation targets for the first half of 2012. Looking into the second half of 2012, we are committed to forging through the adversities by strengthening overall management and adopting effective countermeasures to respond flexibly to market changes, striving to create sound return to Shareholders in the unfavourable cycle.



Wang An
Chairman

Beijing, the PRC
21 August 2012



Management Discussion and Analysis of Financial Conditions and Operating Results

The following discussion 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 2012, facing the adverse factors such as the slowdown in macro economic growth and the declining coal prices in the market, the Group endeavoured to adjust its sales strategies, strengthen the coordination among production, transportation and sales, improve products quality and enhance

cost management, thereby achieving satisfactory operating results. For the six months ended 30 June 2012, the Group's total revenue (net of inter-segmental sales) amounted to RMB 45.408 billion, representing an increase of 5.4% over the same period of 2011; profit before income tax amounted to RMB 7.269 billion, representing a decrease of 10.0% over the same period of 2011; profit attributable to the equity holders of the Company amounted to RMB 5.124 billion, representing a decrease of 8.2% over the same period of 2011; net cash generated from operating activities per share was RMB 0.31, representing a decrease of RMB 0.13 over the same period of 2011; and basic earnings per share was RMB 0.39, representing a decrease of RMB 0.03 over the same period of 2011.

	For the six months ended 30 June 2012 (RMB 100 million)	For the six months ended 30 June 2011 (Restated) (RMB 100 million)	Increase/decrease Increase/ decrease (RMB 100 million)	Increase/ decrease (%)
Revenue	454.08	430.98	23.10	5.4
Profit before income tax	72.69	80.75	-8.06	-10.0
EBITDA	93.87	100.87	-7.00	-6.9
Profit attributable to the equity holders of the Company	51.24	55.83	-4.59	-8.2
Net cash generated from operating activities	41.04	57.71	-16.67	-28.9

As at 30 June 2012, the gearing ratio (total interest-bearing debts/(total interest-bearing debts + equity)) of the Group was 25.6%, representing an increase of 2.1 percentage points from the beginning of the year.

	As at 30 June 2012 (RMB 100 million)	As at 31 December 2011 (Restated) (RMB 100 million)	Increase/decrease Increase/ decrease (RMB 100 million)	Increase/ decrease (%)
Assets	1,652.68	1,606.75	45.93	2.9
Liabilities	677.74	645.05	32.69	5.1
Interest-bearing debts	334.77	294.64	40.13	13.6
Equity	974.94	961.70	13.24	1.4
Equity attributable to the equity holders of the Company	837.48	819.62	17.86	2.2

II. Operating Results

(1) Consolidated Operating Results

1. Revenue

For the six months ended 30 June 2012, the Group's total revenue (net of inter-segmental sales) increased from RMB 43.098 billion for the six months ended 30 June 2011 to RMB 45.408 billion, representing an increase of 5.4%. The increase was mainly attributable

to the growth in revenue of the Group's coal and coal mining equipment operations over the same period of 2011.

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 2012 in comparison with the six months ended 30 June 2011 were set out as follows:

	Revenue net of inter-segmental sales			
	For the six months ended 30 June 2012 (RMB 100 million)	For the six months ended 30 June 2011 (Restated) (RMB 100 million)	Increase/ decrease (RMB 100 million)	Increase/ decrease (%)
Coal operations	373.35	346.96	26.39	7.6
Coking operations	23.45	27.68	-4.23	-15.3
Coal mining equipment operations	39.76	37.53	2.23	5.9
Other operations	17.52	18.81	-1.29	-6.9
Total	454.08	430.98	23.10	5.4

The proportion of revenue net of inter-segmental sales generated by each operating segment of the Group for the six months ended 30 June 2012 and the six months ended 30 June 2011 in the Group's total revenue were set out as follows:

	Proportion of revenue net of inter-segmental sales		
	For the six months ended 30 June 2012 (%)	For the six months ended 30 June 2011 (Restated) (%)	Increase/ decrease (percentage points)
Coal operations	82.2	80.5	1.7
Coking operations	5.2	6.4	-1.2
Coal mining equipment operations	8.8	8.7	0.1
Other operations	3.8	4.4	-0.6

2. Cost of sales

For the six months ended 30 June 2012, the Group's cost of sales increased from RMB 33.005 billion for the six months ended 30 June 2011 to RMB 35.933 billion, representing an increase of 8.9%.

Materials costs increased from RMB 18.451 billion for the six months ended 30 June 2011 to RMB 19.804 billion, representing an increase of 7.3%. The increase was mainly attributable to the growth in the Group's materials consumption as a result of its expansion of production scale and the rise in sales volume of proprietary coal trading, which led to a corresponding increase of materials costs.

Staff costs increased from RMB 2.066 billion for the six months ended 30 June 2011 to RMB 2.262 billion, representing an increase of 9.5%. The increase was mainly attributable to the increase in the cost of labour expended due to the rise in the number of staff as a result of (among others) the transfer of projects under construction to fixed assets of the subsidiaries of the Group, and the normal increase in average salary.

Depreciation and amortisation expenses increased from RMB 1.909 billion for the six months ended 30 June 2011 to RMB 2.082 billion, representing an increase of 9.1%. The increase was mainly attributable to the increase of production equipment and facilities being put into operation as a result of the transfer of projects under construction to fixed assets of the subsidiaries of the Group and the expansion of production scale.

Repair and maintenance costs increased from RMB 502 million for the six months ended 30 June 2011 to RMB 548 million, representing an increase of 9.2%. The increase was mainly attributable to the increase in expenditure on repair and maintenance of electric shovels and transportation vehicles in the open pit mines as well as fully mechanised mining equipment in the underground mines of the Group due to the higher utilisation rate of such equipment as a result of the increase in coal production volume.

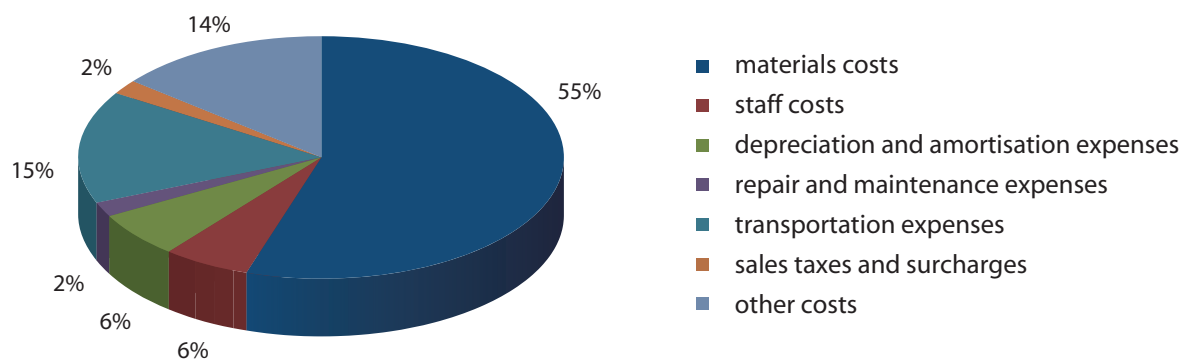
Transportation costs increased from RMB 4.786 billion for the six months ended 30 June 2011 to RMB 5.459 billion, representing an increase of 14.1%. The increase was mainly attributable to the increase in the coal sales volume for which the Group bore the transportation costs during the reporting period and the increase in the port charges by RMB 4/tonne since October 2011.

Sales taxes and surcharges increased from RMB 693 million for the six months ended 30 June 2011 to RMB 717 million, representing an increase of 3.5%. The increase was mainly attributable to the decrease of tariff over the same period of 2011 as a result of the decrease of coke export volumes in the first half of 2012 and the increase of local education surcharge over the same period of 2011 paid by the Group's subsidiaries located in Shanxi province in accordance with the regulation of the local government.

Other costs increased from RMB 4.598 billion for the six months ended 30 June 2011 to RMB 5.061 billion, representing an increase of 10.1%. The increase was mainly attributable to the rise in expenses incurred in relation to outsourcing stripping and fully mechanised mining as a result of the production need of the subsidiaries of the Group engaged in coal production, and the rise in the provision of water discharge fees for mining by China Coal Pingshuo Company in accordance with the regulation of the local government.

Management Discussion and Analysis of Financial Conditions and Operating Results

The cost of sales comprises:



3. Gross profit and gross profit margin

For the six months ended 30 June 2012, gross profit of the Group decreased from RMB 10.093 billion for the six months ended 30 June 2011 to RMB 9.475 billion, representing a decrease of 6.1%, and gross profit margin decreased from 23.4% for the six months ended 30 June 2011 to 20.9%, representing a decrease of 2.5 percentage points.

The gross profit and gross profit margin of the Group's each operating segment for the six months ended 30 June 2012 and for the six months ended 30 June 2011 were as follows:

	Gross profit			Gross profit margin		
	For the six months ended 30 June 2012 (RMB 100 million)	For the six months ended 30 June 2011 (Restated) (RMB 100 million)	Increase/ decrease (%)	For the six months ended 30 June 2012 (%)	For the six months ended 30 June 2011 (Restated) (%)	Increase/ decrease (percentage points)
Coal operations	84.31	90.80	-7.1	22.5	26.1	-3.6
Self-produced commercial coal	82.26	88.85	-7.4	30.7	35.7	-5.0
Proprietary coal trading	1.60	1.75	-8.6	1.5	1.8	-0.3
Coking operations	0.01	1.38	-99.3	0.04	5.0	-4.96
Coal mining equipment operations	8.80	7.92	11.1	19.4	18.2	1.2
Other operations	1.75	1.44	21.5	8.5	6.7	1.8
Group	94.75	100.93	-6.1	20.9	23.4	-2.5

Note: The above gross profit and gross profit margin of each operating segment were figures before netting of inter-segmental sales.

(2) Operating results of segments

1. Coal operating segment

• Revenue

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

For the six months ended 30 June 2012, the total revenue from coal operations of the Group increased from RMB 34.845 billion for the six months ended 30 June 2011 to RMB 37.502 billion, representing an increase of 7.6%; revenue net of other inter-segmental sales increased from RMB 34.696 billion for the six months ended 30 June 2011 to RMB 37.335 billion, representing an increase of 7.6%.

For the six months ended 30 June 2012, revenue from sales of self-produced commercial coal of the Group increased from RMB 24.911 billion for the six months ended 30 June 2011 to RMB 26.775 billion, representing an increase of 7.5%; revenue net of other inter-segmental sales increased from RMB 24.781 billion for the six months ended 30 June 2011 to RMB 26.665 billion, representing an increase of 7.6%. Revenue from sales of proprietary coal trading increased from RMB 9.739 billion for the six months ended 30 June 2011 to RMB 10.489 billion, representing an increase of 7.7%. Revenue from coal import and export agency services decreased from RMB 29 million for the six months ended 30 June 2011 to RMB 24 million, representing a decrease of 17.2%.

Changes in the Group's coal sales volume and selling price for the six months ended 30 June 2012 in comparison with the six months ended 30 June 2011 were set out as follows:

		For the six months ended 30 June 2012		For the six months ended 30 June 2011 (Restated)		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	5,375	496	5,013	494	362	2	7.2	0.4
	(I) Thermal coal	5,372	496	4,944	482	428	14	8.7	2.9
	1. Domestic sale	5,333	494	4,910	480	423	14	8.6	2.9
	(1) Long-term contract	2,352	463	2,766	407	-414	56	-15.0	13.8
	(2) Spot trading	2,981	519	2,144	575	837	-56	39.0	-9.7
	2. Export	39	797	34	795	5	2	14.7	0.3
	(1) Long-term contract	39	797	34	795	5	2	14.7	0.3
	(2) Spot trading	☆	☆	☆	☆	—	—	—	—
	(II) Coking coal	3	812	69	1,377	-66	-565	-95.7	-41.0
	1. Domestic sale	3	812	69	1,377	-66	-565	-95.7	-41.0
(1) Long-term contract	☆	☆	16	1,412	-16	—	-100.0	—	
(2) Spot trading	3	812	53	1,366	-50	-554	-94.3	-40.6	
2. Export	☆	☆	☆	☆	—	—	—	—	
II. Proprietary coal trading	Total	1,665	630	1,451	671	214	-41	14.7	-6.1
	(I) Domestic resale	1,441	631	1,314	673	127	-42	9.7	-6.2
	(II) Self-operated exports	2*	3,144	3*	2,220	-1	924	-33.3	41.6
	(III) Import trading	217	599	134	620	83	-21	61.9	-3.4
	(IV) Transshipment trading	5	1,056	☆	☆	5	—	—	—
III. Import and export agency	Total	169	14*	169	17*	—	-3	—	-17.6
	(I) Import agency	41	6*	☆	☆	41	—	—	—
	(II) Export agency	128	17*	169	17*	-41	—	-24.3	—

☆: N/A

★: Agency service fee

* : Briquette export

Management Discussion and Analysis of Financial Conditions and Operating Results

• Cost of sales

For the six months ended 30 June 2012, cost of sales for the Group's coal operations increased from RMB 25.765 billion for the six months ended 30 June 2011 to RMB 29.071 billion, representing an increase of 12.8%. Changes in the major cost items were set out as follows:

Items	For the six months ended 30 June 2012 (RMB 100 million)	For the six months ended 30 June 2011 (Restated) (RMB 100 million)	Increase/decrease	
			Increase/ decrease (RMB 100 million)	Increase/ decrease (%)
Materials costs (excluding cost of external purchases of raw coal for washing purpose and proprietary coal trading cost)	29.64	27.70	1.94	7.0
Cost of external purchases of raw coal for washing purpose	12.02	8.71	3.31	38.0
Proprietary coal trading cost	103.29	95.64	7.65	8.0
Staff costs	16.75	15.67	1.08	6.9
Depreciation and amortisation	17.52	15.82	1.70	10.7
Repairs and maintenance	5.06	4.39	0.67	15.3
Transportation costs	52.64	45.03	7.61	16.9
Coal sustainable development fund (reserve)	10.36	9.57	0.79	8.3
Outsourcing mining engineering fee	16.03	8.88	7.15	80.5
Sales taxes and surcharges	6.60	6.50	0.10	1.5
Mining resources compensation charges	1.83	1.73	0.10	5.8
Water discharge fees for mining (Water resources compensation charges)	2.90	1.86	1.04	55.9
Other costs*	16.07	16.15	-0.08	-0.5
Total costs of sales for coal operations	290.71	257.65	33.06	12.8

Note: *: Other costs include environmental restoration expenses incurred in relation to coal mining operation and expenses for small and medium projects etc. incurred in direct relation to coal production.

For the six months ended 30 June 2012, the Group's cost of sales of self-produced commercial coal was RMB 18.549 billion, representing an increase of RMB 2.523 billion or 15.7% over the same period of 2011. The unit cost of sales of self-produced commercial coal was RMB 345.09/tonne, representing an increase of RMB 25.40/tonne or 7.9% over the same period of 2011 while representing an increase of RMB 0.38/tonne or 0.1% as compared to RMB 344.71/tonne for the whole year of 2011.

Management Discussion and Analysis of Financial Conditions and Operating Results

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

Items	For the six months 30 June 2012 (RMB/tonne)	For the six months 30 June 2011 (RMB/tonne)	Increase/decrease		For the year ended 31 December 2011 (RMB/tonne)	Increase/decrease	
			Increase/ decrease (RMB/tonne)	Increase/ decrease (%)		Increase/ decrease (RMB/tonne)	Increase/ decrease (%)
Materials costs (excluding the cost of external purchases of raw coal for washing purpose)	55.15	55.26	-0.11	-0.2	58.54	-3.39	-5.8
Cost of external purchases of raw coal for washing purpose	22.35	17.37	4.98	28.7	22.08	0.27	1.2
Staff costs	31.16	31.27	-0.11	-0.4	29.83	1.33	4.5
Depreciation and amortisation	32.60	31.56	1.04	3.3	35.00	-2.40	-6.9
Repairs and maintenance	9.42	8.77	0.65	7.4	11.58	-2.16	-18.7
Transportation costs	97.94	89.74	8.20	9.1	91.18	6.76	7.4
Sales taxes and surcharges	12.28	12.97	-0.69	-5.3	11.97	0.31	2.6
Coal sustainable development fund (reserve)	19.27	19.10	0.17	0.9	19.11	0.16	0.8
Mining resources compensation charges	3.40	3.45	-0.05	-1.4	3.50	-0.10	-2.9
Water discharge fees for mining (Water resources compensation charges)	5.40	3.71	1.69	45.6	6.64	-1.24	-18.7
Outsourcing mining engineering fees	29.83	17.72	12.11	68.3	24.05	5.78	24.0
Other costs	26.29	28.77	-2.48	-8.6	31.23	-4.94	-15.8
Unit cost of sales of self-produced commercial coal	345.09	319.69	25.40	7.9	344.71	0.38	0.1

The increase in the Group's unit cost of sales of self-produced commercial coal for the six months ended 30 June 2012 as compared to the same period of 2011 was mainly attributable to:

Unit cost of externally purchased raw coal for washing purpose increased by RMB 4.98/tonne over the same period of 2011, which was mainly due to the optimisation of product structure of external purchases of raw coal for washing to adapt to the market condition, resulting in the increase in the cost of external purchases of raw coal for washing purpose.

Unit transportation costs increased by RMB 8.20/tonne over the same period of 2011, which was mainly due to the expansion of the Group's operation scale and the increase in the coal sales volume for which the Group bore the transportation costs and the increase in the port charges by RMB 4/tonne since October 2011, leading to a corresponding increase in the transportation costs.

Unit water discharge fees for mining (water resources compensation charges) increased by RMB 1.69/tonne over the same period of 2011, which was mainly attributable to the increase in the provision of water discharge fees for mining by China Coal Pingshuo Company of the Group in accordance with the regulation of the local government.

Management Discussion and Analysis of Financial Conditions and Operating Results

Unit outsourcing mining engineering fees recorded an increase of RMB 12.11/tonne over the same period of 2011, which was primarily due to the increase of the outsourcing stripping workload caused by the higher stripping volume of the preliminary operation of Pingshuo East Open Pit Mine of the Group, leading to a corresponding increase in the cost for outsourcing stripping.

Unit other costs decreased by RMB 2.48/tonne over the same period of 2011, which was mainly due to the decrease in environmental restoration expenses of the subsidiaries of the Group and the expenses on small and medium engineering projects during the reporting period.

• Gross profit and gross profit margin

For the six months ended 30 June 2012, gross profit of the Group's coal operations segment decreased from RMB 9.080 billion for the six months ended 30 June 2011 to RMB 8.431 billion, representing a decrease of 7.1%, and gross profit margin decreased by 3.6 percentage points from 26.1% for the six months ended 30 June 2011 to 22.5%, which was mainly influenced by the market condition. The increase in the selling price of self-produced commercial coal in the first half of 2012 was less than the increase in

the unit cost of sales, resulting in a decrease of 5.0 percentage points in the gross profit margin of self-produced commercial coal from 35.7% for the six months ended 30 June 2011 to 30.7%.

2. Coking operating segment

• Revenue

For the six months ended 30 June 2012, the Group's revenue from coking operations decreased from RMB 2.768 billion for the six months ended 30 June 2011 to RMB 2.345 billion (generated entirely from revenue of external sales), representing a decrease of 15.3%. This was mainly due to the drop in the selling price of coke as well as the decrease in the sales volume of self-produced coke and methanol as compared to the same period of 2011.

The revenue from the coke sales of the Group for the six months ended 30 June 2012 was RMB 1.903 billion, representing a decrease of RMB 351 million as compared to the same period of 2011.

Changes in the sales volume and selling price of coke of the Group for the six months ended 30 June 2012 and for the six months ended 30 June 2011 were set out in the table below:

	For the six months ended		For the six months ended		Increase/decrease		Increase/decrease	
	30 June 2012		30 June 2011					
	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	90.2	1,601	102.4	1,711	-12.2	-110	-11.9	-6.4
Domestic sales	90.2	1,601	102.4	1,711	-12.2	-110	-11.9	-6.4
Exports	☆	☆	☆	☆	-	-	-	-
Proprietary trading	27.5	1,663	23.2	2,156	4.3	-493	18.5	-22.9
Domestic sales	27.2	1,659	15.0	1,824	12.2	-165	81.3	-9.0
Exports	0.3	2,004	8.2	2,761	-7.9	-757	-96.3	-27.4
Export agency	1.5	20*	9.7	27*	-8.2	-7	-84.5	-25.9

☆: N/A

* : Agency service fee

For the six months ended 30 June 2012, the Group's revenue from sales of methanol, coal tar, crude benzol and others, in the coking operations of the Group (excluding coke sales) amounted to RMB 442 million, representing a decrease of RMB 72 million over the same period of 2011, of which the sales volume of the self-produced methanol by China Coal Longhua Company of the Group contributed 64.7 thousand tonnes. Meanwhile, to avoid horizontal competition 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 Group of China Coal Group was sold externally via the Company after the 250,000 tonnes/year methanol project of China Coal Longhua Company of the Company in Heilongjiang was put into operation, which increased the sales volume of methanol by 29.7 thousand tonnes. In the first half of 2012, the Company's sales volume of methanol amounted to 94,400 tonnes with weighted average selling price of RMB 2,049/tonne and operating revenue of RMB 193 million.

• **Cost of sales**

For the six months ended 30 June 2012, sales costs of coking operations decreased from RMB 2.63 billion for the six months ended 30 June 2011 to RMB 2.344 billion, representing a decrease of 10.9%. The decrease was mainly attributable to the decrease in sales volume of self-produced coke and methanol as compared to the same period of 2011.

• **Gross profit and gross profit margin**

For the six months ended 30 June 2012, gross profit of the Group's coking operations segment decreased from RMB 138 million for the six months ended 30 June 2011 to RMB 1 million, representing a decrease of RMB 137 million, and gross profit margin decreased from 5.0% for the six months ended 30 June 2011 to 0.04%, representing a decrease of 4.96 percentage points, which was mainly due to the dramatic decrease in the selling price of coke as compared to the same period of 2011.

3. Coal mining equipment operating segment

• **Revenue**

For the six months ended 30 June 2012, the Group's revenue from the coal mining equipment operations increased from RMB 4.362 billion for the six months ended 30 June 2011 to RMB 4.532 billion, representing an increase of 3.9%, of which the revenue net of other inter-segmental sales increased from RMB 3.753 billion for the six months ended 30 June 2011 to RMB 3.976 billion, representing an increase of 5.9%. The increase was mainly attributable to the increase in the sales volume of major coal mining equipment over the same period of 2011.

• **Cost of sales**

For the six months ended 30 June 2012, sales costs of coal mining equipment operations increased from RMB 3.57 billion for the six months ended 30 June 2011 to RMB 3.652 billion, representing an increase of 2.3%. The increase was mainly attributable to the increase in sales volume of coal mining equipment over the same period of 2011.

• **Gross profit and gross profit margin**

For the six months ended 30 June 2012, gross profit of the Group's coal mining equipment operations segment increased from RMB 792 million for the six months ended 30 June 2011 to RMB 880 million, representing an increase of 11.1%, and gross profit margin increased from 18.2% for the six months ended 30 June 2011 to 19.4%, representing an increase of 1.2 percentage points.

4. Other operating segments

For the six months ended 30 June 2012, the Group's total revenue from operations such as sales of primary aluminum and power generation decreased from RMB 2.153 billion for the six months ended 30 June 2011 to RMB 2.058 billion, representing a decrease of 4.4%, of which the revenue net of other inter-segmental sales decreased from RMB 1.881 billion for the six months ended 30 June 2011 to RMB 1.752 billion, representing a decrease of 6.9%. The gross profit of other business segments increased by 21.5% from RMB 144 million for the six months ended 30 June 2011 to RMB 175 million, and gross profit margin increased from 6.7% for the six months ended 30 June 2011 to 8.5%, representing an increase of 1.8 percentage points.

(3) Selling, general and administrative expenses

For the six months ended 30 June 2012, the Group's selling, general and administrative expenses increased from RMB 2.052 billion for the six months ended 30 June 2011 to RMB 2.295 billion, representing an

increase of 11.8%. The increase was mainly attributable to the increase of RMB 97 million in the provision for impairment of assets such as inventories, receivables and fixed assets during the reporting period over the same period of 2011 while the staff remuneration under the selling, general and administrative expenses increased by RMB 63 million over the same period of 2011.

(4) Other net gains

For the six months ended 30 June 2012, the other net gains of the Group increased from RMB 18 million for the six months ended 30 June 2011 to RMB 49 million, representing an increase of RMB 31 million. The increase was mainly attributable to the transfer of unpaid payables from subsidiaries of the Group.

(5) Profit from operations

For the six months ended 30 June 2012, the Group's profit from operations decreased from RMB 8.059 billion for the six months ended 30 June 2011 to RMB 7.233 billion, representing a decrease of 10.2%. Changes in profit from operations for each operating segment were as follows:

	For the six months ended 30 June 2012 (RMB 100 million)	For the six months ended 30 June 2011 (Restated) (RMB 100 million)	Increase/ decrease (RMB 100 million)	Increase/ decrease (%)
The Group	72.33	80.59	-8.26	-10.2
Of which: Coal operations	71.69	78.86	-7.17	-9.1
Coking operations	-1.18	0.73	-1.91	-261.6
Coal mining equipment operations	3.47	3.46	0.01	0.3
Other operations	-	0.26	-0.26	-100.0

Note: The above profit from operations for each operating segment was figures before netting of inter-segmental sales.

(6) Finance income and finance cost

For the six months ended 30 June 2012, the Group's net finance costs increased from RMB 18 million for the six months ended 30 June 2011 to RMB 173 million, representing an increase of RMB 155 million, of which finance income increased from RMB 258 million for the six months ended 30 June 2011 to RMB 421 million, representing an increase of 63.2%. The increase was mainly attributable to a rise in the interest income. The finance costs increased from RMB 276 million for the six months ended 30 June 2011 to RMB 594 million, representing an increase of 115.2%, which was mainly due to the issuance of medium-term notes and the rise in the interest expenses of RMB 361 million arising from bank borrowings increases, while the foreign exchange gain of RMB 17 million (foreign exchange loss of RMB 22 million in the same period of 2011) due to the changes in foreign exchange rate arising from the Japanese Yen borrowings by China Coal Pingshuo Company during the reporting period partially offset the increase in interest expenses.

(7) Share of profits of associates and jointly controlled entities

For the six months ended 30 June 2012, the Group's share of profits of associates and jointly controlled entities increased from RMB 35 million for the six months ended 30 June 2011 to RMB 208 million, representing an increase of RMB 173 million. This was mainly attributable to the recognition of an investment gain of RMB 85 million from Huajin Coking Coal Company by the Group in proportion to its shareholding during the reporting period following the split of Huajin Coking Coal Company. In addition, the investment gain of RMB 123 million from other associates and jointly controlled entities recognised in proportion to the shareholding increased by RMB 88 million as compared to the same period of 2011.

(8) Profit before income tax

For the six months ended 30 June 2012, the Group's profit before income tax decreased from RMB 8.075 billion for the six months ended 30 June 2011 to RMB 7.269 billion, representing a decrease of 10.0%.

(9) Income tax expenses

For the six months ended 30 June 2012, the Group's income tax expenses decreased from RMB 1.989 billion for the six months ended 30 June 2011 to RMB 1.817 billion, representing a decrease of 8.6%.

(10) Profit attributable to the equity holders of the Company

For the six months ended 30 June 2012, profit attributable to the equity holders of the Company decreased from RMB 5.583 billion for the six months ended 30 June 2011 to RMB 5.124 billion, representing a decrease of 8.2%.

III. Cash Flow

As at 30 June 2012, the Group's cash and cash equivalents amounted to RMB 14.811 billion, representing an increase of RMB 2.935 billion as compared to the cash and cash equivalents of RMB 11.876 billion as at 30 June 2011.

Net cash generated from operating activities decreased from RMB 5.771 billion for the six months ended 30 June 2011 to RMB 4.104 billion for the six months ended 30 June 2012, representing a decrease of 28.9%. This was mainly due to a decrease of RMB 1.771 billion in the net cash inflow generated from business operations as a result of a decrease in the changes of operating payables of RMB 1.769 billion of the Group over the same period of 2011 during the reporting period. In addition, cash used for the payment of interest recorded an increase of

RMB 185 million over the same period of 2011, cash inflow from interest income received recorded an increase of RMB 480 million over the same period of 2011 and cash used for the payment of income tax recorded an increase of RMB 191 million over the same period of 2011.

Net cash used in investing activities decreased from RMB 17.442 billion for the six months ended 30 June 2011 to RMB 12.203 billion for the six months ended 30 June 2012, representing a decrease of RMB 5.239 billion. This was mainly attributable to an increase of RMB 769 million in cash used for the purchases of land use rights, mining rights and intangible assets by the Group over the same period of 2011, an increase of RMB 3.371 billion in cash used for the purchase of non-controlling interest of subsidiaries, the acquisition of subsidiaries and the payment of consideration in relation to acquisition made in previous years over the same period of 2011, as well as an increase of RMB 2.067 billion in the cash paid for the purchases of property, plant and equipment over the same period of 2011. Furthermore, the amount of term deposits with initial terms exceeding three months arranged by the Group during the reporting period decreased by RMB 2.133 billion as compared to the beginning of 2012 and generated a cash inflow (while the amount of term deposits with initial terms exceeding three months arranged during the same period of 2011 increased by RMB 8.029 billion as compared to the beginning of 2011 and generated a cash outflow). As a result, net cash used in investing activities decreased over the same period of 2011.

Net cash inflow generated from financing activities increased from RMB 996 million for the six months ended 30 June 2011 to RMB 1.983 billion for the six months ended 30 June 2012, representing an increase of RMB 987 million. This was mainly due to the increase of RMB 2.348 billion in cash received from bank borrowings for production, operation and project construction over the same period of 2011 and the increase of RMB 1.309 billion in cash used for the repayment of mature debts over the same period of 2011.

IV. Liquidity and Sources of Capital

For the six months ended 30 June 2012, the Group's funds were mainly derived from proceeds generated from business operations, bank borrowings 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 and others, 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 offering 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 2012, the net value of property, plant and equipment of the Group amounted to RMB 66.487 billion, representing a net increase of RMB 6.239 billion or 10.4% as compared to RMB 60.248 billion as at 31 December 2011. This was mainly attributable to an increase in the property, plant and equipment resulted from the rise in investment in construction projects of the subsidiaries of the Group and the rise in equipment and facilities to fulfill production and operation needs.

(2) Mining and exploration rights

As at 30 June 2012, the net value of the Group's mining and exploration rights amounted to RMB 31.43 billion, representing a net increase of RMB 3.01 billion or 10.6% as compared to RMB 28.42 billion as at 31 December 2011. This was mainly attributable to the increase of RMB 3.179 billion in the mining and exploration rights as a result of the payment of resource consideration for the acquisition and consolidation of local mines by the subsidiaries of the Group as well as the amortisation of mining and exploration rights during the reporting period of RMB 169 million.

(3) Other non-current assets

As at 30 June 2012, other non-current assets of the Group amounted to RMB 1.931 billion, representing a decrease of RMB 1.117 billion or 36.6% as compared to RMB 3.048 billion as at 31 December 2011. This was mainly attributable to the transfer of realised investment and the advance payment for resource acquisition to mining and exploration rights by the subsidiaries of the Group according to the development progress of the projects.

(4) Trade and note receivables

As at 30 June 2012, the net amount of trade and note receivables of the Group amounted to RMB 10.555 billion, representing an increase of RMB 2.578 billion or 32.3% as compared to RMB 7.977 billion as at 31 December 2011, of which the net amount of trade receivables amounted to RMB 8.721 billion, representing an increase of RMB 3.167 billion or 57.0% as compared to RMB 5.554 billion as at 31 December 2011. As at 30 June 2012, the net trade receivables aged within six months of the Group amounted to RMB 7.414 billion, accounting for 85.0% of the net trade receivables, representing an increase of RMB 2.737 billion or 58.5% as compared to RMB 4.677 billion as at 31 December 2011, accounting for 86.4% of the total trade receivables increased. The increase in trade receivables was mainly attributable to the relevant adjustment by the Group on its sales policies and settlement method of major customers in order to adapt to the coal market situation.

(5) Borrowings

As at 30 June 2012, the balance of borrowings of the Group amounted to RMB 18.527 billion, representing an increase of RMB 4.018 billion or 27.7% as compared to RMB 14.509 billion as at 31 December 2011. This was mainly attributable to an increase in the bank borrowings used for the turnover of production, construction and operation of the subsidiaries of the Group, of which the balance of long-term borrowings

(including the portion due within one year) was RMB 17.272 billion, representing an increase of RMB 5.018 billion as compared to RMB 12.254 billion as at 31 December 2011, and the balance of short-term borrowings amounted to RMB 1.255 billion, representing a decrease of RMB 1 billion as compared to RMB 2.255 billion as at 31 December 2011.

(6) Long-term Debentures

As at 30 June 2012, the balance of long-term debentures of the Group amounted to RMB 14.95 billion as a result of the issuance of medium-term notes by the Group.

VI. Significant Pledge of Assets

The Group had no significant pledge of assets during the reporting period.

VII. Significant Investment

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

VIII. Material Acquisition and Disposal

The Group had no material acquisition and disposal during the reporting period.

IX. Risks of Exchange Rate

The business operations of the Group are subject to the impact of fluctuations in the exchange rate of RMB. The export sales of the Group are primarily settled in US dollars and the Group had liabilities denominated in foreign currencies, including Japanese Yen and US dollars. Meanwhile, the Group needs foreign currencies, mainly US dollars, to pay for imported equipment and accessories. As such, the fluctuations

in foreign exchange rates of RMB to any other foreign currencies will have bilateral compound effects on the operating results of the Group. The appreciation of RMB would decrease the Group's export income but also decrease the cost for the import of equipment and accessories as well as the repayment of external debts.

X. 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.

XI. Industry Risks

Like other coal companies and coking companies in China, the Group's operational activities are subject to the regulations by the Chinese government in terms of industry policies, project approvals, granting of permits, industry specific taxes and surcharges, environmental protection and safety standards, etc. As a result, the Group may be subject to restrictions in business expansion or profitability enhancement. Certain future policies of the coal and coal chemical related industries promulgated by the Chinese government may have an impact on the operational activities of the Group.

XII. Contingent Liabilities

(1) Bank guarantees

As at 30 June 2012, the Group provided guarantees of RMB 2.588 billion to secure the bank borrowings of its associates in proportion to the Group's shareholdings in the respective companies. The guarantees include RMB 1.993 billion to Huajin Coking Coal Company (RMB 1.311 billion of which would be used for the construction of Wangjialing Coal Mine, which is under the China Coal Huajin Company established upon the split of Huajin Coking Coal Company. The change in

beneficiary of the guarantee has been approved by the Board of the Company and was completed on 20 August 2012) and RMB 595 million to Shanxi Pingshuo Gangue-fired Power Generation Company Limited.

(2) Environmental protection responsibilities

Environmental protection laws and regulations have been fully implemented 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 are currently no other environmental protection liabilities that may have a material adverse impact on the financial position of the Group.

(3) Contingent legal liabilities

For the six months ended 30 June 2012, the Group was not involved in any material litigation or arbitration, and to the knowledge of the Group, there is no material litigation or arbitration pending or threatened against or involving the Group.



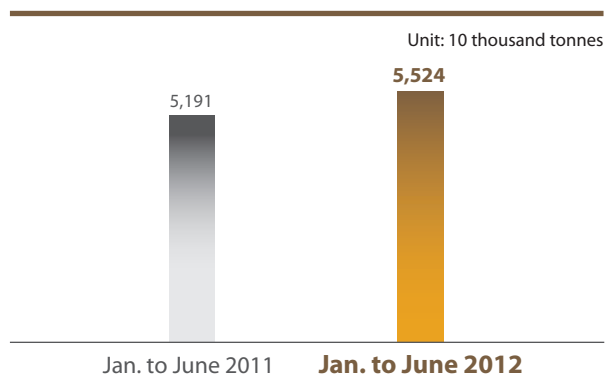
Business Performance

I. Coal Operations

(1) Coal production volume maintained its growth momentum

In the first half of 2012, having overcome the difficulties of intensified pressures in production safety and the tension in the continuation of open pit mining and stripping, the Company stepped up efforts to optimize production organization and enhance the coal production volume. The production volume of raw coal amounted to 70.34 million tonnes, representing an increase of 4.81 million tonnes or 7.3% as compared to the same period of 2011. The production volume of commercial coal reached 55.24 million tonnes, representing an increase of 3.33 million tonnes or 6.4% as compared to the same period of 2011.

Commercial Coal Production Volume



China Coal Pingshuo Company scientifically arranged the continuation of its production and fully utilized the production capacity of open pit mines, with production volume of commercial coal reaching 44.39 million tonnes, representing an increase of 10.0% as compared to the same period of 2011. Shanghai Energy Company accelerated the renovation of coal mines while carefully scheduling its coal production, with the production volume of commercial coal reaching 3.90 million tonnes, which remained flat as compared to the same period of 2011. By striving to solve the transportation bottlenecks, Dongpo Company produced 4.15 million tonnes of commercial coal, representing an increase of 18.6% as compared to the same period of 2011. Shuozhong Company and Dazhong Company enhanced the production efficiency by optimizing the coal washing and selection system, with aggregated commercial coal production volume of 5.38 million tonnes, representing an increase of 18.5% as compared to the same period of 2011. In the first half of 2012, the structure of commercial coal mix was improved significantly through flexible adjustment on mining proposals, strengthening coal quality management and optimizing the washing and selection processes by each subsidiary of the Group.

Commercial Coal Production (10 thousand tonnes)	January to June 2012	January to June 2011	Change (%)
China Coal Pingshuo Company	4,439	4,035	10.0
Shanghai Energy Company	390	392	-0.5
Huajin Coking Coal Company	–	115	–
China Coal Huajin Company	13	–	–
Dongpo Company	415	350	18.6
Nanliang Company	72	84	-14.3
Shuozhong Company	334	302	10.6
Dazhong Company	204	152	34.2
Shaanxi Company	5	–	–
Total	5,524	5,191	6.4

Note: 1. There was certain intra-group transactions of commercial coal in the Company, the volume of which amounted to 3.48 million tonnes for January to June 2012 and 2.39 million tonnes for the same period of 2011.

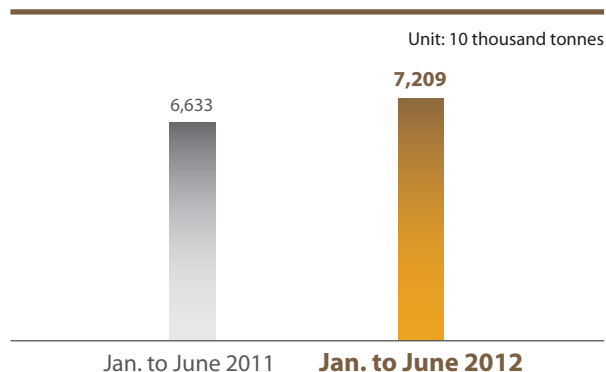
2. Commercial coal production for January to June 2011 included 1.15 million tonnes from Huajin Coking Coal Company before its equity split.

The Company accelerated the construction of safe and highly efficient mines and continued to expand its investment in production safety, leading to an increase in the coal production efficiency as compared to the same period of 2011 and a further improvement in the safety assurance capability of the Company. In the first half of 2012, the raw coal production efficiency of the Company amounted to 46.1 tonnes/worker-shift, representing an increase of 2.8% as compared to the same period of 2011. The overall coal production safety remained stable.

(2) Coal sales volume witnessed relatively fast growth

Against the backdrop of severe and reversed coal market situation in the first half of 2012, the Company took the initiative to explore the advantage of mega sales and adopted flexible and effective measures to strengthen the relations with major users as well as develop new customers. The sales volume of commercial coal reached 72.09 million tonnes, representing an increase of 5.76 million tonnes or 8.7% as compared to the same period in 2011.

Commercial Coal Sales Volume

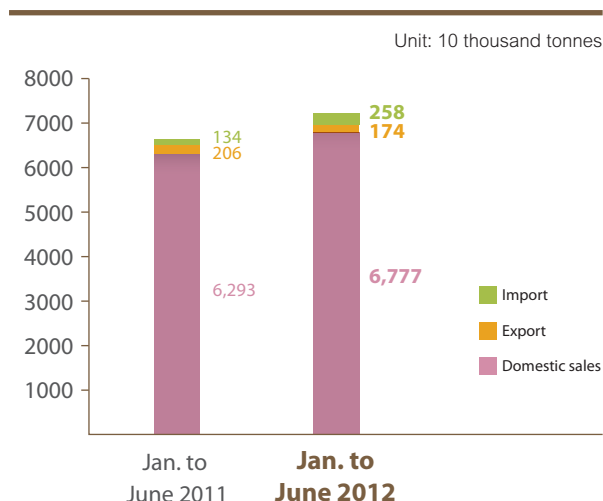


Business Performance

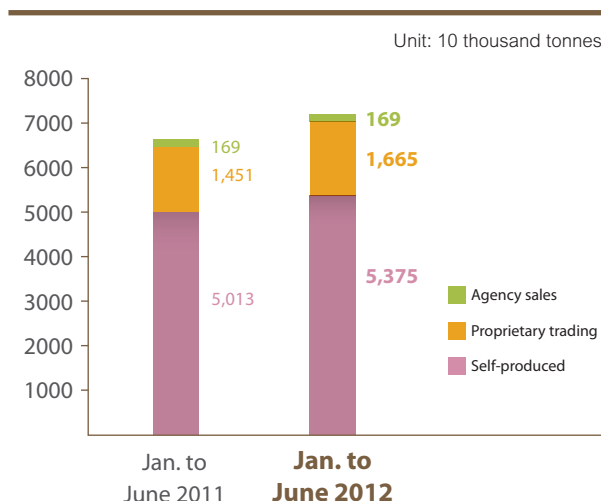
Sales volume of commercial coal (10 thousand tonnes)	January to June 2012	January to June 2011 (Restated)	Change (%)
(1) Domestic sales of self-produced coal	5,336	4,979	7.2
By region: North China	2,047	2,205	-7.2
East China	2,266	2,053	10.4
South China	995	704	41.3
Others	28	17	64.7
By coal type: Thermal coal	5,333	4,910	8.6
Coking coal	3	69	-95.7
By contract: Long-term contract	2,352	2,782	-15.5
Spot trading	2,984	2,197	35.8
(2) Self-produced coal export	39	34	14.7
By region: Taiwan, China	7	22	-68.2
Korea	☆	3	-
Japan	32	9	255.6
Others	☆	☆	-
By coal type: Thermal coal	39	34	14.7
Coking coal	☆	☆	-
By contract: Long-term contract	39	34	14.7
Spot trading	☆	☆	-
(3) Proprietary trading	1,665	1,451	14.7
Of which: Self-operated exports	2	3	-33.3
Domestic resale	1,441	1,314	9.7
Import trading	217	134	61.9
Transshipment trading	5	☆	-
(4) Import & export agency sales	169	169	-
Of which: Import agency	41	☆	-
Export agency	128	169	-24.3
Total	7,209	6,633	8.7

☆: N/A

By market

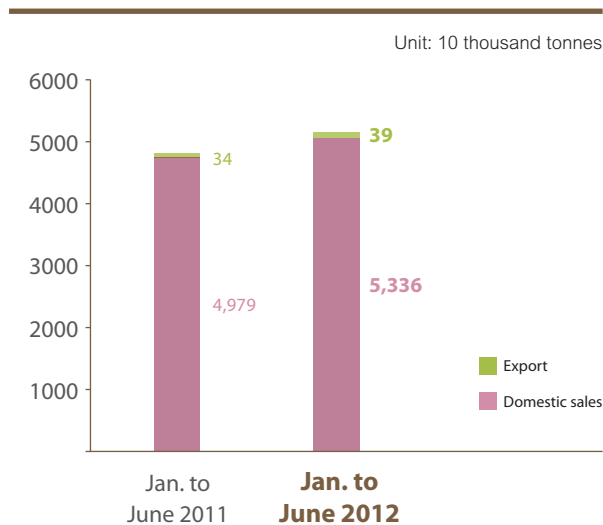


By product source

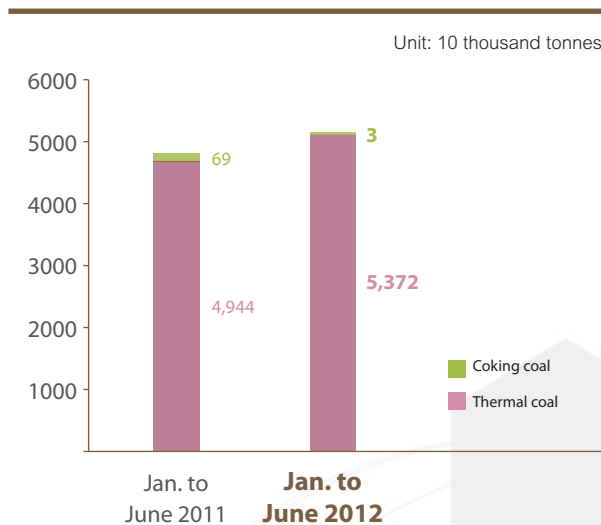


Sales of self-produced coal maintained a faster growth. In the first half of 2012, sales volume of self-produced coal reached 53.75 million tonnes, representing an increase of 3.62 million tonnes or 7.2% over the same period of 2011. In particular, domestic sales of self-produced coal reached 53.36 million tonnes, representing an increase of 7.2% over the same period of 2011. Export of self-produced coal reached 390,000 tonnes, representing an increase of 14.7% over the same period of 2011.

Self-produced coal sales – by market



Self-produced coal sales – by coal type



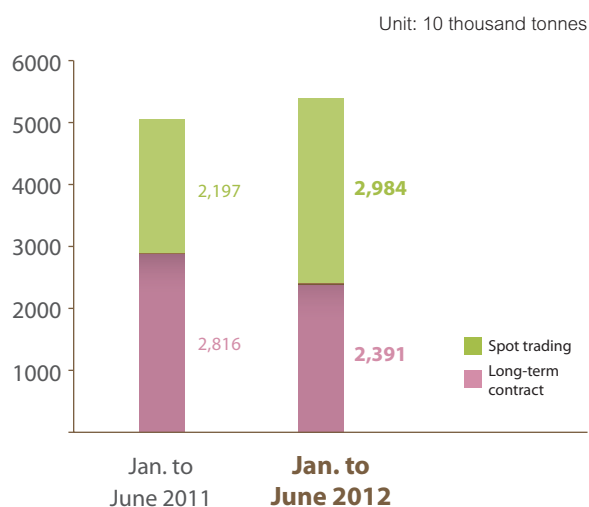
Substantial growth in sales volume of proprietary coal trading. The Company expanded the sales of proprietary coal trading to 16.65 million tonnes in the first half of 2012, recording an increase of 2.14 million tonnes or 14.7% as compared to the same period of 2011. In particular, domestic sales volume reached 14.41 million tonnes, representing an increase of 9.7% as compared to the same period of 2011; import sales volume reached 2.17 million tonnes, representing an increase of 61.9% as compared to the same period of 2011.

Coal railway transportation volume grew steadily. The Company enhanced the communication and coordination with railway authorities and actively organized the transportation of coal with reasonable arrangements of sales flow and delivery means to streamline the coordination among production, transportation and sales. The railway transportation volume amounted to 46.51 million tonnes, representing an increase of 4.63 million tonnes as compared to the same period of 2011, which further expanded the downstream market and enhanced the profitability of products.

Business Performance

Proportion of spot trading coal sales increased. While consolidating the sales volume of thermal coal in long term contract, the Company also captured the favourable opportunities of the higher coal price in spot market during the first quarter of 2012. Efforts were made to increase the sales volume of spot trading by actively exploring customers other than the power industry. Spot trading accounted for 55.9% of the domestic sales of self-produced coal, representing an increase of 11.8 percentage points in the first half of 2012 as compared to the same period of 2011.

Self-produced coal sales – by contract



An increase in weighted average selling price of self-produced coal. In view of the dramatic decline in the spot price of thermal coal in the first half of 2012, the Company adopted various measures, including the control over raw coal quality, the optimization of the structure of commercial coal mix, the expansion of the spot sales in a timely manner and the adjustment of the product flow and customers' structure. The weighted average selling price of self-produced coal increased to RMB 496/tonne in the first half of 2012, representing an increase of RMB 2/tonne as compared to the same period of 2011.

II. Coking Operations

In the first half of 2012, the domestic coke industry remained sluggish due to the slowdown in the production growth of downstream industries such as steel. The Company continued to strengthen its internal management, stepped up its control over cost, enhanced the proportion of railway transportation as well as reasonably arranged the coke production to minimize losses. Coke production volume was 920,000 tonnes, representing a decrease of 10.7% as compared to the same period of 2011. Coke sales volume amounted to 1.19 million tonnes, representing

a decrease of 11.9% as compared to the same period of 2011, of which the sales volume of self-produced coke was 900,000 tonnes, representing a decrease of 11.8% as compared to the same period of 2011. The weighted average selling price of self-produced coke of the Company was RMB 1,601/tonne, representing a decrease of 6.4% as compared to the same period of 2011. The project that transfers coke oven gas into chemical fertilizer of the Company is expected to be completed by the end of 2012, which shall significantly boost the coking operations upon its operation.

Sales volume of coke (10 thousand tonnes)	January to	January to	Change (%)
	June 2012	June 2011	
Self-produced coke	90	102	-11.8
Of which: Metallurgical coke	74	87	-14.9
Foundry coke	16	15	6.7
Proprietary and agency	29	33	-12.1
Total	119	135	-11.9

During the reporting period, the Company produced 65,000 tonnes of methanol, representing a decrease of 17,000 tonnes as compared to the same period of 2011.

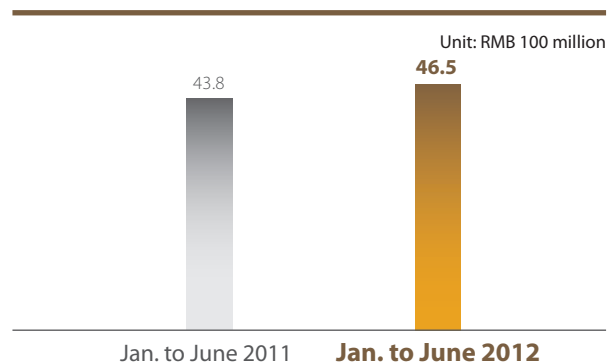
III Coal Mining Equipment Operations

In the first half of 2012, the coal mining equipment operations continued to maintain a steady growth in terms of production and sales volume. Total production value of coal mining equipment operations was RMB 4.65 billion, representing an increase of 6.2% as compared to the same period of 2011. The production volume of coal mining equipment reached 208,000 tonnes, representing an increase of 4.5% as compared to the same period of 2011, of which 12,907 units (sets) were major coal mining equipment. The market shares of major coal mining equipment such as armoured face conveyors, high-end hydraulic roof supports and high-end road headers remained in the leading position in the domestic market.

The capability of technological innovation of coal mining equipment was further enhanced. The construction project of National Energy Coal Mining

Equipment R&D Centre was well under way. The remote control technology and monitoring system for road headers and the entire set of technology and equipment for ultra thick high coal seam mining passed acceptance inspection while the trackless rubble-tyred vehicles with explosion-proof battery were applied successfully. The Company completed the underground field test of the entire set of equipment for the manless automatic work face of thin coal seam drum shearer, which featured a maximum daily production capacity of 2,400 tonnes and a minimum mining height of 1.3m, being in the leading position in China with broad market prospect.

Production value of coal mining equipment



Production value of coal mining equipment (RMB 100 million)	January to June 2012	January to June 2011	Change (%)
Conveyor equipment	17.6	17.3	1.7
Support equipment	13.9	13.9	-
Road header	4.5	3.8	18.4
Shearer	5.0	3.8	31.6
Electric mining motor	5.5	5.0	10.0
Total	46.5	43.8	6.2

IV. Other Operations

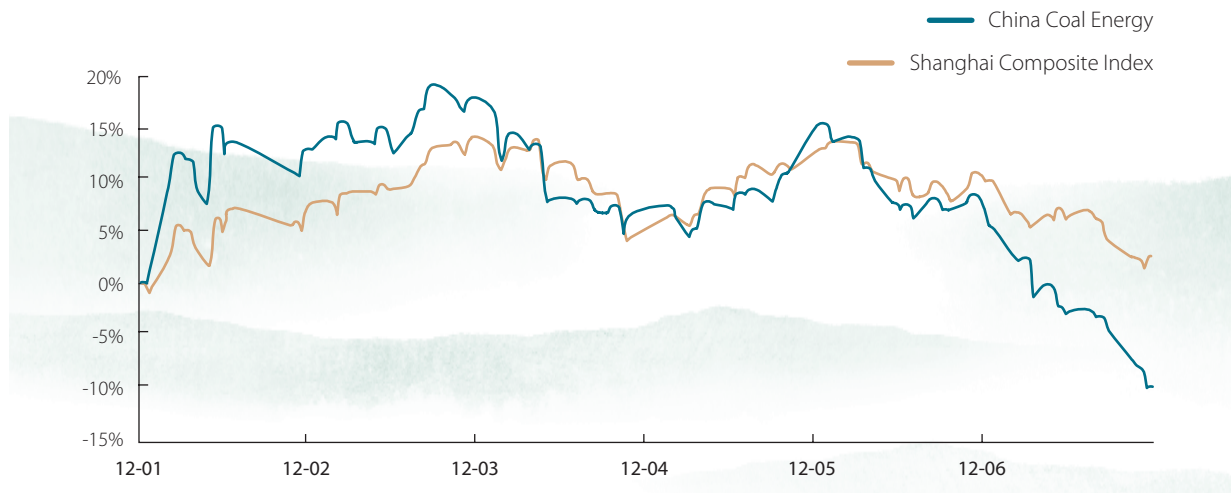
In the first half of 2012, the production volume of the Company's primary aluminum amounted to 57,000 tonnes, representing an increase of 9.6% over the same period of 2011. Electricity generated reached 2.08 billion Kwh, which remained flat as compared to the same period of 2011.

Investor Relations

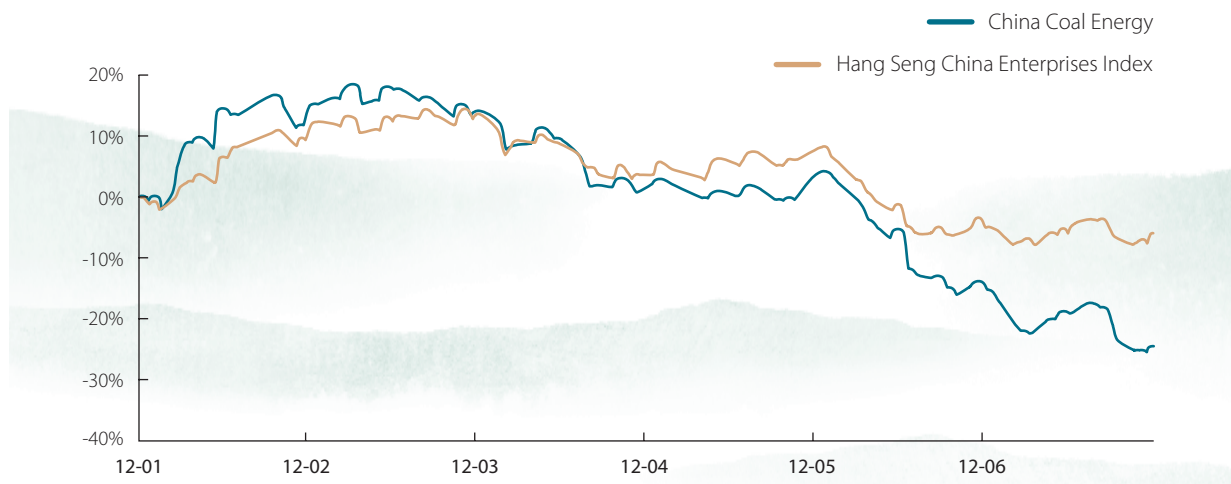
In the first half of 2012, global economic recovery was slower than expected, with the European debt crisis worsening and global financial markets getting into prolonged turbulence. Weak external and domestic demand exerted additional downside pressure on the macro economy of the PRC. Facing the complex and ever-changing economic environment both at home and abroad, the Chinese government intensified preemptive and fine-tuning measures, and made its policies more targeted, flexible and forward-looking.

Meanwhile, the government proactively adopted measures to boost domestic demand so as to create a favourable policy environment for maintaining a stable and relatively fast economic development. As at 30 June 2012, Shanghai Composite Index closed at 2,225.43 points, representing an increase of 2.5% from the beginning of the year; and Hang Seng China Enterprises Index closed at 9,574.84 points, representing a decrease of 6.5% from the beginning of the year.

Share price performance of China Coal Energy A Share (601898.SH) in the first half of 2012



Share price performance of China Coal Energy H Share (01898.HK) in the first half of 2012



China Coal Energy always highly values the management of investor relations, and considers the maintenance of investor relations as an ongoing management strategy. Through strengthening comprehensive contact and communication with investors, the Company fully demonstrates its business operations and future prospects to existing and potential investors, so as to boost investors' understanding and recognition of the Company and enhance its corporate governance. In the first half of 2012, the Company conducted extensive communication with the capital market through various channels, including organising non-deal domestic and overseas road shows, holding press conferences of business results, attending domestic and overseas investor forums and receiving investor visits for study and research. There were 266 investors' meetings and 921 attendees in total, in which the Company staged 3 press conferences and presentations of business results and 67 meetings of non-deal road shows, and participated in 33 forums organised by 13 domestic and overseas securities firms.

The Company enhanced its communication and contact with investors on an ongoing basis, increased the depth and expanded the scope of voluntary information disclosure. The Company published the relevant circulars, notices and announcements at the Company's website in a timely manner and insisted on disclosing its monthly production and operation data, so as to present the comprehensive and up-to-date information of the Company to investors. The Company adopted various effective methods to maintain

close communication with coal analysts and fund managers, actively convened special teleconferences for major issues in the production and operation of the Company, and answered the questions raised by investors carefully. Furthermore, dedicated staff were appointed to patiently and meticulously answer different questions from investors through an investor enquiry hotline, fax line and mailbox, so as to stay in close contact with small and medium-sized investors.

The Company placed high importance to recommendations and feedbacks from the capital market, and improved our investor relations work level constantly. Keeping a close eye on rating and valuation changes of the Company by mainstream securities firms, the Company studied and analysed the methodology and approach for building the valuation model for listed companies and made specific in-depth communication with coal industry analysts on issues of concern, which facilitated the correct understanding of the Company's inherent investment value in the capital market.

The Company also placed emphasis on the smooth communication with mainstream financial media. In the first half of 2012, China Coal Energy staged a symposium with mainstream financial media, where China Coal Energy's 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.



Investor Relations

List of investor relations activities in the first half of 2012

Activities	Time	Type	Name of activity	Session(s)	Number of attendees
Major activities	March 2012	A Share	Investors & Analysts Presentation of 2011 annual results	1	37
			Non-deal road show: Shanghai, Shenzhen	11	35
	March 2012	H Share	Investors & Analysts Presentation of 2011 annual results	1	134
			Press Conference of 2011 annual results	1	25
			Non-deal road show: Hong Kong, Singapore, Japan, USA, Europe	56	122
	Sub-total		70	353	
Investment Forums	January 2012	H Share	UBS Greater China Symposium	10	47
	January 2012	H Share	The Tenth Deutsche Bank Access China Conference	2	30
	March 2012	A Share	The Fourth Roundtable Dialogue on Capital Market	1	50
	April 2012	H Share	Nomura – China Investment Forum 2012	3	20
	May 2012	A Share	Shenyin Wanguo Overseas China Stocks Investment Strategy Symposium	2	15
			CLSA China Investors Forum 2012	1	22
	May 2012	H Share	The Third Morgan Stanley Investors Summit	5	26
	May 2012	H Share	Macquarie China Commodities Annual Meeting 2012	1	32
	June 2012	H Share	Credit Suisse China Investment Annual Meeting	3	9
	June 2012	A Share	Essence Securities Interim Investment Strategies Meeting 2012	1	4
	June 2012	H Share	The Eighth J.P. Morgan China Forum	3	13
	June 2012	H Share	Standard Chartered Bank Earth Resources Conference 2012	10	48
	June 2012	A Share	CITIC Securities Interim Strategies Meeting 2012	1	25
		Sub-total		43	341
	Day-to-day receptions	January to June	A+H Share		147
Reverse road shows		A+H Share		6	26
Total				266	921

In the first half of 2012, China Coal Energy was awarded the “Top 100 Most Profitable A Share Company 2011” by China Economic Research Institute, a think tank of China Economic Weekly, and the “Top 100 China Capital Brand Value 2012” jointly held by China Research Center for Market Value Management, China Center for Financial Research of Tsinghua University and Sina.com and the “Top 100 Most Valuable Companies Listed in the Chinese Main Board” by Securities Times. These awards fully reflected the good operational results of the Company in recent years and the unremitting efforts made by the management of the Company in respect of corporate governance.

In the second half of 2012, China Coal Energy will continue to adhere to its principles of transparency, integrity, fairness and openness to maintain close communication with the capital market and deepen 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 complying with domestic and overseas laws and regulations and applicable listing rules, the Company endeavored to pursue standardised operations, improve the corporate governance structure, accelerate the development of information systems, improve the comprehensive risk management system and internal control system as well as enhance management efficiency and corporate governance. 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 the CSRC and the Listing Rules.

In making critical decisions on major issues and managing the daily operation, the Company's governing body, decision-making body, supervisory body and executive body duly discharged their respective duties and responsibilities, supported and held checks and balances against each other and were dedicated to creating values for Shareholders and the society in accordance with the provisions of relevant laws and regulations such as the Company Law and the Securities Law as well as the prescribed responsibilities and functions of General Meeting of Shareholders, the Board, the Supervisory Committee and the corporate management. The Board of the Company currently comprises nine Directors, including two executive Directors, two non-executive Directors and five independent non-executive Directors. Five special committees, namely the Strategic Planning Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee, and the Safety, Health and Environmental Protection Committee, were set up under the Board, assisting the Board in decision-making and monitoring such areas as strategic planning, auditing, employee's remuneration, nomination and safe production respectively.

During the reporting period, the Company convened one general meeting, two Board meetings and two supervisory committee meetings.

During the reporting period, the Company compiled and disclosed periodic reports and provisional announcements in a true, accurate, complete and timely manner and in strict compliance with the listing rules of places where shares of the Company were listed and the information disclosure system of the Company.

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

II. Compliance with the Corporate Governance Code and Corporate Governance Report

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

During the reporting period, the Company had complied with the principles and code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules and the Code on Corporate Governance Practices which became invalid from 1 April 2012.



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

IV. Board Meetings

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

(1) At the first meeting in 2012 of the Second Session of the Board held on 27 March 2012, twenty four resolutions were considered and approved. Details were as below:

1. Resolution on Annual Report for 2011 of the Company and its Summary and Results Announcement for 2011;
2. Resolution on Directors’ Report of the Company for 2011;
3. Resolution on Financial Report of the Company for 2011;
4. Resolution on Proposed Profit Distribution Plan of the Company for 2011;
5. Resolution on Production and Operating Plans of the Company for 2012;
6. Resolution on Capital Expenditure Plans of the Company for 2012;
7. Resolution on Financial Plans of the Company for 2012;
8. Resolution on Engaging Auditors to Review Interim Financial Report and Audit Annual Financial Report for 2012;
9. Resolution on Remuneration of Directors and Supervisors of the Company for 2012;
10. Resolution on Report of the Board on the Self-assessment of Internal Control of the Company for 2011;
11. Resolution on Social Responsibility Report of the Company for 2011;
12. Resolution on Operational Results Evaluation for Senior Management of the Company for 2012;
13. Resolution on the Acquisition of 80% Equity of Shanxi Zhongxin Tangshangou Coal Mine Company Limited;
14. Resolution on the Acquisition of 100% Equity of China Coal Sales and Transportation Company Limited;
15. Resolution on the Investment in the Construction of Ordos Engineering Plastics Project;
16. Resolution on Guarantee Provided for Taiyuan Coal Gasification Longquan Energy Development Company Limited;
17. Resolution on the Change of Financing Body and Guarantee of Wangjialing Coal Mine Project;
18. Resolution on the Guarantee Provided for the Loans Regarding the Resource Integration, Merger and Acquisition of Huajin Coking Coal Company Limited;
19. Resolution on the Guarantee Provided for the Loans Regarding Phase II of Gas Power Plant Project of Huajin Coking Coal Company Limited;
20. Resolution on Amendments to the Articles of Association;

21. Resolution on Amendments to the Rules of Procedure for the General Meeting;
22. Resolution on Amendments to the Rules of Procedure for the Board;
23. Resolution on Amendments to the Terms of Reference of the Audit Committee, the Terms of Reference of the Remuneration Committee, the Terms of Reference of the Nomination Committee and Work System of Independent Directors;
24. Resolution on Convening of Annual General Meeting for 2011.

(2) The second meeting in 2012 of the Second Session of the Board was held on 27 April 2012.

The resolution on the Company's First Quarterly Report for 2012 and the resolution on amendments to the Registration System for Individuals With Insider Information were considered and approved on the meeting. The Board listened to the Company's 2011 work progress and 2012 work arrangement in relation to auditing, safety, health and environmental protection, the 2011 resolution execution by the Board, the completion status of the capital expenditure plan for the first quarter of 2012 and the report on the status of the Company's connected parties.

V. Meetings of Board Committees

(1) Audit Committee

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

At the first meeting in 2012 of the Second Session of the Audit Committee of the Board held on 5 March 2012, the committee considered and approved the resolution on the amendments to the Terms of Reference of the Audit Committee of the Board and listened to the preliminary audit results of the external auditor of the Company on the 2011 financial report of the Company.

At the second meeting in 2012 of the Second Session of the Audit Committee of the Board held on 26 March 2012, the committee listened to audit conclusion report of the external auditor of the Company on the 2011 financial report of the Company. The following fourteen resolutions were considered and approved:

1. Resolution on Annual Report for 2011 of the Company and its Summary and Results Announcement for 2011;
2. Resolution on Financial Report of the Company for 2011;
3. Resolution on Proposed Profit Distribution Plan of the Company for 2011;
4. Resolution on Production and Operating Plans of the Company for 2012;
5. Resolution on Financial Plans of the Company for 2012;
6. Resolution on Report of the Board on the Self-assessment of Internal Control of the Company for 2011;
7. Resolution on Engaging Auditors to Review Interim Financial Report and Audit Annual Financial Report for 2012;
8. Resolution on the Acquisition of 80% Equity of Shanxi Zhongxin Tangshangou Coal Mine Company Limited;
9. Resolution on the Acquisition of 100% Equity of China Coal Sales and Transportation Company Limited;
10. Resolution on Guarantee Provided for Taiyuan Coal Gasification Longquan Energy Development Company Limited;
11. Resolution on the Change of the Financing Entity and Guarantee of the Wangjialing Coal Mine Project;

Corporate Governance

12. Resolution on the Guarantee Provided for the Loans Regarding Resources Integration, Merger and Acquisition of Huajin Coking Coal Company Limited;
13. Resolution on the Guarantee Provided for the Loans regarding Gas Power Plant Phase II Project of Huajin Coking Coal Company Limited;
14. Resolution on the Amendment to the Work System of Independent Directors of the Board.

At the third meeting in 2012 of the Second Session of the Audit Committee of the Board held on 26 April 2012, the committee considered and approved the resolution on the First Quarterly Report for 2012 and listened to the 2012 work arrangement and the report on the status of the Company's connected parties.

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 unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2012 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 26 March 2012, on which the following four resolutions were considered and approved:

1. Resolution on Annual Report for 2011 of the Company and its Summary and Results Announcement for 2011;
2. Resolution on Remuneration of Directors and Supervisors of the Company for 2012;
3. Resolution on Operating Results Evaluation for Senior Management of the Company for 2012;
4. Resolution on amendments to the Terms of Reference of the Remuneration Committee of the Board.

(3) Strategic Planning Committee

During the reporting period, the strategic planning committee of the Board held one meeting on 26 March 2012, on which the following three resolutions were considered and approved:

1. Resolution on Annual Report for 2011 of the Company and its Summary and Results Announcement for 2011;
2. Resolution on Capital Expenditure Plans of the Company for 2012;
3. Resolution on the Investment in the Construction of Ordos Engineering Plastics 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 26 March 2012, on which the following two resolutions were considered and approved:

1. Resolution on Annual Report for 2011 of the Company and its Summary and Results Announcement for 2011;
2. Resolution on Social Responsibility Report of the Company for 2011.

(5) Nomination Committee

During the reporting period, the nomination committee of the Board held one meeting on 26 March 2012, on which the following two resolutions were considered and approved:

1. Resolution on Annual Report for 2011 of the Company and its Summary and Results Announcement for 2011;
2. Resolution on the amendments to the Terms of Reference of the Nomination Committee of the Board.

VI. Meetings of Supervisory Committee

Sessions of Meetings	Dates of Meetings	Newspapers for disclosure of the Resolutions	Date for disclosure of the Resolutions
First meeting in 2012 of the second session of the Supervisory Committee	27 March 2012	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	28 March 2012
Second meeting in 2012 of the second session of the Supervisory Committee	27 April 2012	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily	28 April 2012

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

At the first meeting in 2012 of the second session of the Supervisory Committee convened in Beijing on 27 March 2012, seven resolutions were considered and approved, which mainly covered the resolution on Annual Report for 2011 of the Company and its Summary, Results Announcement for 2011, Report of the Supervisory Committee, the Financial Report for 2011, the Proposed Profit Distribution Proposal for 2011, the Assessment Report on the Company's Internal Control for 2011, the Acquisition of the 80% Equity in Shanxi Zhongxin Tangshangou Coal Mine Company Limited and the 100% Equity in China Coal Sales and Transportation Company Limited.

At the second meeting in 2012 of the Second Session of the Supervisory Committee held on 27 April 2012, Resolution on First Quarterly Report for 2012 of the Company was considered and approved.

VII. Management of Connected Transactions

During the reporting period, the Company continued to strengthen connected transactions management and enhanced the management level, 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.

Corporate Governance

The Company spared no efforts to implement management mechanisms such as budget management, monthly monitoring, early warning for caps and periodic consultation. Efforts have also been made to develop dedicated software for the management of connected transactions so as to standardise the content and format of the monthly statistics of connected transactions and enhance the efficiency and accuracy of such statistics, hence laying a solid technical foundation for strengthening the management of connected transactions. The Company has entered into a series of framework agreements of continuing connected transactions with China Coal Group and other connected persons, including the Coal Supplies Framework Agreement, Integrated Materials and Services Mutual Provision Framework Agreement, Project Design, Construction and General Contracting Service Framework Agreement, Property Leasing Framework Agreement and Land Use Rights Leasing Framework Agreement, etc. During the reporting period, each of the above-mentioned continuing connected transactions has been performed in accordance with the relevant signed and announced framework agreements and pricing principles. In respect of each of the connected transactions, the Company, in strict compliance with the requirements of the domestic and overseas listing rules, carried out size tests and timely fulfilled all approval and disclosure procedures to ensure the regulatory compliance of the Company's operation.

Disclosure of Major Events

I. Share Capital Structure

As at 30 June 2012, the Company's share capital structure was as follows:

Type of Shares	Number of Shares	Percentage of the total issued share capital (%)
A Shares	9,152,000,400	69.03
Inclusive of A Shares held by China Coal Group	7,505,872,019	56.61
H Shares	4,106,663,000	30.97
Inclusive of H Shares held by China Coal Hong Kong Limited	120,000,000	0.91
Total	13,258,663,400	100.00
Inclusive of shares held by China Coal Group and parties acting in concert with it	7,625,872,019	57.52

II. Distribution of Final Dividends for 2011

The Company's 2011 profit distribution plan was approved at the Company's 2011 Annual General Meeting held on 25 May 2012. Cash dividends of RMB 2,851,145,100 were distributed to the Shareholders, representing 30% of the net profit attributable to the Shareholders of the Company under the PRC Accounting Standards of Business Enterprises, which was RMB 9,503,817,000 (the lower of post-tax profits in the financial statements prepared in accordance with the PRC Accounting Standards of Business Enterprises and International Financial Reporting Standards). The distribution was based on the Company's total issued share capital of 13,258,663,400 shares, representing a dividend of RMB 0.215 per share (inclusive of tax). The aforesaid final dividends were duly paid to the Shareholders of the Company on 14 June 2012 (A Shares) and 18 July 2012 (H Shares) respectively.

Pursuant to the "Notice Regarding Questions on Withholding Enterprise Income Tax When PRC Resident Enterprises Distribute Dividends 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 provisions 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 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 provisions of current tax law.

Pursuant to the "Notice on the Issues on Levy of Individual Income Tax after the Abolishment of the Document Guo Shui Fa [1993] No. 045" (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, dividends, 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 shall be determined according to the relevant tax treaties signed between the countries where they are residing and Mainland China.

Disclosure of Major Events

III. Interim Profit Distribution Plan for 2012

The Company will not distribute any interim dividends for 2012.

IV. Amendment to the Articles of Association

On 25 May 2012, in order to comply with the amendment to the requirements of the Listing Rules and the Code on Corporate Governance Practices of the HKSE as well as governance requirements of the domestic regulatory authorities, the resolution in relation to the amendment to the Articles of Association was considered and approved at the Company's 2011 Annual General Meeting.

For details, please refer to the relevant announcement released on the websites of SSE, HKSE and the Company on 25 May 2012.

V. Assets Transactions

During the reporting period, there were no material assets transactions.

VI. Investment of the Company during the Reporting Period

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

In 2012, the Company's capital expenditure budget mainly focused on four major business segments, namely coal, coal chemical, coal mining equipment and power generation, and included three categories, namely capital construction projects, acquisition and maintenance of fixed assets and equity investment. The total capital expenditure budgeted for 2012 was RMB 43.146 billion in total. During the reporting period, the actual investment amount was 14.22 billion, representing 32.96% of the annual budget.

Unit: RMB 100 Million

No.	Business segment	Actual Capital Expenditure From January to June 2012	Percentage of the total budget (%)	Annual Budget for 2012	Actual Investment Ratio (%)
1	Coal	84.86	59.68	232.33	36.53
2	Coal chemical	50.02	35.18	170.91	29.27
3	Coal mining equipment	5.25	3.69	18.41	28.51
4	Power generation	0.05	0.03	2.70	1.78
5	Others	2.02	1.42	7.11	28.39
	Total	142.20	100.00	431.46	32.96

During the reporting period, the Company managed to overcome the difficulties imposed by its key construction projects located in northern China with short construction periods, and proactively promoted the construction of projects under construction. As a result, the actual investment ratio was higher than

that for the corresponding period of 2011. However, pursuant to the national industrial policies, the power generation project has been undergoing approval procedures and will commence construction upon obtaining the approval from the government.

(2) Use of Proceeds**1. General Use of Proceeds**

Unit: RMB 100 Million

Year of proceeds-raising	Method	Net proceeds	Total amount of proceeds used during the year	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	17.55	186.16	67.04	Deposited as term deposit with the bank in which the special account for proceeds was maintained.
Total	/	397.86	17.55	330.82	67.04	/

2. Use of proceeds from H Share issuance

After deducting related expenses, the net proceeds from H Share issuance of the Company amounted to RMB 14.466 billion. For the year ended 31 December 2009, all net proceeds were used in the way disclosed as in the prospectus of H Shares. As at 30 June 2012, among various investment projects funded by the

H Share proceeds, Antaibao underground mine and Heilongjiang methanol project (with a production capacity of 250,000 tonnes/year) were completed, and both of projects have come into operation and generated revenue. The major construction for East Open Pit Mine was substantially completed, and the dedicated railway line is scheduled to commence operation in October.



Disclosure of Major Events

3. Use of proceeds from A Share issuance

As at 30 June 2012, the actual application of A share proceeds amounted to RMB 18.616 billion in total, representing approximately 73.5% of the net proceeds from the A Share issuance, details of which were listed below:

Unit: RMB 100 Million

Net proceeds raised	253.20	Total proceeds applied during the reporting period	17.55			
		Total accumulative proceeds applied	186.16			
	Any change in project	Proposed investment amount	Actual investment amount	Whether the planned schedule was met	Expected revenue	Actual revenue
Committed projects						
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	No	41.58	25.49	No	—	—
Heilongjiang Project and ancillary engineering facilities 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 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	—	—
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 Shanxi 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 Company Limited (under preparation) with an annual production capacity of 3 million tonnes of coal	Yes	12.00	12.00	Yes	—	—
Coal Machinery Equipment Industrial Park Project developed by China Coal Zhangjiakou Coal Mining Machinery Company Limited	Yes	23.62	19.07	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 tons of polypropylene	Yes	21.00	21.00	Yes	—	—
Supplement of working capital of the Company for general corporate purposes or for acquisitions of core business related assets	Yes	28.38	28.38	Yes	—	—
Total		—	186.16	—	—	—
Reasons for failure to meet the 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 are actively seeking approval and the preparatory work for the construction is substantially completed.					
Intended use and whereabouts of unapplied proceeds	Deposited as term deposit with the bank in which a 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 issuance of shares in 2012 was set out below:

Unit: RMB 100 Million

Name of projects	Amount involved in the project	Progress of the projects		Revenue generated from the project
		Actual investment from January to June 2012	The accumulative investment up to the end of June 2012	
Wangjialing Coal Mine in Xiangning of Shanxi	50.21	3.83	43.58	Currently, the project is not completed and no revenue is generated.
Renovation and expansion project of Kongzhuang Coal Mine in Jiangsu	5.32	0.30	5.12	Currently, the project is not completed and no revenue is generated.
Renovation and expansion project of Coal Preparation Plant of Pingshuo Anjialing No.1 Underground Mine	1.40	0.05	1.16	Currently, the project is not completed and no revenue is generated.
Renovation and expansion project of No.106 Coal Mine in Xinjiang	6.77	0.76	3.88	Currently, the project is not completed and no revenue is generated.
Coke oven gas produced chemical fertiliser project in Lingshi of Shanxi	9.97	2.72	7.92	Currently, the project is not completed and no revenue is generated.
Mengda Coal-based methanol project in Ordos	35.47	4.56	15.82	Currently, the project is not completed and no revenue is generated.
Phase I of Tuke Fertiliser Project in Ordos	95.06	10.45	33.82	Currently, the project is not completed and no revenue is generated.
Engineering Plastics Project in Ordos	104.22	0.38	0.65	Currently, the project is not completed and no revenue is generated.
Equipment Manufacturing Base Project in Ordos	8.99	0.49	3.99	Currently, the project is not completed and no revenue is generated.
High-precision Aluminum Strip Project in Jiangsu	17.01	0.00	16.11	Officially entered into production after completion and passing-inspection in February 2012.
Pingshuo Fly Ash Comprehensive Utilisation and Resource Demonstration Project in Shanxi	8.34	1.02	3.10	Currently, the project is not completed and no revenue is generated.

Disclosure of Major Events

Furthermore, on 30 December 2011, the Company entered into an agreement in relation to the acquisition of the equity interest in Ordos Yinhe Hongtai Coal Electricity Company Limited held by China Datang Corporation and paid the remaining consideration of RMB 2.16 billion in the first half of 2012. The Company also acquired 15% of the equity interest in Mengda Mining Company and 10% of the equity interest in Mengda Chemical Company held by Shanghai Zendai Investment Management Company Limited at a consideration of RMB 915 million and RMB 130 million respectively.

VII. Purchase, Sale or Redemption of Listed Securities of the Company

For the six months ended 30 June 2012, 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.

VIII. Substantial Interests and Short Positions

As at 30 June 2012, 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 or underlying shares of the Company as recorded in the register of interests and/or short positions in shares or underlying shares were listed in the table below:

Name of shareholders	Name of shareholders	Class of shares	Nature of interest	Capacity	Percentage of the total shares in issue under respective class of shares (%)	Percentage of the total shares in issue (%)
China National Coal Group Corporation	7,505,872,019	A Shares	Not applicable	Beneficial owner	82.01	56.61
Government of Singapore Investment Corporation Pte Ltd	330,090,390	H Shares	Long position	Investment manager	8.04	2.49
BlackRock, Inc.	326,679,096	H Shares	Long position	Interest of controlled corporation by major shareholders	7.95	2.46
	54,654,128		Short position		1.33	0.41
Davis Selected Advisers, L.P. (d/b/a: Davis Advisors)	248,098,000	H Shares	Long position	Investment manager	6.04	1.87
Morgan Stanley	247,815,454	H Shares	Long position	Interest of controlled corporation by major shareholders	6.03	1.87
	89,949,930		Short position		2.19	0.68
JPMorgan Chase & Co.	206,804,177	H Shares	Long position	Of which, 47,883,772 shares are held in the capacity of beneficial owners and 158,920,405 shares (lending pool) were held in the capacity of custodian – corporation/ approved lending agents	5.04	1.56
	14,225,000		Short position	Beneficial owner	0.35	0.11

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

Save as disclosed above, as at 30 June 2012, 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 shares or underlying shares of the Company.

IX. Directors', Supervisors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company

As at 30 June 2012, 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 its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which are required to be entered in the register of interests maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or which are required to be notified to the Company and HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

As at 30 June 2012, 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 any of the above-mentioned individuals exercise any such rights to subscribe for the aforesaid shares or debentures.

X. Employees and Remuneration Policy

As at 30 June 2012, the Company had a total of 55,607 employees, of whom, 4,685 were management staff, 8,754 were technical staff, 972 were sales staff, 35,171 were production staff and 6,025 were other staff.

The Company has been adhered to its "people-oriented" management philosophy. Since this year, the Company has set a guideline for human resources management as "focus on the central task, serve the overall interests, give strong assurance, emphasize the key points, move up in phase and advance as a whole", which further specifies the value and mission of human resources, and enables human resources to become core capability and competitive edge that keep pushing the Company ahead.

With "enhancing the calibre of employees and facilitating the construction of talent pool" as the main theme, the Company proactively optimised the deployment of human resources and has enriched the project team with talented management and technical staff recruited through public recruitment. The Company established an e-learning institute to enhance the efficiency of learning and to accommodate the concurrent needs for working and learning.

In relation to remuneration strategy for employees, the fundamental principle of the income allocation of the Company is "achieving steady growth, adjusting the structure and advancing development". The Company strives to formulate an income allocation pattern characterised by moderate growth, reasonable discrepancies and harmonious relations to transform the management of income allocation from extrinsic growth to organic growth.

Disclosure of Major Events

In relation to remuneration for senior management, annual remuneration packages and the corresponding appraisal and incentive scheme are implemented for the Board and senior management of the Company. The annual remuneration for senior management consists of basic salary and performance-based compensation. The basic salary is determined by the operating scale of the Company with reference to the prevailing market level and income level 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.

XI. Other Major Events

(1) Investment in the Construction of Engineering Plastics Project in Ordos

On 27 March 2012, the resolution on Investment in the Construction of Engineering Plastics Project in Ordos was considered and approved at the First Meeting in 2012 of the Second Session of the Board, agreeing that the Company would invest in the construction of Engineering Plastics Project in Ordos. The project obtained the approval (Nei Fa Gai Chan Ye Zi [2011] No.49) from Inner Mongolia Development and Reform Commission in January 2011. The proprietary technologies of the project has been basically determined while the basic design and construction of the project have progressed smoothly. For details, please refer to the relevant announcement released on the websites of SSE, HKSE and the Company on 27 March 2012.

(2) Acquisitions of China Coal Sales and Transportation Company and TSG

On 27 March 2012, the resolutions on the Proposal on Acquisition of 100% equity interest in China Coal Sales and Transportation Company and the Proposal on Acquisition of 80% equity interest in Shanxi Zhongxin Tangshangou Coal Mine Company Limited were considered and approved at the First Meeting in 2012 of the Second Session of the Board, agreeing that the Company would acquire 100% equity interest in China Coal Sales and Transportation Company and 80% equity interest in TSG respectively. China Coal Sales and Transportation Company has currently completed the change of business registration with the relevant administration for industry and commerce and become a wholly-owned subsidiary of the Company while the acquisition of TSG is being worked on in a proactive manner.

For details, please refer to the relevant announcement released on the websites of SSE, HKSE and the Company on 27 March 2012.

(3) Issues on the relocation of the neighbouring residents of China Coal and Coke Jiuxin Limited

In May 2010, the Ministry of Environmental Protection of China issued the Circular on Examination Results after Environmental Protection Inspection on Listed Companies, which addressed the environmental issues on the relocation of the neighbouring residents of China Coal and Coke Jiuxin Limited (a subsidiary of the Company) in Lingshi. The Company has attached great importance to the issues and reached initial agreement with local government on the relocation matters.

XII. Subsequent Event

On 16 August 2012, the Board announced that the Company had entered into the promoters' agreement with China Railway Investment Corporation* (中國鐵路建設投資公司) ("China Railway Investment") and the other promoters, pursuant to which the parties had agreed to establish Mengxi-Huazhong Railway Co., Ltd. ("Mengxi-Huazhong Railway Co") with an initial registered capital of RMB 1 billion, which is expected to progressively increase to RMB 54 billion. Upon completion of the establishment of Mengxi-Huazhong Railway Co, the Company will own as to 10% of the equity interest of Mengxi-Huazhong Railway Co, China Railway Investment will own as to 20% of the equity interest of Mengxi-Huazhong Railway Co and the other promoters together will own as to 70% of the equity interest of Mengxi-Huazhong Railway Co. For details, please refer to the relevant announcement released on the websites of SSE, HKSE and the Company on 16 August 2012.

XIII. 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 various risks, uncertainties and assumptions, which are beyond the Company's control. Such potential risks and uncertainties include those concerning the market conditions of coal, coal mining equipment 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 does not intend 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



羅兵咸永道

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 49 to 83, which comprises the condensed consolidated interim balance sheet of China Coal Energy Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2012 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, 21 August 2012

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Condensed Consolidated Interim Balance Sheet

As at 30 June 2012
(All Amounts in RMB unless otherwise stated)

	Note	30 June 2012 Unaudited RMB'000	31 December 2011 Audited and restituted RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	66,486,784	60,248,092
Investment properties		29,289	29,912
Land use rights		2,784,397	2,815,270
Mining and exploration rights	8	31,429,931	28,419,571
Intangible assets		111,848	110,402
Investments in associates		7,764,225	7,058,652
Investments in jointly controlled entities		695,512	578,015
Available-for-sale financial assets		1,399,512	1,221,995
Deferred income tax assets	17	307,692	202,046
Long-term receivables		137,004	114,713
Other non-current assets	9	1,930,588	3,048,458
Total non-current assets		113,076,782	103,847,126
Current assets			
Inventories	10	7,663,032	7,290,886
Trade and notes receivables	11	10,555,406	7,976,901
Prepayments and other receivables	12	6,768,739	6,165,140
Restricted bank deposits	13	3,231,091	3,173,248
Term deposits with initial terms of over three months	13	9,162,158	11,295,045
Cash and cash equivalents	13	14,811,069	20,926,515
Total current assets		52,191,495	56,827,735
TOTAL ASSETS		165,268,277	160,674,861
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	14	13,258,663	13,258,663
Reserves		44,313,508	44,078,174
Retained earnings			
– Dividends proposed after the balance sheet date		—	2,851,145
– Others		26,175,474	21,774,491
Total equity		83,747,645	81,962,473
Non-controlling interests		13,746,172	14,207,845
Total equity		97,493,817	96,170,318

Condensed Consolidated Interim Balance Sheet

As at 30 June 2012

(All Amounts in RMB unless otherwise stated)

	Note	30 June 2012 Unaudited RMB'000	31 December 2011 Audited and restated RMB'000
LIABILITIES			
Non-current liabilities			
Long-term borrowings	15	16,226,272	11,456,013
Long-term bonds	16	14,950,364	14,955,000
Deferred income tax liabilities	17	7,178,088	6,972,590
Deferred revenue		336,137	349,309
Provision for employee benefits		158,669	160,071
Provision for close down, restoration and environmental costs	20	1,111,133	1,086,384
Other long-term liabilities		218,751	214,739
Total non-current liabilities		40,179,414	35,194,106
Current liabilities			
Trade and notes payables	18	12,512,836	10,970,057
Accruals, advance and other payables	19	10,944,498	11,694,219
Taxes payables		1,787,376	3,564,753
Short-term borrowings	15	1,255,296	2,254,696
Current portion of long-term borrowings	15	1,045,395	798,449
Current portion of provision for close down, restoration and environmental costs	20	49,645	28,263
Total current liabilities		27,595,046	29,310,437
Total liabilities		67,774,460	64,504,543
TOTAL EQUITY AND LIABILITIES		165,268,277	160,674,861
NET CURRENT ASSETS		24,596,449	27,517,298
TOTAL ASSETS LESS CURRENT LIABILITIES		137,673,231	131,364,424

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 21 August 2012.

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 2012
(All Amounts in RMB unless otherwise stated)

		Six months ended 30 June	
		2012	2011
		Unaudited	Unaudited
		RMB'000	and restated
	Note		RMB'000
Revenue	6	45,407,704	43,098,234
Cost of sales			
Materials		(19,803,925)	(18,450,887)
Staff costs		(2,262,024)	(2,066,375)
Depreciation and amortisation		(2,082,053)	(1,909,127)
Repair and maintenance		(548,054)	(501,811)
Transportation costs		(5,459,156)	(4,786,271)
Sales taxes and surcharges		(716,774)	(693,160)
Others		(5,060,776)	(4,597,884)
Cost of sales		(35,932,762)	(33,005,515)
Gross profit		9,474,942	10,092,719
Selling, general and administrative expenses		(2,294,738)	(2,052,290)
Other income		4,175	518
Other gains, net		49,040	17,718
Profit from operations		7,233,419	8,058,665
Finance income	22	421,100	257,542
Finance costs	22	(593,739)	(276,022)
Share of profits of associates and jointly controlled entities		207,975	34,847
Profit before income tax		7,268,755	8,075,032
Income tax expense	23	(1,816,926)	(1,988,766)
Profit for the period		5,451,829	6,086,266
Profit attributable to:			
Equity holders of the Company		5,123,643	5,583,209
Non-controlling interests		328,186	503,057
		5,451,829	6,086,266
Basic and diluted earnings per share for the profit attributable to the equity holders of the Company (RMB Yuan)		0.39	0.42
Dividends distributed	24	2,851,145	2,072,693
Dividends proposed after the balance sheet date	24	—	—

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 2012
(All Amounts in RMB unless otherwise stated)

	Six months ended 30 June	
	2012 Unaudited RMB'000	2011 Unaudited and restated RMB'000
Profit for the period	5,451,829	6,086,266
Other comprehensive income:		
Fair value changes on available-for-sale financial assets, net of tax	145	132
Currency translation differences	680	(3,552)
Other comprehensive income/(loss) for the period, net of tax	825	(3,420)
Total comprehensive income for the period	5,452,654	6,082,846
Total comprehensive income attributable to:		
Equity holders of the Company	5,124,468	5,579,789
Non-controlling interests	328,186	503,057
	5,452,654	6,082,846

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 2012
(All Amounts in RMB unless otherwise stated)

	Attributable to the equity holders of the Company				Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Reserves RMB'000	Retained earnings RMB'000	Subtotal RMB'000		
Unaudited						
Balance at 1 January 2011 (as previously reported)	13,258,663	42,817,680	17,972,228	74,048,571	12,289,979	86,338,550
Acquisition of a subsidiary under common control	—	114,898	91,616	206,514	(11,852)	194,662
Balance at 1 January 2011 (restated)	13,258,663	42,932,578	18,063,844	74,255,085	12,278,127	86,533,212
Total comprehensive income for the period ended 30 June 2011 (restated)	—	(3,420)	5,583,209	5,579,789	503,057	6,082,846
Appropriations	—	860,169	(860,169)	—	—	—
Dividends (Note 24)	—	—	(2,072,693)	(2,072,693)	(105,280)	(2,177,973)
Contributions	—	—	—	—	205,000	205,000
Balance at 30 June 2011 (restated)	13,258,663	43,789,327	20,714,191	77,762,181	12,880,904	90,643,085
Unaudited						
Balance at 1 January 2012 (as previously reported)	13,258,663	43,944,415	24,541,964	81,745,042	14,219,747	95,964,789
Acquisition of a subsidiary under common control	—	133,759	83,672	217,431	(11,902)	205,529
Balance at 1 January 2012 (restated)	13,258,663	44,078,174	24,625,636	81,962,473	14,207,845	96,170,318
Total comprehensive income for the period ended 30 June 2012	—	825	5,123,643	5,124,468	328,186	5,452,654
Appropriations	—	646,416	(646,416)	—	—	—
Acquisition of a subsidiary under common control (Note 2(b))	—	(134,288)	(72,294)	(206,582)	—	(206,582)
– Including: the subsidiary's transfer of retained earnings to share capital	—	72,294	(72,294)	—	—	—
Purchase of equity from a non-controlling shareholder (Note 28)	—	(377,042)	—	(377,042)	(667,947)	(1,044,989)
Share of other change of reserve of associates and joint controlled entities	—	88,023	—	88,023	8,958	96,981
Dividends (Note 24)	—	—	(2,851,145)	(2,851,145)	(208,494)	(3,059,639)
Profit distributed to original shareholder prior to common control acquisition	—	—	(3,950)	(3,950)	—	(3,950)
Contributions	—	11,400	—	11,400	77,624	89,024
Balance at 30 June 2012	13,258,663	44,313,508	26,175,474	83,747,645	13,746,172	97,493,817

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 2012
(All Amounts in RMB unless otherwise stated)

		Six months ended 30 June	
		2012	2011
		Unaudited	Unaudited and restated
		RMB'000	RMB'000
	Note		
Cash flows from operating activities			
Cash generated from operations	25	6,410,485	8,181,349
Interest paid		(504,655)	(319,327)
Interest income received		619,655	139,812
Income tax paid		(2,421,724)	(2,230,517)
Net cash generated from operating activities		4,103,761	5,771,317
Cash flows from investing activities			
Purchases of property, plant and equipment		(8,938,073)	(6,871,394)
Proceeds from disposal of property, plant and equipment		13,849	22,193
Purchases of land use rights, mining rights and intangible assets		(1,116,638)	(347,377)
Proceeds from disposal of land use rights, mining rights and intangible assets		3,162	—
Purchases of available-for-sale financial assets		(177,323)	(475,043)
Proceeds from disposal of available-for-sale financial assets		—	900
Increase in prepayment for investments		—	(794,720)
Purchase of non-controlling interest of subsidiaries (Note 28)		(1,044,989)	—
Acquisition of a subsidiary (Note 2(b))		(206,582)	(309,986)
Payment of previous year's acquisition consideration		(2,429,567)	—
Dividends received		23,021	6,568
Increase in investments in associates		(511,313)	(666,062)
Increase in investments in jointly controlled entities		(51,000)	—
Repayment of loans from jointly control entities		100,000	—
Decrease/(Increase) in placement of term deposits with initial terms of over three months		2,132,887	(8,029,165)
Receipt of government grant for assets		—	22,088
Net cash used in investing activities		(12,202,566)	(17,441,998)

Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30 June 2012
(All Amounts in RMB unless otherwise stated)

	Six months ended 30 June	
	2012	2011
	Unaudited	Unaudited and restated
	RMB'000	RMB'000
Cash flows from financing activities		
Proceeds from short-term borrowings	655,308	1,842,001
Repayments of short-term borrowings	(1,654,707)	(332,400)
Proceeds from long-term borrowings	5,368,325	1,833,800
Repayments of long-term borrowings	(336,274)	(349,381)
Contributions from shareholder of the Company	11,400	—
Contributions from non-controlling shareholders	77,624	190,000
Dividends paid to the Company's shareholders	(2,059,923)	(2,065,209)
Dividends paid to non-controlling shareholders	(78,394)	(122,510)
Net cash generated from financing activities	1,983,359	996,301
Net decrease in cash and cash equivalents	(6,115,446)	(10,674,380)
Cash and cash equivalents, at beginning of the period	20,926,515	23,028,022
Decrease in cash and cash equivalent due to be classified as held for sale	—	(466,954)
Net foreign exchange losses	—	(10,395)
Cash and cash equivalents at end of the period	14,811,069	11,876,293

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 2012

(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”) in preparing for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Restructuring”). The Company and its subsidiaries (collectively the “Group”) is principally engaged in mining and processing of coal, sales of coal and coke products and manufacturing and sales of coal mining machinery. The address of the Company’s registered office is 1 Huang Si Da Jie, Chaoyang District, Beijing, the PRC.

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

This condensed consolidated interim financial information was approved for issue on 21 August 2012.

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

2 BASIS OF PRESENTATION

(a) These condensed consolidated interim financial statements for the six months ended 30 June 2012 has been prepared in accordance with International Accounting Standard (“IAS”) 34, ‘Interim Financial Reporting’. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

(b) Acquisition of China Coal Sales and Transportation Company Limited (“China Coal Sales and Transportation Company”) in the six months ended 30 June 2012

In order to further enhance coal sales networks of the Group, on 27 March 2012, the Company entered into a share purchase agreement with China Coal Group, pursuant to which 100% equity interest in China Coal Sales and Transportation Company, was transferred to the Company for a consideration of RMB 206,581,200. The acquisition date of this transaction is 30 June 2012, when the consideration was paid and control was obtained. China Coal Sales and Transportation Company is principally engaged in the trading of coal product in China.

As China Coal Group is the ultimate holding company of both the Company and China Coal Sales and Transportation Company, this acquisition is a transaction under common control, and the Company had accounted for it in a manner similar to a uniting of interests. Comparative information has been restated as if the operations of China Coal Sales and Transportation Company had been under the control of the Company since the beginning of the earliest period presented.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2012
(Amounts expressed in RMB unless otherwise stated)

2 BASIS OF PRESENTATION (Continued)

(b) Acquisition of China Coal Sales and Transportation Company Limited (“China Coal Sales and Transportation Company”) in the six months ended 30 June 2012 (Continued)

The carrying value of the assets, liabilities, operating results and the cash flows of China Coal Sales and Transportation Company at the date of acquisition and for the period then ended, are as follows:

	As at 30 June 2012 Unaudited RMB'000	As at 31 December 2011 Audited RMB'000
Cash and cash equivalents	116,163	47,993
Trade and other receivables	587,597	739,500
Available-for-sale financial assets	9,970	9,970
Property, plant and equipment	24,062	24,070
Intangible assets	86	103
Short-term borrowings	(320,000)	(430,000)
Trade and other payables	(208,030)	(183,781)
Deferred income tax liabilities	(3,500)	(3,533)
Net assets	206,348	204,322

	Period between 1 January 2012 and 30 June 2012 Unaudited RMB'000	Six months ended 30 June 2011 Unaudited RMB'000
Revenue	536,079	739,352
Profit/(loss) for the period	5,976	(14,536)
Net cash inflow/(outflow) from operating activities	190,577	(140,261)
Total net cash inflow/(outflow)	68,170	(35,006)

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2012
(Amounts expressed in RMB unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2012.

- **IFRS 7 (Amendment) 'Disclosures – Transfers of financial assets'**

The amendment 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.

The Group has adopted this amendment from 1 January 2012 and the adoption does not have a material impact on the Group's financial statements.

The Group has not early adopted any new or amended standards that have been issued but are not effective for the financial year beginning 1 January 2012.

4 ESTIMATES

The preparation of interim financial information 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 information, 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 2011.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2012
(Amounts expressed in RMB unless otherwise stated)

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 condensed consolidated interim financial information 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 2011.

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.

5.3 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 2012, the Group has the following assets which we defined as level 1 that are measured at fair value:

	As at 30 June 2012 Unaudited RMB'000	As at 31 December 2011 Audited RMB'000
Available-for-sale financial assets		
– Equity securities	14,656	14,463

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 2012
(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).

The Group's reportable segments are entities or group of entities that offer different products and services. The following reportable segments are presented in a manner consistent with the way in which information is reported internally to the Group's CODM for the purpose of resource allocation and performance assessment. 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. Reportable segment

The Group's reportable segments are coal, coke and coal-chemical product and mining machinery:

- 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.

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 inter-segment 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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2012
(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

	For the six months ended and as at 30 June 2012 (Unaudited)						
	Coal	Coke and coal- chemical product	Machinery	Others (Note (a))	Non operating Segment	Inter- segment Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue							
Total Revenue	37,501,853	2,344,797	4,531,808	2,058,369	—	(1,029,123)	45,407,704
Inter-segment revenue	(166,364)	—	(556,097)	(306,662)	—	1,029,123	—
Revenue from external customers	37,335,489	2,344,797	3,975,711	1,751,707	—	—	45,407,704
Profit/(loss) from operations	7,168,980	(118,083)	346,664	(188)	(157,273)	(6,681)	7,233,419
Profit/(loss) before tax expense	7,166,480	(173,049)	337,875	(27,200)	(28,670)	(6,681)	7,268,755
Interest income	96,147	36,899	4,559	1,496	695,450	(413,451)	421,100
Interest expense	(220,153)	(84,834)	(17,880)	(28,050)	(672,060)	413,451	(609,526)
Depreciation and amortisation	(1,941,565)	(85,606)	(73,508)	(44,892)	(7,747)	—	(2,153,318)
Share of profits/(loss) of associates and jointly controlled entities	107,073	(9,247)	5,712	—	104,437	—	207,975
Income tax expense	(1,743,600)	(1,807)	(51,640)	(16,747)	(3,132)	—	(1,816,926)
Other material non-cash items							
Provision for impairment of property, plant and equipment	(30,104)	(43,000)	—	—	—	—	(73,104)
Provision for impairment of other assets	(54,194)	11	(16,905)	(41,974)	—	—	(113,062)
Segment assets and liabilities							
Total assets	89,845,928	12,583,796	12,644,185	6,308,845	47,973,188	(4,087,665)	165,268,277
Including investment in associates and jointly controlled entities	696,835	590,905	73,462	—	7,098,535	—	8,459,737
Expenditures for non-current assets	8,174,328	2,480,087	701,840	177,444	11,816	—	11,545,515
Total liabilities	20,861,441	1,623,396	5,275,150	4,986,727	38,852,406	(3,824,660)	67,774,460

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2012
(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 2011 (Unaudited and restated) and as at 31 December 2011 (Audited and restated)						
	Coal	Coke and coal- chemical product	Machinery	Others (Note (a))	Non operating Segment	Inter- segment Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue							
Total Revenue	34,845,017	2,768,315	4,362,388	2,152,565	—	(1,030,051)	43,098,234
Inter-segment revenue	(148,754)	—	(609,967)	(271,330)	—	1,030,051	—
Revenue from external customers	34,696,263	2,768,315	3,752,421	1,881,235	—	—	43,098,234
Profit/(loss) from operations	7,885,570	72,733	345,665	26,378	(204,279)	(67,402)	8,058,665
Profit/(loss) before tax expense	7,724,430	65,422	319,580	(13,791)	35,867	(56,476)	8,075,032
Interest income	34,462	29,423	3,815	704	356,569	(167,431)	257,542
Interest expense	(148,915)	(54,631)	(33,064)	(28,019)	(150,572)	167,431	(247,770)
Depreciation and amortisation	(1,821,428)	(88,447)	(70,180)	(44,434)	(4,285)	—	(2,028,774)
Share of profits of associates and jointly controlled entities	2,159	17,936	6,340	—	8,412	—	34,847
Income tax expense	(1,930,364)	(2,815)	(44,745)	(10,842)	—	—	(1,988,766)
Other material non-cash items							
Provision for impairment of property, plant and equipment	(34,085)	—	—	—	—	—	(34,085)
Provision for impairment of other assets	(35,415)	(11)	(3,044)	(1,074)	(14,924)	—	(54,468)
Segment assets and liabilities							
Total assets	78,458,973	11,340,490	11,284,526	6,235,177	56,856,156	(3,500,461)	160,674,861
Including investment in associates and jointly controlled entities	543,204	599,299	63,954	—	6,430,210	—	7,636,667
Expenditures for non-current assets	29,628,347	3,826,741	1,685,949	908,312	84,186	—	36,133,535
Total liabilities	16,757,702	1,023,838	4,646,256	4,397,768	40,933,134	(3,254,155)	64,504,543

Note:

- (a) Others segment comprises of the four operating segments of the Group with the revenue below the quantitative thresholds. Those segments include two aluminium factories, three power generating plants, an equipment purchase agency and a tendering service provider. None of those segments has ever met any of the quantitative thresholds for determining reportable segments.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2012
(Amounts expressed in RMB unless otherwise stated)

6 SEGMENT INFORMATION (Continued)

6.3 Geographical information

Analysis of revenue

	Six months ended 30 June	
	2012 Unaudited RMB'000	2011 Unaudited and restated RMB'000
Domestic markets	44,991,094	42,731,183
Asia-Pacific markets	416,610	364,908
Other overseas markets	—	2,143
	45,407,704	43,098,234

Note:

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

Analysis of non-current assets

	30 June	
	2012 Unaudited RMB'000	31 December 2011 Audited and restated RMB'000
Domestic markets	111,342,557	102,380,064
Asia Pacific markets	—	4,964
Other overseas markets	27,021	38,056
	111,369,578	102,423,084

6.4 Information about major customers

Revenue from top five customers of the Group for the six months ended 30 June 2012 represents approximately 19% of the Group's total revenue (for the six months ended 30 June 2011: 17%).

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2012
(Amounts expressed in RMB unless otherwise stated)

7 PROPERTY, PLANT AND EQUIPMENT

	30 June 2012 Unaudited RMB'000	31 December 2011 Audited and restated RMB'000
Opening net book amount (as previously reported)	60,233,315	46,417,897
Acquisition of a subsidiary under common control (Note 2(b))	14,777	9,294
Opening net book amount (restated)	60,248,092	46,427,191
Acquisition of a subsidiaries not under common control	—	299,252
Attributable to change of a subsidiary to associate	—	(2,518,754)
Additions	9,786,688	20,324,096
Disposals	(22,614)	(38,537)
Transfer to mining right	(1,433,462)	—
Depreciation charge	(2,018,816)	(4,206,841)
Provision for impairment	(73,104)	(38,315)
Closing net book amount	66,486,784	60,248,092

8 MINING AND EXPLORATION RIGHTS

	30 June 2012 Unaudited RMB'000	31 December 2011 Audited RMB'000
Opening net book amount	28,419,571	18,611,170
Acquisition of subsidiaries not under common control	—	11,091,779
Attributable to change of a subsidiary to associate	—	(934,153)
Additions	1,746,343	105,786
Transfer from property, plant and equipment	1,433,462	—
Amortisation	(169,445)	(455,011)
Closing net book amount	31,429,931	28,419,571

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2012
(Amounts expressed in RMB unless otherwise stated)

8 MINING AND EXPLORATION RIGHTS (Continued)

The mining and exploration 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. The amortisation charge was recorded in cost of sales.

9 OTHER NON-CURRENT ASSETS

Other non-current assets as at 30 June 2012 mainly include prepayments for long-term investments of RMB 1,465,860,000 (31 December 2011: RMB 2,020,817,000) and prepayments for mining right of RMB 340,520,000 (31 December 2011: RMB 969,541,000).

In line with Shanxi Provincial Government's policy of restructuring local coal mines and the Group's strategy of expanding its coal resources, the Group has entered into a series of agreements for the acquisition and restructuring of several local coal mines. In this regard, as at 30 June 2012, the Group has paid RMB 1,465,860,000 (31 December 2011: RMB 2,020,817,000) according to the signed agreements. As the relevant legal procedures are still in process, such balances are recorded as other non-current assets.

10 INVENTORIES

	30 June 2012 Unaudited RMB'000	31 December 2011 Audited and restated RMB'000
Coal	1,294,983	1,228,648
Coke	200,108	173,505
Machinery for sale	1,966,274	2,111,558
Auxiliary materials, spare parts and tools	4,201,667	3,777,175
	7,663,032	7,290,886

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2012
(Amounts expressed in RMB unless otherwise stated)

11 TRADE AND NOTES RECEIVABLES

	30 June 2012 Unaudited RMB'000	31 December 2011 Audited and restated RMB'000
Trade receivables, net (Note (a))	8,720,511	5,553,588
Notes receivables (Note (b))	1,834,895	2,423,313
	10,555,406	7,976,901

Notes:

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

	30 June 2012 Unaudited RMB'000	31 December 2011 Audited and restated RMB'000
Within 6 months	7,414,163	4,676,802
6 months – 1 year	850,406	525,072
1 – 2 years	376,205	271,322
2 – 3 years	168,773	158,306
Over 3 years	205,219	196,211
Trade receivables, gross	9,014,766	5,827,713
Less: Impairment of receivables	(294,255)	(274,125)
Trade receivables, net	8,720,511	5,553,588

Trade receivables for sale of coal, coking and other products are with credit terms of six months, while those for sale of machineries generally are with longer credit terms. There are no significant trade receivables that are past due but are not impaired.

The individually impaired receivables relate to customers which are in unexpected difficult economic situations.

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

The Group does not hold any collateral as security.

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

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2012
(Amounts expressed in RMB unless otherwise stated)

12 PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2012 Unaudited RMB'000	31 December 2011 Audited and restated RMB'000
Advances to suppliers	2,998,607	2,638,996
Loan receivables	1,924,894	2,024,894
Interest receivable	130,529	316,371
Dividends receivable	55,856	28,611
Other amounts due from related parties, gross	123,430	57,856
Other amounts due from third parties, gross	1,794,961	1,372,707
	7,028,277	6,439,435
Less: Impairment of other receivables	(259,538)	(274,295)
Prepayments and other receivables, net	6,768,739	6,165,140

13 CASH AND BANK DEPOSITS

	30 June 2012 Unaudited RMB'000	31 December 2011 Audited and restated RMB'000
Restricted bank deposits (Note (a))	3,231,091	3,173,248
Term deposits with initial terms of over three months	9,162,158	11,295,045
Cash and cash equivalents		
– Cash on hand	1,699	1,404
– Deposits with banks and other financial institutions	14,809,370	20,925,111
	27,204,318	35,394,808

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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2012
(Amounts expressed in RMB unless otherwise stated)

14 SHARE CAPITAL

	30 June 2012 (Unaudited)		31 December 2011 (Audited)	
	Number of shares (thousands)	Nominal value RMB'000	Number of shares (thousands)	Nominal value RMB'000
Registered, issued and fully paid:				
Domestic shares of RMB 1.00 each				
– held by China Coal Group	7,505,872	7,505,872	7,505,225	7,505,225
– held by other A share shareholders	1,646,128	1,646,128	1,646,775	1,646,775
H shares of RMB 1.00 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

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

	Domestic shares held by China Coal Group RMB'000	Domestic shares held by other A share shareholders RMB'000	H shares held by a wholly owned subsidiary of China Coal Group RMB'000	H shares held by other H share shareholders RMB'000	Total RMB'000
As at 1 January 2012 (Audited)	7,505,225	1,646,775	120,000	3,986,663	13,258,663
Share transaction (note (a))	647	(647)	—	—	—
As at 30 June 2012 (Unaudited)	7,505,872	1,646,128	120,000	3,986,663	13,258,663
As at 1 January 2011 (Audited)	7,481,644	1,670,356	120,000	3,986,663	13,258,663
Share transaction (note (b))	23,581	(23,581)	—	—	—
As at 31 December 2011 (Audited)	7,505,225	1,646,775	120,000	3,986,663	13,258,663

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2012
(Amounts expressed in RMB unless otherwise stated)

14 SHARE CAPITAL (Continued)

- (a) In the six months ended 30 June 2012, China Coal Group purchased 646,665 A shares via the Shanghai Stock Exchange, resulting in an increase of its shareholding to 56.611%.
- (b) In 2011, China Coal Group purchased 23,581,580 A shares via the Shanghai Stock Exchange, resulting in an increase of its shareholding to 56.606%.

15 BORROWINGS AND BANKING FACILITIES

	30 June 2012	31 December 2011
	Unaudited	Audited and restated
	RMB'000	RMB'000
Long-term borrowings		
Bank loans		
– Unsecured	17,255,667	12,238,462
Other unsecured loans from		
– Non-controlling shareholders of certain subsidiaries	16,000	16,000
	17,271,667	12,254,462
Less: Amount due within one year under current liabilities	(1,045,395)	(798,449)
	16,226,272	11,456,013
Short-term borrowings		
Bank loans		
– Secured	—	4,000
– Unsecured	1,254,696	2,250,096
	1,254,696	2,254,096
Other unsecured loans from		
– Non-controlling shareholders of certain subsidiaries	600	600
	1,255,296	2,254,696

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2012
(Amounts expressed in RMB unless otherwise stated)

15 BORROWINGS AND BANKING FACILITIES (Continued)

Notes:

(a) The movements in borrowings are analysed below:

	Six months ended 30 June 2012 Unaudited RMB'000	Year ended 31 December 2011 Audited and restated RMB'000
Opening balance (as previously reported)	14,359,158	12,138,101
Acquisition of a subsidiary under common control (Note 2(b))	150,000	280,000
Opening balance (restated)	14,509,158	12,418,101
Additions	6,023,632	3,211,956
Payments	(1,990,981)	(1,116,009)
Exchange gains	(14,846)	(4,890)
Ending balance	18,526,963	14,509,158

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

	30 June 2012 Unaudited RMB'000	31 December 2011 Audited and restated RMB'000
Banks loans		
– Within one year	1,045,395	798,449
– In the second year	1,240,845	908,949
– In the third to fifth year	8,842,813	4,490,843
– After the fifth year	6,126,614	6,040,221
	17,255,667	12,238,462
Loans from non-controlling interests of certain subsidiaries		
– In the second year	16,000	16,000
	17,271,667	12,254,462

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

	30 June 2012 Unaudited RMB'000	31 December 2011 Audited and restated RMB'000
Floating rates		
– Expiring within one year	43,200,000	5,000,000
– Expiring beyond one year	162,902,685	209,992,000
	206,102,685	214,992,000

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2012
(Amounts expressed in RMB unless otherwise stated)

16 LONG-TERM BONDS

	30 June 2012 Unaudited RMB'000	31 December 2011 Audited RMB'000
Bonds payable	14,815,364	14,820,000
Commission payable – non-current	135,000	135,000
	14,950,364	14,955,000

On 17 August 2011, the Company issued 150,000,000 corporate bonds with a par value of RMB 100 each and received a total proceeds of RMB 15,000,000,000. The bonds are fully repayable on 17 August 2016 when they become due. These bonds carry a coupon rate of 5.65% per annum and the interest charge will be paid on 17 August annually in each of the following five years.

In addition, the Company is obliged to pay RMB 225,000,000 to the underwriter as the underwriting commission, which is payable in five instalments of RMB 45,000,000 annually. First instalment of RMB 45,000,000 was paid on 18 August 2011 when the transaction was completed and the same amount is payable on 18 August in each of the following four years.

The bonds are initially recognised at the amount of the total proceeds net of the commission paid on the date of issuance. The accrued interest and the current portion of commission payable are recorded in interest payable as follows.

	30 June 2012 Unaudited RMB'000	31 December 2011 Audited RMB'000
Bonds interest payable	737,208	286,188
Commission payable – current	45,000	45,000
	782,208	331,188

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2012
(Amounts expressed in RMB unless otherwise stated)

17 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	Deferred income tax liabilities	Total
	RMB'000	RMB'000	RMB'000
Unaudited			
Opening balance at 1 January 2012 (as previously reported)	717,515	(7,484,526)	(6,767,011)
Acquisition of a subsidiary under common control (Note 2(b))	—	(3,533)	(3,533)
Opening balance at 1 January 2012 (restated)	717,515	(7,488,059)	(6,770,544)
Credited/(Charged) to income statement	(48,799)	(51,005)	(99,804)
Charged to equity due to fair value change in available-for-sale financial assets	—	(48)	(48)
Ending balance at 30 June 2012	668,716	(7,539,112)	(6,870,396)
Audited			
Opening balance at 1 January 2011	532,672	(5,443,204)	(4,910,532)
Credit to income statement (restated)	184,843	332,006	516,849
Acquisition of certain subsidiaries	—	(2,751,542)	(2,751,542)
Attributable to change of a subsidiary to associate	—	366,495	366,495
Charged to equity due to fair value change in available-for-sale financial assets	—	405	405
Credit directly to equity	—	7,781	7,781
Ending balance at 31 December 2011 (restated)	717,515	(7,488,059)	(6,770,544)

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2012
(Amounts expressed in RMB unless otherwise stated)

18 TRADE AND NOTES PAYABLES

	30 June 2012 Unaudited RMB'000	31 December 2011 Audited and restated RMB'000
Trade payables (Note (a))	11,646,043	10,209,338
Notes payables	866,793	760,719
	12,512,836	10,970,057

Note:

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

	30 June 2012 Unaudited RMB'000	31 December 2011 Audited and restated RMB'000
Less than 1 year	10,289,513	9,271,266
1 – 2 years	869,209	665,405
2 – 3 years	382,182	150,938
Over 3 years	105,139	121,729
	11,646,043	10,209,338

19 ACCRUALS, ADVANCE AND OTHER PAYABLES

	30 June 2012 Unaudited RMB'000	31 December 2011 Audited and restated RMB'000
Customer deposits and receipts in advance	2,348,762	2,499,375
Payable for acquisition of subsidiaries	1,991,933	4,405,988
Payable for compensation for local mining companies	759,915	759,915
Dividends payable	934,066	8,794
Payable for site restoration	174,738	165,751
Mineral resource compensation payable	108,855	106,387
Salaries and staff welfare payable (Note (a))	717,444	738,512
Interest payable	797,522	337,225
Payable for mining right	525,930	597,459
Other amounts due to related parties	756,864	661,289
Other amounts due to third parties	1,828,469	1,413,524
	10,944,498	11,694,219

Note:

(a) Included in the balance of salaries and staff welfare payable was the current portion of employ benefits for early retirement of RMB 68,649,000 (31 December 2011: RMB 97,711,000).

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2012
(Amounts expressed in RMB unless otherwise stated)

20 PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	30 June 2012 Unaudited RMB'000	31 December 2011 Audited RMB'000
Opening balance	1,086,384	888,318
Interest charge on unwinding of discount on provision	18,791	39,099
Provision, net	79,645	268,156
Payments	(24,042)	(80,926)
Ending balance	1,160,778	1,114,647
Less: current portion	(49,645)	(28,263)
	1,111,133	1,086,384

21 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2012 Unaudited RMB'000	2011 Unaudited and restated RMB'000
Depreciation	1,945,125	1,761,181
Amortisation	208,193	267,593
Cost of inventories sold	19,803,925	18,450,887
Transportation costs	5,459,156	4,786,271
Sales tax and surcharges	716,774	693,160
Auditors' remuneration	2,000	2,000
Net losses/(gains) on disposal of property, plant and equipment	8,765	(12,042)
Repair and maintenance	595,259	526,665
Operating lease rentals	88,625	69,602
Provision for impairment of inventories	107,643	—
Provision for impairment of property, plant and equipment	73,104	34,085
Provision for impairment of receivables	5,419	54,468
Staff costs (including directors' emoluments)	3,273,210	3,014,123
Resource compensation fees	473,602	358,674
Sustainable development charge	1,035,936	957,490
Other expenses	4,430,764	4,093,648
Total cost of sales, selling, general and administrative expenses	38,227,500	35,057,805

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2012
(Amounts expressed in RMB unless otherwise stated)

22 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2012 Unaudited RMB'000	2011 Unaudited and restated RMB'000
Interest expense:		
– Bank borrowings	513,932	361,360
– Provisions: unwinding of discount	22,258	21,897
– Long-term bonds	446,384	—
Other incidental borrowing costs and charges	1,304	5,776
Net foreign exchange (gains)/losses	(17,091)	22,476
Finance costs	966,787	411,509
Less: amounts capitalised on qualifying assets	(373,048)	(135,487)
Total finance costs	593,739	276,022
Finance income:		
– interest income on bank deposits	396,521	232,082
– interest income on loans to related parties	24,579	25,460
Total finance income	421,100	257,542
Net finance costs	172,639	18,480

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	
	2012 Unaudited	2011 Unaudited
Capitalisation rate used to determine the amount of finance costs eligible for capitalisation	5.68% – 7.05%	3.99% – 6.08%

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2012
(Amounts expressed in RMB unless otherwise stated)

23 INCOME TAX EXPENSE

	Six months ended 30 June	
	2012 Unaudited RMB'000	2011 Unaudited and restated RMB'000
Current income tax		
– PRC enterprise income tax (Note (a))	1,717,122	2,142,443
Deferred income tax (Note 17)	99,804	(153,677)
	1,816,926	1,988,766

Note:

- (a) The provision for PRC enterprise income tax ("EIT") is calculated based on the statutory income tax rate of 25%. The applicable income tax rate in 2012 and 2011 is 25% of the assessable income of each of the companies now comprising the Group, determined in accordance with the relevant PRC income tax rules and regulations, except for certain subsidiaries which are taxed at preferential tax rate 15% based on the relevant PRC tax laws and regulations.

24 DIVIDENDS

	Six months ended 30 June	
	2012 Unaudited RMB'000	2011 Unaudited RMB'000
Dividends		
– final dividends for 2010 (Note (a))	—	2,072,693
– final dividends for 2011 (Note (b))	2,851,145	—

Notes:

- (a) 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 RMB 2,072,693,000 (RMB 0.1563 Yuan 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.
- (b) The Board of Directors, in a meeting held on 27 March 2012, proposed to distribute a final dividend for 2011 to equity holders of the Company of RMB 2,851,145,000 (RMB 0.2150 Yuan per share), based on total number of shares which are in issue as at 31 December 2011. Such dividend distribution was approved by the shareholders' meeting held on 25 May 2012 and has been fully paid to shareholders in June and July 2012.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2012
(Amounts expressed in RMB unless otherwise stated)

25 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	
	2012 Unaudited RMB'000	2011 Unaudited and restated RMB'000
Profit before income tax	7,268,755	8,075,032
Adjustments for:		
Property, plant and equipment		
– depreciation charge	1,944,502	1,760,558
– net losses/(gains) on disposals (Note 21)	8,765	(12,042)
Investment properties		
– depreciation charge	623	623
Land use rights, mining rights and intangible assets		
– amortisation charge	208,193	267,593
Provision for impairment of property, plant and equipment (Note 7)	73,104	34,085
Provision for impairment of receivables	5,419	54,468
Provision for impairment of inventories	107,643	—
Share of profits of associates and jointly controlled entities	(207,975)	(34,847)
Net foreign exchange transaction (gains)/losses	(17,091)	22,476
Interest income	(421,100)	(257,542)
Interest expense	609,526	247,770
Dividend income	(6,435)	(514)
Changes in working capital:		
Inventories	(405,474)	(449,511)
Trade receivables	(2,598,635)	(1,897,905)
Prepayments and other receivables	(616,886)	(1,590,935)
Trade payables	1,132,428	171,246
Accruals, advance and other payables	(639,505)	2,091,235
Restricted bank deposits	(57,843)	(286,098)
Decrease in provision for employee benefits	(4,869)	(25,065)
Increase in provision for close down, restoration, and environmental costs	27,340	10,722
Cash generated from operations	6,410,485	8,181,349

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2012
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26 CONTINGENT LIABILITIES

(a) Bank and other guarantees

As at 30 June 2012 and 31 December 2011, 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 2012 Unaudited RMB'000	31 December 2011 Audited RMB'000
Associates	1,276,816	1,370,066

(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.

27 COMMITMENTS

(a) Capital commitments

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

	30 June 2012 Unaudited RMB'000	31 December 2011 Audited RMB'000
Property, plant and equipment	15,841,734	10,797,613
Others	704,268	253,350
	16,546,002	11,050,963

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2012
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27 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 2012 Unaudited RMB'000	31 December 2011 Audited RMB'000
Land and buildings:		
– Within 1 year	119,956	76,727
– From 1 year to 5 years	338,850	199,683
– Over 5 years	913,117	87,032
	1,371,923	363,442

28 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

- (a) Prior to 30 May 2012, the Company had 65% equity interest in Inner Mongolia China Coal Mengda New Energy Chemical Company Limited (“Mengda New Energy”). On 30 May 2012, the Company acquired an additional 10% of the equity interest of Mengda New Energy from a minority shareholder for a purchase consideration of RMB 130,342,000. Thereafter, Mengda New Energy became a 75% owned subsidiary of the Company. The carrying amount of the non-controlling interests in Mengda New Energy on the date of the transaction was RMB 126,330,000. The Group recognised a decrease in non-controlling interests of RMB 126,330,000 and a decrease in equity attributable to owners of the parent of RMB 4,012,000.

The effect of this transaction on the Group’s equity attributable to owners of the Company at the transaction date is as follows:

	As at 30 May 2012
	RMB'000
Carrying amount of non-controlling interests acquired	126,330
Consideration paid to non-controlling interests	130,342
Excess of consideration paid recognised in equity	4,012

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For the six months ended 30 June 2012
(Amounts expressed in RMB unless otherwise stated)

28 TRANSACTIONS WITH NON-CONTROLLING INTERESTS (Continued)

(b) Prior to 30 May 2012, the Company had 51% equity interest in Wushenqi Mengda Mining Company Limited ("Mengda Mining"). On 30 May 2012, the Company acquired an additional 15% of the equity interest of Mengda Mining from a minority shareholder for a purchase consideration of RMB 914,647,000. Thereafter, Mengda Mining became a 66% owned subsidiary of the Company. The carrying amount of the non-controlling interests in Mengda Mining on the date of the transaction was RMB 541,617,000. The Group recognised a decrease in non-controlling interests of RMB 541,617,000 and a decrease in equity attributable to owners of the parent of RMB 373,030,000.

The effect of this transaction on the Group's equity attributable to owners of the Company at the transaction date is as follows:

	As at 30 May 2012
	RMB'000
Carrying amount of non-controlling interests acquired	541,617
Consideration paid to non-controlling interests	914,647
Excess of consideration paid recognised in equity	373,030

29 SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group has extensive transactions with its parent company, 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 related parties are at state-prescribed prices or prices which are also available to other customers. The Group considers that these sales are activities in the ordinary course of business.

Set out below is a summary of significant related party transactions in the period ended 30 June 2012 and 2011.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2012
(Amounts expressed in RMB unless otherwise stated)

29 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) Related party transactions

	Six months ended 30 June	
	2012 Unaudited RMB'000	2011 Unaudited and restated RMB'000
Transactions with the Parent Company and fellow subsidiaries:		
<i>Integrated Material and Services Mutual Provision (i)</i>		
Charges paid for production material and ancillary services	1,149,543	979,416
Charges paid for support services	49,125	33,978
Revenue received from supply of production material and ancillary services	273,307	515,541
Revenue received from provision of coal export-related services	26,346	33,259
<i>Mine Construction and Design (ii)</i>		
Charges paid for mine construction and design services	2,047,282	1,340,829
<i>Property Leasing (iii)</i>		
Rental charge paid	37,621	39,435
<i>Land Use Rights (iv)</i>		
Rental charge paid	30,810	11,045
<i>Coal Supplies (v)</i>		
Charges paid for coal supplies	315,054	312,843
<i>Coal Export and Sales</i>		
Charges paid for agency services of coal export	2,493	2,191
Transactions with jointly controlled entities		
<i>Sales and services provided</i>		
Interest income	24,579	11,457
Sales of coal	33,119	—
<i>Purchases of goods and services</i>		
Purchases of materials	1,118	3,666
Transactions with associates		
<i>Sales and services provided</i>		
Sales of coal	164,934	144,123
Sales of machinery and materials	2,314	10,031
Income from renting property, plant and equipment	71,638	57,693
<i>Purchases of goods and services</i>		
Purchases of materials and spare parts	—	19,014
Transportation services	237,805	208,503

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2012

(Amounts expressed in RMB unless otherwise stated)

29 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) Related party transactions (Continued)

Note:

- (i) The Company and China Coal Group entered into Integrated Materials and Services Mutual Provision Framework Agreement on 31 December 2011, 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.
- (ii) The Company and China Coal Group entered into a Project Design, Construction and General Contracting Service Framework Agreement on 31 December 2011. 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.
- (iii) 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.
- (iv) 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.
- (v) The Company and China Coal Group entered into a Coal Supplies Framework Agreement On 31 December 2011, 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.

Transactions with other state-owned enterprises

Apart from transactions with China Coal Group, fellow subsidiaries, associates and jointly controlled entities, the Group has extensive transactions with other government related entities.

During the period ended 30 June 2012, majority of the following Group's activities are conducted with other state-controlled 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.

In addition to the above mentioned, transactions with other state-controlled entities also include but not limited to the following:

- Lease of assets;
- Retirement benefit plans.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2012
(Amounts expressed in RMB unless otherwise stated)

29 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) Related party transactions (Continued)

Transactions with other state-owned enterprises (Continued)

These transactions are conducted in accordance with the contracts the Group entered into based on market prices.

	Six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	RMB'000	RMB'000
Key management compensation		
Salary, allowances and other benefits		
– Directors and supervisors	1,144	1,081
– Other key management	1,195	1,039
Pension costs-defined contribution plans		
– Directors and supervisors	32	30
– Other key management	96	89

30 SUBSEQUENT EVENTS

On 12 July 2012, the Company filed a formal registration application with the National Association of Financial Market Institutional Investors for the issuance of medium-term notes with a total amount of RMB 15 billion. Such application was formally registered on 15 August 2012. The Company plans to issue medium-term notes of RMB 5 billion in the second half of 2012 with a term of 7 years.

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
Statutory English Name of the Company	China Coal Energy Company Limited
Abbreviated Statutory English Name	China Coal Energy
Legal Representative	Wang An

Information about Secretary to the Board

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
Newspapers designated for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Internet Website designated by CSRC for publication of annual reports	http://www.sse.com.cn
Internet Website designated by the Stock Exchange of Hong Kong– for publication of annual reports	http://www.hkex.com.hk
Location for inspection of annual reports of the Company	Secretariat of the Board, China Coal Energy Company Limited, No. 1 Huangsidajie, Chaoyang District, Beijing, PRC

Company Profile

Brief information of 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

Accounting Firms Retained by the Company

Domestic accounting firm retained by the Company	PricewaterhouseCoopers Zhong Tian CPAs Limited Company
Office address of the domestic accounting firm retained by the Company	11/F, PricewaterhouseCoopers Center, Building 2, Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai, PRC
International accounting firm retained by the Company	PricewaterhouseCoopers
Office address of the international accounting firm retained by the Company	22/F, Prince's Building, Central, Hong Kong

Company Profile

Legal Advisors retained by the Company

Domestic legal advisor on domestic law retained by the Company	Beijing Jiayuan Law Firm
Contact address	F407 Ocean Plaza, 158 Fuxingmennei Avenue, Xicheng District, Beijing, PRC
Foreign legal advisor on foreign law retained by the Company	DLA Piper Hong Kong
Contact address	17/F., Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong

Share Registrars and Transfer Offices for Domestic and Overseas Listed Shares

Registrar and transfer office of A Shares –	China Securities Depository and Clearing Corporation Limited Shanghai Branch
Contact address	36/F, China Insurance Building, 166 Lujiazui East Avenue, Pudong New District, Shanghai, PRC
Registrar and transfer office of H Shares –	Computershare Hong Kong Investors Services Limited
Contact address	Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Definitions

In this interim report, unless the context otherwise specifies, the following expressions have the following meanings:

The Group/The Company/ Company/China Coal Energy	China Coal Energy Company Limited, unless the context otherwise specifies, also includes all of its subsidiaries
Board of the Company/Board	the board of directors of China Coal Energy Company Limited
Directors	the directors of the Company, including all the executive directors, non-executive directors and independent non-executive directors
China Coal Group	China National Coal Group Corporation, the controlling shareholder of the Company
Ministry of Finance	the Ministry of Finance of the People's Republic of China
SASAC	the State-owned Assets Supervision and Administration Commission of the State Council
CSRC	China Securities Regulatory Commission
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
Share(s)	the ordinary shares of the Company, including A Share(s) and H Share(s)
Shareholder(s)	the shareholder(s) of the Company, including holder(s) of A Shares and holder(s) of H Shares
A Share(s)	the ordinary share(s) issued to domestic investors in China with approval from CSRC, which are listed on the SSE and traded in RMB
H Share(s)	the overseas listed foreign share(s) of RMB 1.00 each in the share capital of the Company, which are listed on the HKSE for subscription in Hong Kong dollars
SSE	the Shanghai Stock Exchange
SSE Listing Rules	the Listing Rules of the Shanghai Stock Exchange
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

Definitions

China Coal Hong Kong	China Coal Hong Kong Limited, a wholly-owned overseas subsidiary of China Coal Group
Mengda Mining Company	Wushenqi Mengda Mining Company Limited
Mengda Chemical Company	Inner Mongolia China Coal Mengda New Energy Chemicals Company Limited
China Coal Pingshuo Company	formally known as China Coal Pingshuo Coal Industry Company Limited and renamed as China Coal Pingshuo Group Co., Ltd. on 19 July 2012, a wholly-owned subsidiary of the Company
Shanghai Energy Company	Shanghai Datun Energy Resources Company Limited, a controlling subsidiary of the Company
China Coal Huajin Company	Shanxi China Coal Huajin Energy Co., Ltd.
Dongpo Company	Shanxi China Coal Dongpo Coal Industry Company Limited
Nanliang Company	Shaanxi Nanliang Coal Company Limited
Shuozhong Company	Shuozhou China Coal Pingshuo Energy Company Limited
Dazhong Company	Datong China Coal Export Base Development Company Limited
Shaanxi Company	China Coal Shaanxi Yulin Energy Chemical Company Limited
Huajin Coking Coal Company	Huajin Coking Coal Company Ltd
China Coal and Coke	China Coal and Coke Holdings Limited
China Coal Sales and Transportation Company	China Coal Sales and Transportation Company Limited
TSG	Shanxi Zhongxin Tangshangou Coal Mine Company Limited
China Coal Longhua Company	China Coal Heilongjiang Coal Chemical Company Limited, a wholly-owned subsidiary of the Company
China Coal Longhua Group	China Coal Heilongjiang Coal Chemical Engineering (Group) Company Limited, a controlling subsidiary of China Coal Group
RMB	RMB yuan





中国中煤能源股份有限公司

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