



中国中煤能源股份有限公司
CHINA COAL ENERGY COMPANY LIMITED

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

Stock Code : 01898

Interim Report 2014





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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 2014	January to June 2013	Change (%)
(1) Coal operations (10 thousand tonnes)			
Production volume of commercial coal	6,048	5,884	2.8
Sales volume of commercial coal	7,512	7,517	-0.1
Of which: Sales volume of self-produced commercial coal	5,526	5,629	-1.8
(2) Coal chemical operations (10 thousand tonnes)			
Production volume of coke	95.6	92.2	3.7
Sales volume of coke	120.5	119.7	0.7
Of which: Sales volume of self-produced coke	95.3	90.8	5.0
Production volume of methanol	21.2	5.8	265.5
Of which: Production volume for the trial production period	15.1 ^①	☆	-
Sales volume of methanol	22.5	6.8	230.9
Of which: Sales volume for the trial production period	14.3 ^②	☆	-
Production volume of urea	36.2	5.0	624.0
Of which: Production volume for the trial production period	25.6 ^③	3.7 ^⑤	591.9
Sales volume of urea	30.2	4.5	571.1
Of which: Sales volume for the trial production period	21.2 ^④	3.3 ^⑥	542.4
(3) Coal mining equipment operations			
Production value of coal mining equipment (RMB100 million)	32.2	33.3	-3.3
Sales volume of coal mining equipment (10 thousand tonnes)	13.5	16.2	-16.7

Notes: 1. ☆: N/A for the period (same as below)

2. The Company is concurrently responsible for the sales of all methanol products produced by Heilongjiang Coal Chemical Group, a subsidiary of China Coal Group.

3. ① and ② represent the production and sales volume for the trial production period of Mengda Coal Based Methanol Project. ③ and ④ represent the production and sales volume for the trial production period of Tuke fertiliser project. ⑤ and ⑥ represent the production and sales volume for the trial production period of the coke oven gas produced chemical fertiliser project in Lingshi of Shanxi.

Production volume of commercial coal (10 thousand tonnes)	January to June 2014	January to June 2013	Change (%)
Pingshuo Company	4,568	4,501	1.5
Shanghai Energy Company	401	404	-0.7
China Coal Huajin Company	363	301	20.6
Dongpo Company	314	349	-10.0
Nanliang Company	107	104	2.9
Tang Shan Gou Company	63	66	-4.5
Shuozhong Company	295	264	11.7
Dazhong Company	182	151	20.5
Shaanxi Company	112	69	62.3
Total	6,048	5,884	2.8

Notes: 1. 3.57 million tonnes were eliminated from the total commercial coal production volume during the reporting period due to intra-company transactions, while 3.25 million tonnes of intra-company transactions were eliminated for January to June 2013.

2. As the Hecaogou Coal Mine of Shaanxi Company has not been consolidated into the Company, the commercial coal production volume of Shaanxi Company was calculated based on management statistics.

Sales volume of commercial coal (10 thousand tonnes)	January to June 2014	January to June 2013	Change (%)
(1) Domestic sales of self-produced coal	5,501	5,603	-1.8
By region: North China	1,161	2,974	-61.0
East China	3,033	2,024	49.9
South China	799	605	32.1
Others	508	☆	-
By coal type: Thermal coal	5,187	5,321	-2.5
Coking coal	314	282	11.3
By contract: Long-term contract	4,288	3,327	28.9
Spot trading	1,213	2,276	-46.7
(2) Self-produced coal export	25	26	-3.8
By region: Taiwan, China	25	26	-3.8
Japan	☆	☆	-
By coal type: Thermal coal	25	26	-3.8
Coking coal	☆	☆	-
By contract: Long-term contract	25	26	-3.8
Spot trading	☆	☆	-
(3) Proprietary trading	1,790	1,709	4.7
Of which: Domestic resale	1,624	1,639	-0.9
Import trading	165	54	205.6
Transshipment trading	☆	14	-100.0
Self-operated exports	1.4	2	-30.0
(4) Agency sales	196	179	9.5
Of which: Import agency	53	77	-31.2
Export agency	113	102	10.8
Domestic agency	30	☆	-
Total	7,512	7,517	-0.1

Production value of coal mining equipment (RMB100 million)	January to June 2014	January to June 2013	Change (%)
Conveyor equipment	12.9	13.2	-2.3
Support equipment	10.1	9.9	2.0
Road header	3.0	3.1	-3.2
Shearer	3.2	4.0	-20.0
Electric mining motor	3.0	3.1	-3.2
Total	32.2	33.3	-3.3

Overview of Key Financial Data

Summary of consolidated balance sheet

Item	Unit: RMB100 million			
	As at 30 June 2014	As at 31 December 2013	Percentage change (%)	Notes to financial statements
Assets	2,326.29	2,165.20	7.4	
Of which: Property, plant and equipment	1,182.09	1,100.15	7.4	Note 7
Mining and exploration rights	331.51	325.67	1.8	Note 8
Investment in associates	110.65	95.60	15.7	
Inventories	86.89	68.06	27.7	Note 10
Trade and notes receivables	145.18	128.95	12.6	Note 11
Term deposits with initial terms of over 3 months	74.23	82.05	-9.5	Note 13
Cash and cash equivalents	154.39	112.33	37.4	Note 13
Equity	1,035.29	1,030.93	0.4	
Of which: Equity attributable to the equity holders of the Company	875.35	878.11	-0.3	
Non-controlling interests	159.94	152.82	4.7	
Liabilities	1,291.00	1,134.27	13.8	
Of which: Long-term borrowings	389.29	297.75	30.7	Note 15
Long-term bonds	299.09	298.68	0.1	Note 16
Provision for close down, restoration and environmental costs	12.00	11.74	2.2	Note 20
Trade and notes payables	222.37	226.31	-1.7	Note 18
Short-term borrowings	92.30	67.76	36.2	Note 15

Summary of consolidated income statement

Item	Unit: RMB100 million			
	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Percentage change (%)	Notes to financial statements
Revenue	354.35	403.98	-12.3	Note 6
Cost of sales	311.06	331.61	-6.2	
Gross profit	43.29	72.37	-40.2	
Profit from operations	22.91	52.21	-56.1	
Profit before income tax	14.88	52.06	-71.4	
Profit for the period	10.57	38.99	-72.9	
Profit attributable to the equity holders of the Company	7.80	32.21	-75.8	
Basic earnings per share attributable to the equity holders of the Company (RMB/Share)	0.06	0.24	-75.0	

Summary of the operating results of the segments (For the six months ended 30 June 2014 and as at 30 June 2014)

Unit: RMB100 million

Item	Coal operations	Coal chemical operations	Coal mining equipment operations	Other operations	Non-operating segments	Elimination	Total
Revenue	294.25	18.43	31.32	18.35	–	-8.00	354.35
Of which: Revenue from external sales	291.95	18.43	29.87	14.10	–	–	354.35
Profit from operations	23.62	-0.52	1.26	0.53	-2.22	0.24	22.91
Profit before income tax	17.26	-0.93	1.11	0.35	-3.15	0.24	14.88
Assets	1,296.70	480.16*	170.33	118.60	300.68	-40.18	2,326.29
Liabilities	463.21	172.53	63.08	47.32	579.25	-34.39	1,291.00

*: As at 30 June 2014, total assets of the coal chemical operations include construction in progress of RMB35.978 billion.

Summary of consolidated cash flow statement

Unit: RMB100 million

Item	For the six months ended 30 June 2014	For the six months ended 30 June 2013 (Restated)
Net cash generated from operating activities	5.34	38.08
Net cash used in investing activities	-84.70	-109.50
Net cash generated from financing activities	121.42	24.09
Net increase/(decrease) in cash and cash equivalents	42.06	-47.34
Cash and cash equivalents at the beginning of the period	112.33	132.22
Cash and cash equivalents at the end of the period	154.39	84.83

Reconciliation of profit before tax to net cash generated from operations

Unit: RMB100 million

Item	For the six months ended 30 June 2014	For the six months ended 30 June 2013 (Restated)
Profit before tax	14.88	52.06
Adjustments for		
Depreciation and amortisation	27.97	27.78
Net losses from disposal of property, plant and equipment	0.08	0.03
Provision for impairment of receivables and inventories	1.70	0.40
Share of profits of associates and jointly controlled entities	-0.92	-1.41
Net losses/(gains) in foreign exchange	0.30	-1.04
Interest and dividend income	-2.09	-2.50
Interest expense	11.09	5.53
Changes in working capital	-38.27	-18.45
Decrease in provision for employee benefits	-0.15	-0.32
Increase/(Decrease) in provision for close down, restoration and environmental costs	0.05	-0.08
Net cash generated from operating activities	14.64	62.00

Note: In order to mitigate inconsistency across different capital markets, the Group reclassified interest paid and interest income received (other than those related to current deposits) from operating activities to financing activities and investing activities respectively in the current period. Prior period figure is reclassified accordingly.

Chairman's Statement



Chairman Wang An

Dear Shareholders,

Since the beginning of 2014, the domestic coal market has been hit by various factors such as decelerated growth in the macro economy, adjustment to the national energy composition and air pollution control, resulting in a prominent imbalance of supply and demand, a steep decline in coal price, further intensified market competition and a continuous fall in the economic efficiency of the coal industry. Facing the complex and volatile market environment, China Coal Energy deepened internal reforms and took vigorous measures to cut costs and increase efficiency, with a focus placed on keeping production stabilised, boosting sales, improving quality and strengthening management to cope with the enormous impact due to the cyclically deep adjustment in the coal industry.

During the reporting period, the Company remained committed to the concept of efficiency priority and low cost exploitation by continuing optimising the production processes, arranging for the scheduling of interim continuity over mining areas in a reasonable manner, strengthening the organisation and coordination of production as well as improving the productivity of coal mines. 81.13 million tonnes of raw coal and 60.48 million tonnes of commercial coal were produced, representing an increase of 3.8% and 2.8% respectively as compared to the same period of 2013. Guided by market demand, the Company optimised product mix, improved product quality and marketing network, accelerated the on-line operation of the e-commerce platform, enhanced the market's rapid response capability, optimised sales channels and enhanced the distribution network in an effort to maintain its market share. The Company stepped up market development by further tapping potential customers and actively exploring new markets. Despite the weak demand for coal, high coal inventories and increased difficulty in sales during the first half of 2014, 75.12 million tonnes of commercial coal were sold, remaining stable as compared to the same period of 2013.

While striving to keep production operations stabilised, the Company strengthened strategic planning, accelerated the progress of advantageous coal projects and enhanced the development quality of the principal coal business. Project construction proceeded steadily after obtaining approval of the Hulusu and Menkeqing Coal Mines at Inner Mongolia-Shaanxi base; preliminary and construction works on Muduchaideng Coal Mine and Nalin River No. 2 Coal Mine made a positive progress. Wangjialing Coal Mine at Shanxi base achieved integrated advantage over good coal quality as well as high output and efficiency, further demonstrating its market risk resistance capacity; Huaning, Hanzui and Beiling Coal Mines involving technological upgrade will be qualified for a trial operation in the second half of 2014; and the principal works on Xiaohuigou Coal Mine proceeded in an orderly way. As the coal mine projects at Inner Mongolia-Shaanxi base and Shanxi base are gradually put into production, the coal production layout of the Company will be further optimised and the competitiveness of its products will be improved significantly.

The Company accelerated industrial restructuring, and the coal chemical industry made a good start. The coke oven gas produced fertiliser project in Lingshi of Shanxi operated safely and steadily, demonstrating the advantage of polygeneration. The fertiliser project in Tuke of Ordos completed a successful test run in one attempt, and produced a total of 256,000 tonnes of urea with smooth product sales during the first half of 2014. The production load of Mengda Coal Based Methanol Project was increased steadily, having produced 151,000 tonnes of methanol during the first half of 2014. Yulin Methanol Acetic Acid Project commissioned a test run in June and produced qualified polyolefin products in July. Mengda engineering plastics project and Pingshuo inferior coal comprehensive utilisation project proceeded steadily as planned. As the Company's coal chemical projects are gradually put into operation, the Company's industrial structure will be improved significantly.

Chairman's Statement

The Company continued to carry out lean management and strived to raise the management and control standards. In the first half of 2014, the Company further stepped up cost control, strengthened quota management, enhanced the repair of obsolete materials and the reuse of waste materials, decreased coal production costs, improved the management of materials procurement, expanded the scale of centralised procurement, actively carried out consignment purchase and controlled the cost of holding funds. Meanwhile, the Company accelerated the recovery of accounts, cut non-production expenses, strengthened the management of operating cash flow and improved corporate management quality. Simultaneously, the Company accelerated the clearance and disposal of inefficient and ineffective assets, closed down production line with a capacity of 100,000 tonnes of primary aluminium and improved the profitability of assets. During the reporting period, although there was a substantial decline in coal price, the Company's unit cost of sales of self-produced commercial coal excluding freight charges decreased by 5.4% as compared to the same period of 2013, and profit before tax amounted to RMB1.488 billion.

The Chinese economy is currently in a restructuring phase, still subject to several uncertain and instable factors, while the development of the coal industry is encountering various difficulties and challenges. Increase in the demand for coal consumption has weakened, given a fall in the growth rate of output by the major coal consuming sectors. The gradual commencement of production by new mines has exerted further pressure on coal overcapacity. The import of coal on a consistently large scale has a great impact on the domestic market. The adjustment to the national energy composition and tightening up of environmental protection have set a new requirement for coal consumption in the future. While the industry was under tremendous pressure, it should be noted that the Chinese economy tended to stabilise and pick up in the second quarter following the gradual implementation of the national policy to maintain steady growth and the micro-stimulus initiatives, which will have a positive impact on coal demand in the second half of 2014. China places great emphases on the sound development of the coal industry by strengthening the supervision on coal production capacity and controlling the scale of coal production, and takes the initiative to formulate policies including restricting the import of low quality coal and adjusting the tariffs for import and export of coal so as to improve the supply and demand in the coal market. The major coal producing provinces have also introduced an array of supportive policies, thus offering favourable conditions for coal enterprises to tide over difficulties and achieve sustainable development.

Chairman's Statement

In the second half of 2014, the Company will focus on the objectives for annual production operations by meeting the general requirements for carrying out reform and innovation, and seeking progress while maintaining stability as well as strengthening the coordination of production, transportation and marketing for vigorously improving product quality control; flexibly adjust marketing strategy for stepping up market development; strive to improve operating performance through continuously strengthening cost control; and stringently implement the responsibility for production safety by improving project construction management. Facing the challenging market conditions and unprecedented operational pressure, the Company's management and all employees will brave all difficulties and accomplish various tasks with our firm confidence and efforts with an aim to realise the long-term goals of the Company.



Wang An
Chairman

Beijing, the PRC
15 August 2014

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 interim financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

I. Overview

In the first half of 2014, facing the continuous drop in selling prices of major products such as coal under adverse market condition, the Group spared no effort in responding to the impact from the market's downward trend by organising production in a scientific manner, reinforcing market development, enhancing the efforts to cut cost and increase efficiency. For the six months ended 30 June 2014, the Group's total revenue (net of inter-segmental sales) amounted to RMB35.435 billion, representing a decrease of 12.3% as compared to the same period of 2013; profit before income tax amounted to RMB1.488 billion, representing a decrease of 71.4% as compared to the same period of 2013; profit attributable to the equity holders of the Company amounted to RMB780 million, representing a decrease of 75.8% as compared to the same period of 2013; basic earnings per share were RMB0.06, representing a decrease of RMB0.18 as compared to the same period of 2013; and net cash generated from operating activities per share was RMB0.04, representing a decrease of RMB0.25 as compared to the same period of 2013.

Unit: RMB100 million

	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Increase/decrease Increase/ decrease in amount	Increase/ decrease (%)
Revenue	354.35	403.98	-49.63	-12.3
Profit before income tax	14.88	52.06	-37.18	-71.4
EBITDA	50.88	79.99	-29.11	-36.4
Profit attributable to the equity holders of the Company	7.80	32.21	-24.41	-75.8
Net cash generated from operating activities*	5.34	38.08	-32.74	-86.0

*: Net cash generated from operating activities for the six months ended 30 June 2013 is restated.

As at 30 June 2014, the gearing ratio (total interest-bearing debts/(total interest-bearing debts + equity)) of the Group was 44.9%, representing an increase of 4.5 percentage points from 40.4% at the beginning of 2014.

Management Discussion and Analysis of Financial Conditions and Operating Results

Unit: RMB100 million

	As at	As at	Increase/decrease	
	30 June 2014	31 December 2013	Increase/ decrease in amount	Increase/ decrease (%)
Assets	2,326.29	2,165.20	161.09	7.4
Liabilities	1,291.00	1,134.27	156.73	13.8
Interest-bearing debts	844.73	699.63	145.10	20.7
Equity	1,035.29	1,030.93	4.36	0.4
Equity attributable to the equity holders of the Company	875.35	878.11	-2.76	-0.3

II. Operating Results

(1) Consolidated Operating Results

1. Revenue

For the six months ended 30 June 2014, the Group's total revenue (net of inter-segmental sales) decreased from RMB40.398 billion for the six months ended 30 June 2013 to RMB35.435 billion, representing a decrease of RMB4.963 billion or 12.3%, mainly due to the impact from the market. The selling prices of major products such as coal dropped, resulting in the decrease in operating revenue of the Group as compared to the same period of 2013.

Changes in revenue net of inter-segmental sales from the Group's four operating segments of coal, coal chemical, coal mining equipment and other operations for the six months ended 30 June 2014 in comparison with the six months ended 30 June 2013 are set out as follows:

Unit: RMB100 million

	Revenue net of inter-segmental sales		Increase/decrease	
	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Increase/ decrease in amount	Increase/ decrease (%)
Coal operations	291.95	333.73	-41.78	-12.5
Coal chemical operations	18.43	19.47	-1.04	-5.3
Coal mining equipment operations	29.87	36.63	-6.76	-18.5
Other operations	14.10	14.15	-0.05	-0.4
Total	354.35	403.98	-49.63	-12.3

Management Discussion and Analysis of Financial Conditions and Operating Results

The proportion of revenue net of inter-segmental sales generated by each operating segment of the Group for the six months ended 30 June 2014 and the six months ended 30 June 2013 in the Group's total revenue is set out as follows:

	Proportion of revenue net of inter-segmental sales (%)		
	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Increase/decrease (percentage point)
Coal operations	82.4	82.6	-0.2
Coal chemical operations	5.2	4.8	0.4
Coal mining equipment operations	8.4	9.1	-0.7
Other operations	4.0	3.5	0.5

2. Cost of sales

For the six months ended 30 June 2014, the Group's cost of sales decreased from RMB33.161 billion for the six months ended 30 June 2013 to RMB31.106 billion, representing a decrease of 6.2%.

Material costs decreased from RMB16.361 billion for the six months ended 30 June 2013 to RMB14.406 billion, representing a decrease of 11.9%, of which, the cost of proprietary coal trading decreased by RMB749 million as compared to the same period of 2013; the material costs of self-produced commercial coal decreased by RMB526 million as compared to the same period of 2013 due to several measures adopted by the Group such as stepping up centralised procurement of materials, reducing the purchasing cost of materials as well as further strengthening the management of consumption quota and enhancing the repair of obsolete materials and the reuse of waste materials. In addition, the reduction in the scale of sales for coal mining equipment operations led to a decrease of RMB612 million in material costs as compared to the same period of 2013; reduction in the purchase price of raw coal for coal chemical operations led to a decrease of RMB129 million in material costs as compared to the same period of 2013.

Staff costs decreased from RMB2.284 billion for the six months ended 30 June 2013 to RMB2.209 billion, representing a decrease of 3.3%. The decrease was mainly due to Huaning Coal Mine and Hanzui Coal Mine entering the stage of technological upgrade in 2013, thus leading to a decrease in staff costs as compared to the same period of 2013. Moreover, the decrease in staff costs was also attributable to the reduction of gross manpower required as the Group reduced labour dispatch workforce.

Depreciation and amortisation expenses decreased from RMB2.525 billion for the six months ended 30 June 2013 to RMB2.495 billion, representing a decrease of 1.2%.

Repair and maintenance costs decreased from RMB560 million for the six months ended 30 June 2013 to RMB395 million, representing a decrease of 29.5%. The decrease was mainly attributable to the enhancement of routine equipment repair and maintenance by the Group's subsidiaries, which led to fewer repairs, as well as full utilisation of their own repair capacities, thus leading to a decrease in outsourced repair costs as compared to the same period of 2013.

Management Discussion and Analysis of Financial Conditions and Operating Results

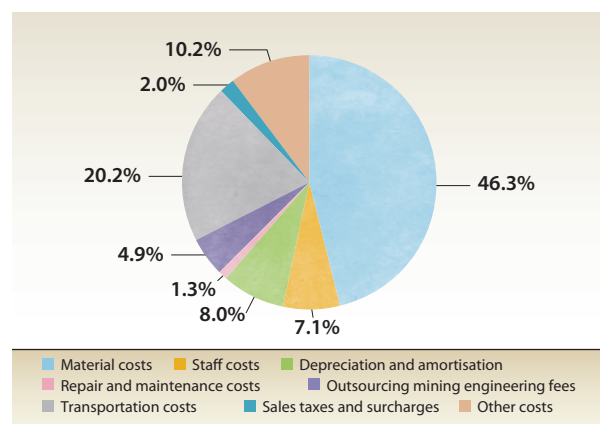
Transportation costs increased from RMB5.910 billion for the six months ended 30 June 2013 to RMB6.277 billion, representing an increase of 6.2%. The increase was mainly attributable to the increase in unit tariff rate of railway transportation by RMB0.015 per tonne-kilometre in February 2014 as well as the increase in the sales volume of seaborne self-produced commercial coal produced by the Group's Pingshuo Mining Area, resulting in a corresponding increase in transportation costs.

Outsourcing mining engineering fees for coal mines increased from RMB1.500 billion for the six months ended 30 June 2013 to RMB1.543 billion, representing an increase of 2.9%. The increase was mainly attributable to the commencement of operation of the Pingshuo East Open Pit Coal Preparation Plant in late 2013, incurring an increase of equipment reverse contracting fees as compared to the same period of 2013. Moreover, the increase in stripping volume under the arrangement for interim continuity of production as compared to the same period of 2013 also led to an increase in outsourcing mining engineering fees.

Sales taxes and surcharges decreased from RMB654 million for the six months ended 30 June 2013 to RMB622 million, representing a decrease of 4.9%. The decrease was mainly attributable to the decrease in revenue from operations as compared to the same period of 2013, resulting in a corresponding decrease in taxes and surcharges.

Other costs decreased from RMB3.367 billion for the six months ended 30 June 2013 to RMB3.159 billion, representing a decrease of 6.2%. The decrease was mainly attributable to the decrease in cost due to the reduction of the standard levy of the coal sustainable development fund by RMB3/tonne in Shanxi Province since 1 January 2014, and the cessation of the provision for the coal sustainable development reserve of Shanghai Energy Company, a subsidiary of the Group, during the current period.

The proportion of each cost element item to the costs of operations is set out as follows:



3. Gross profit and gross profit margin

For the six months ended 30 June 2014, gross profit of the Group decreased from RMB7.237 billion for the six months ended 30 June 2013 to RMB4.329 billion, representing a decrease of 40.2%, and gross profit margin decreased from 17.9% for the six months ended 30 June 2013 to 12.2%, representing a decrease of 5.7 percentage points.

Management Discussion and Analysis of Financial Conditions and Operating Results

The gross profit and gross profit margin of each of the Group's operating segments for the six months ended 30 June 2014 and for the six months ended 30 June 2013 are as follows:

Unit: RMB100 million

	Gross profit			Gross profit margin (%)		
	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Increase/decrease (%)	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Increase/decrease (Percentage point(s))
Coal operations	35.13	62.71	-44.0	11.9	18.7	-6.8
Self-produced commercial coal	34.45	62.07	-44.5	16.2	25.2	-9.0
Proprietary coal trading	0.76	0.70	8.6	1.0	0.8	0.2
Coal chemical operations	0.12	0.58	-79.3	0.7	3.0	-2.3
Coal mining equipment operations	5.77	7.89	-26.9	18.4	20.1	-1.7
Other operations	2.07	1.24	66.9	11.3	6.9	4.4
Group	43.29	72.37	-40.2	12.2	17.9	-5.7

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

(2) Operating results of segments

1. Coal 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 and domestic agency services.

For the six months ended 30 June 2014, the total revenue from coal operations of the Group decreased from RMB33.512 billion for the six months ended 30 June 2013 to RMB29.425 billion, representing a decrease of 12.2%; revenue net of inter-segmental sales decreased from RMB33.373 billion for the six months ended 30 June 2013 to RMB29.195 billion, representing a decrease of 12.5%.

For the six months ended 30 June 2014, revenue from sales of self-produced commercial coal of the Group decreased from RMB24.672 billion for the six months ended 30 June 2013 to RMB21.328 billion, representing a decrease of 13.6%. Revenue net of inter-segmental sales decreased from RMB24.538 billion for the six months ended 30 June 2013 to RMB21.101 billion, representing a decrease of 14.0%; of which, revenue from thermal coal was RMB19.289 billion, representing a decrease of RMB2.963 billion as compared to the same period of 2013; revenue from coking coal was RMB1.812 billion, representing a decrease of RMB474 million as compared to the same period of 2013. For the six months ended 30 June 2014, the Group's weighted average sales price of self-produced commercial coal recorded a decrease of RMB54/tonne as compared to the same period of 2013, reducing sales revenue by RMB2.988 billion; sales of self-produced commercial coal recorded a decrease of 1.03 million tonnes as compared to the same period of 2013, decreasing sales revenue by RMB449 million.

Management Discussion and Analysis of Financial Conditions and Operating Results

Revenue from sales of proprietary coal trading decreased from RMB8.650 billion for the six months ended 30 June 2013 to RMB7.948 billion, representing a decrease of 8.1%.

Revenue from agency services decreased from RMB19 million for the six months ended 30 June 2013 to RMB11 million, representing a decrease of 42.1%.

Changes in the Group's coal sales volume and selling price for the six months ended 30 June 2014 and for the six months ended 30 June 2013 are set out as follows:

	For the six months ended 30 June 2014		For the six months ended 30 June 2013		Increase/ decrease in amount		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 (%)
1. Self-produced								
commercial coal Total	5,526	382	5,629	436	-103	-54	-1.8	-12.4
(I) Thermal coal	5,212	370	5,347	416	-135	-46	-2.5	-11.1
1. Domestic sale	5,187	369	5,321	415	-134	-46	-2.5	-11.1
(1) Long-term contract	4,288	383	3,327	434	961	-51	28.9	-11.8
(2) Spot trading	899	303	1,994	383	-1,095	-80	-54.9	-20.9
2. Export	25	565	26	624	-1	-59	-3.8	-9.5
(1) Long-term contract	25	565	26	624	-1	-59	-3.8	-9.5
(2) Spot trading	☆	☆	☆	☆	-	-	-	-
(II) Coking coal	314	578	282	810	32	-232	11.3	-28.6
1. Domestic sale	314	578	282	810	32	-232	11.3	-28.6
(1) Long-term contract	☆	☆	☆	☆	-	-	-	-
(2) Spot trading	314	578	282	810	32	-232	11.3	-28.6
2. Export	☆	☆	☆	☆	-	-	-	-
2. Proprietary coal trading								
Total	1,790	444	1,709	506	81	-62	4.7	-12.3
(I) Domestic resale	1,624	436	1,639	503	-15	-67	-0.9	-13.3
(II) Self-operated exports	1.4*	2,099	2*	2,245	-0.6	-146	-30.0	-6.5
(III) Import trading	165	506	54	539	111	-33	205.6	-6.1
(IV) Transshipment trading	☆	☆	14	551	-14	-	-100.0	-
3. Import and export agency★								
Total	196	6	179	10	17	-4	9.5	-40.0
(I) Import agency	53	9	77	11	-24	-2	-31.2	-18.2
(II) Export agency	113	5	102	10	11	-5	10.8	-50.0
(III) Domestic agency	30	1	☆	☆	30	-	-	-

☆ : N/A for the period.

★ : Selling price is agency service fee.

* : Briquette export.

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• Cost of sales

For the six months ended 30 June 2014, cost of sales for the Group's coal operations decreased from RMB27.241 billion for the six months ended 30 June 2013 to RMB25.912 billion, representing a decrease of 4.9%. Changes in the major cost items are set out as follows:

Unit: RMB100 million

Item	For the six months ended 30 June 2014	Percentage (%)	For the six months ended 30 June 2013	Percentage (%)	Increase/decrease in amount	Increase/decrease (%)
Material costs (excluding cost of external purchase of raw coal for washing purpose and proprietary coal trading cost)	22.80	8.8	28.06	10.3	-5.26	-18.7
Cost of external purchase of raw coal for washing purpose	7.57	2.9	6.42	2.4	1.15	17.9
Proprietary coal trading cost☆	77.71	30.0	85.20	31.3	-7.49	-8.8
Staff costs	16.74	6.5	17.22	6.3	-0.48	-2.8
Depreciation and amortisation	21.49	8.3	22.06	8.1	-0.57	-2.6
Repair and maintenance *	4.22	1.6	5.19	1.9	-0.97	-18.7
Transportation costs	60.29	23.3	56.78	20.8	3.51	6.2
Coal sustainable development fund (reserve)	8.14	3.1	10.94	4.0	-2.80	-25.6
Outsourcing mining engineering fees	15.43	6.0	15.00	5.5	0.43	2.9
Sales taxes and surcharges	6.00	2.3	6.21	2.3	-0.21	-3.4
Other costs★	18.73	7.2	19.33	7.1	-0.60	-3.1
Total costs of sales for coal operations	259.12	100.0	272.41	100.0	-13.29	-4.9

☆ : This cost does not include transportation costs and provision for impairment of inventories that are related to proprietary coal trading.

* : Repair and maintenance expenses of the coal segment include inter-segmental repair and maintenance expenses which are eliminated upon consolidation.

★ : Other costs include environmental restoration expenses incurred in relation to coal mining operation and expenses for small and medium projects etc. incurred that are directly related to coal production.

For the six months ended 30 June 2014, the Group's cost of sales of self-produced commercial coal was RMB17.883 billion, representing a decrease of RMB582 million or 3.2% as compared to the same period of 2013. The unit cost of sales of self-produced commercial coal was RMB323.62/tonne, representing a decrease of RMB4.47/tonne or 1.4% as compared to the same period of 2013. The cost of proprietary coal trading was RMB7.872 billion, representing a decrease of RMB708 million or 8.3% as compared to the same period of 2013; and the unit cost of sales of proprietary coal trading was RMB439.78/tonne, representing a decrease of RMB62.27/tonne or 12.4% as compared to the same period of 2013.

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

Unit: RMB/tonne

Item	For the six months ended 30 June 2014		For the six months ended 30 June 2013		Increase/decrease in amount	Increase/decrease (%)
	Percentage (%)	Percentage (%)				
Material costs (excluding the cost of external purchase of raw coal for washing purpose)	41.27	12.8	49.87	15.2	-8.60	-17.2
Cost of external purchase of raw coal for washing purpose	13.69	4.2	11.41	3.5	2.28	20.0
Staff costs	30.29	9.4	30.60	9.3	-0.31	-1.0
Depreciation and amortisation	38.89	12.0	39.19	12.0	-0.30	-0.8
Repair and maintenance	7.64	2.4	9.23	2.8	-1.59	-17.2
Transportation costs	107.79	33.3	99.83	30.4	7.96	8.0
Sales taxes and surcharges	10.86	3.4	11.03	3.4	-0.17	-1.5
Coal sustainable development fund (reserve)	14.74	4.6	19.44	5.9	-4.70	-24.2
Outsourcing mining engineering fees	27.93	8.6	26.65	8.1	1.28	4.8
Other costs	30.52	9.3	30.84	9.4	-0.32	-1.0
Unit cost of sales of self-produced commercial coal	323.62	100.0	328.09	100.0	-4.47	-1.4

The changes in the Group's unit cost of sales of self-produced commercial coal for the six months ended 30 June 2014 as compared to the same period of 2013 were mainly attributable to:

Unit cost of raw materials decreased by RMB8.60/tonne as compared to the same period of 2013. The decrease was mainly attributable to stepping up centralised procurement of materials, reducing the purchasing cost of materials as well as further strengthening the management of consumption quota and enhancing the repair of obsolete materials and the reuse of waste materials by coal producing subsidiaries of the Group, which led to a decrease in cost of raw materials as compared to the same period of 2013.

Unit cost of external purchase of raw coal for washing purpose increased by RMB2.28/tonne as compared to the same period of 2013. The increase mainly aimed at the improvement of coal quality at the source and optimisation of product mix. During the reporting period, the volume of externally purchased raw coal for blending purpose increased as compared to the same period of 2013.

Unit repair and maintenance cost decreased by RMB1.59/tonne as compared to the same period of 2013. The decrease was mainly attributable to the strengthening of daily repair and maintenance of coal mining equipment of the Group's coal producing subsidiaries, which led to fewer repairs as well as full utilisation of their own repair capabilities, thus leading to a decrease in outsourced repair costs.

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Unit transportation cost increased by RMB7.96/tonne as compared to the same period of 2013. The increase was mainly attributable to the increase in unit tariff rate of railway transportation by RMB0.015 per tonne-kilometre on 15 February 2014 and the increase in the sales volume of seaborne self-produced commercial coal produced by Pingshuo Mining Area.

Unit coal sustainable development fund (reserve) decreased by RMB4.70/tonne as compared to the same period of 2013. The decrease was mainly attributable to the decrease in cost due to the reduction of the standard levy of the coal sustainable development fund by RMB3/tonne in Shanxi Province since 1 January 2014, and the cessation of the provision for the coal sustainable development reserve of Shanghai Energy Company, a subsidiary of the Group, during the current period.

Unit outsourcing mining engineering fee increased by RMB1.28/tonne as compared to the same period of 2013, which was mainly attributable to the increase in equipment reverse contracting fees as compared to the same period of 2013 upon commencement of operation of Pingshuo East Open Pit Coal Preparation Plant in late 2013. In addition, the increase in stripping volume under the arrangement for continuation of production as compared to the same period of 2013 led to an increase in outsourcing mining engineering fees.

• **Gross profit and gross profit margin**

For the six months ended 30 June 2014, gross profit of the Group's coal operations segment decreased from RMB6.271 billion for the six months ended 30 June 2013 to RMB3.513 billion, representing a decrease of 44.0%, and gross profit margin decreased by 6.8 percentage points from 18.7% for the six months ended 30 June 2013 to 11.9%.

2. Coal chemical segment

• **Revenue**

For the six months ended 30 June 2014, the Group's revenue from coal chemical operations decreased from RMB1.947 billion for the six months ended 30 June 2013 to RMB1.843 billion (generated entirely from revenue of external transactions), representing a decrease of 5.3%. This was mainly due to the relatively large decrease in the selling price of coke as compared to the same period of 2013, resulting in a decrease of RMB331 million or 21.6% in the revenue of coke products as compared to the same period of 2013. The coke oven gas produced chemical fertiliser project in Lingshi of Shanxi started to operate in June 2013, increasing RMB130 million to the revenue as compared to the same period of 2013.

The revenue from coke sales of the Group for the six months ended 30 June 2014 was RMB1.201 billion, representing a decrease of RMB331 million or 21.6% as compared to the same period of 2013.

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Changes in the sales volume and selling price of coke of the Group for the six months ended 30 June 2014 and for the six months ended 30 June 2013 are set out below:

	For the six months ended 30 June 2014		For the six months ended 30 June 2013		Increase/decrease in amount		Increase/decrease	
	Sales volume (10,000 tonnes)	Selling price (RMB/tonne)	Sales volume (10,000 tonnes)	Selling price (RMB/tonne)	Sales volume (10,000 tonnes)	Selling price (RMB/tonne)	Sales volume (%)	Selling price (%)
Self-produced	95.3	952	90.8	1,256	4.5	-304	5.0	-24.2
Domestic sales	95.3	952	90.8	1,256	4.5	-304	5.0	-24.2
Export	☆	☆	☆	☆	-	-	-	-
Proprietary trading	24.9	1,177	28.3	1,382	-3.4	-205	-12.0	-14.8
Domestic sales	24.1	1,186	25.7	1,404	-1.6	-218	-6.2	-15.5
Export	0.8	906	2.6	1,166	-1.8	-260	-69.2	-22.3
Export agency★	0.3	12	0.6	13	-0.3	-1	-50.0	-7.7

☆ : N/A for the period.

★ : Selling price is agency service fee.

For the six months ended 30 June 2014, the Group's revenue from sales of chemical products such as methanol and urea increased to RMB642 million, representing an increase of RMB227 million as compared to that of the six months ended 30 June 2013. Among the sales, the sales volume of methanol amounted to 81.6 thousand tonnes (including 31.3 thousand tonnes of methanol produced by Heilongjiang Coal Chemical Group, a subsidiary of China Coal Group, all of which were sold externally via the Group), with weighted average selling price of RMB2,197/tonne, achieving a revenue of RMB179 million. The sales volume of urea amounted to 89.6 thousand tonnes, with weighted average selling price of RMB1,422/tonne, achieving a revenue of RMB127 million. Other chemical products such as coal tar and crude benzene achieved a revenue of RMB336 million. Sales volume of the above products excluded the sales volume during the trial production period.

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• Cost of sales

For the six months ended 30 June 2014, cost of sales for the Group's coal chemical operations decreased from RMB1.889 billion for the six months ended 30 June 2013 to RMB1.831 billion, representing a decrease of 3.1%. Details are set out as follows:

Unit: RMB100 million

Item	For the six months ended 30 June 2014		For the six months ended 30 June 2013		Increase/decrease in amount	Increase/decrease (%)
	Amount	Percentage (%)	Amount	Percentage (%)		
Material costs	14.58	79.6	15.87	84.0	-1.29	-8.1
Staff costs	0.44	2.4	0.37	2.0	0.07	18.9
Depreciation and amortisation	1.02	5.6	0.70	3.7	0.32	45.7
Repair and maintenance	0.19	1.0	0.14	0.7	0.05	35.7
Transportation costs	1.89	10.3	1.66	8.8	0.23	13.9
Sales taxes and surcharges	0.03	0.2	0.04	0.2	-0.01	-25.0
Other costs	0.16	0.9	0.11	0.6	0.05	45.5
Total costs of sales for coal chemical operations	18.31	100.0	18.89	100.0	-0.58	-3.1

Cost of sales for the Group's major coal chemical products is set out as follows:

	Cost of sales (RMB100 million)			Unit cost of sales (RMB/tonne)		
	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Increase/decrease in amount	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Increase/decrease in amount
Coke	12.70	15.40	-2.70	1,053.17	1,287.19	-234.02
Methanol	1.71	1.35	0.36	2,098.36	1,996.65	101.71
Urea	1.21	0.09	1.12	1,347.66	1,137.59	210.07

• Gross profit and gross profit margin

For the six months ended 30 June 2014, the gross profit of the Group's coal chemical operations decreased by 79.3% from RMB58 million for the six months ended 30 June 2013 to RMB12 million, and the gross profit margin decreased from 3.0% for the six months ended 30 June 2013 to 0.7%, representing a decrease of 2.3 percentage points. This was mainly due to a relatively large decrease in the selling price of coke as compared to the decrease in cost, resulting in a decrease in gross profit.

3. Coal mining equipment segment

- **Revenue**

For the six months ended 30 June 2014, the Group's revenue from the coal mining equipment operations decreased from RMB3.930 billion for the six months ended 30 June 2013 to RMB3.132 billion, representing a decrease of 20.3%, of which the revenue net of inter-segmental sales decreased from RMB3.663 billion for the six months ended 30 June 2013 to RMB2.987 billion, representing a decrease of 18.5%. This was mainly due to a decrease in the sales volume of major coal mining equipment as compared to the same period of 2013 as a result of the market situations.

- **Cost of sales**

For the six months ended 30 June 2014, the Company's cost of sales for the coal mining equipment operations decreased from RMB3.141 billion for the six months ended 30 June 2013 to RMB2.555 billion, representing a decrease of 18.7%. Details are set out as follows:

Unit: RMB100 million

Item	For the six months ended 30 June 2014		For the six months ended 30 June 2013		Increase/decrease in amount	Increase/decrease (%)
	Percentage (%)	Percentage (%)				
Material costs	19.37	75.8	25.49	81.2	-6.12	-24.0
Staff costs	2.86	11.2	3.09	9.8	-0.23	-7.4
Depreciation and amortisation	0.81	3.2	0.49	1.6	0.32	65.3
Repair and maintenance	0.34	1.3	0.18	0.6	0.16	88.9
Transportation costs	0.56	2.2	0.60	1.9	-0.04	-6.7
Sales taxes and surcharges	0.10	0.4	0.16	0.5	-0.06	-37.5
Other costs	1.51	5.9	1.40	4.4	0.11	7.9
Total costs of sales of coal mining equipment operations	25.55	100.0	31.41	100.0	-5.86	-18.7

- **Gross profit and gross profit margin**

For the six months ended 30 June 2014, the gross profit of the Group's coal mining equipment operations segment decreased from RMB789 million for the six months ended 30 June 2013 to RMB577 million, representing a decrease of 26.9%, and the gross profit margin decreased from 20.1% for the six months ended 30 June 2013 to 18.4%, representing a decrease of 1.7 percentage points.

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4. Other operating segments

For the six months ended 30 June 2014, the Group's total revenue from other operations such as aluminium and power generation increased from RMB1.785 billion for the six months ended 30 June 2013 to RMB1.835 billion, representing an increase of 2.8%, of which the revenue net of inter-segmental sales decreased from RMB1.415 billion for the six months ended 30 June 2013 to RMB1.410 billion, representing a decrease of 0.4%. Cost of sales decreased from RMB1.661 billion for the six months ended 30 June 2013 to RMB1.628 billion, representing a decrease of 2.0%. Gross profit increased by 66.9% from RMB124 million for the six months ended 30 June 2013 to RMB207 million, and gross profit margin increased from 6.9% for the six months ended 30 June 2013 to 11.3%, representing an increase of 4.4 percentage points.

(3) Selling, general and administrative expenses

For the six months ended 30 June 2014, the Group's selling, general and administrative expenses increased from RMB2.035 billion for the six months ended 30 June 2013 to RMB2.102 billion, representing an increase of 3.3%. This was mainly attributable to the provision for bad debts in accounts receivables of RMB66 million, representing an increase of RMB31 million as compared to RMB35 million of the same period of 2013, and depreciation and amortisation of RMB302 million, representing an increase of RMB49 million as compared to RMB253 million of the same period of 2013.

(4) Other net gains

For the six months ended 30 June 2014, the other net gains of the Group increased from RMB16 million for the six months ended 30 June 2013 to RMB63 million, representing an increase of RMB47 million. This was mainly attributable to the increases such as government grants as compared to the same period of 2013.

(5) Profit from operations

For the six months ended 30 June 2014, the Group's profit from operations decreased from RMB5.221 billion for the six months ended 30 June 2013 to RMB2.291 billion, representing a decrease of 56.1%. Changes in profit from operations for each operating segment are as follows:

Unit: RMB100 million

	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Increase/ decrease in amount	Increase/ decrease (%)
The Group	22.91	52.21	-29.30	-56.1
Of which: Coal operations	23.62	50.70	-27.08	-53.4
Coal chemical operations	-0.52	-0.02	-0.50	-
Coal mining equipment operations	1.26	3.23	-1.97	-61.0
Other operations	0.53	0.16	0.37	231.3

Note: The above profits from operations of each operating segment are figures before netting of inter-segmental sales.

(6) Finance income and finance costs

For the six months ended 30 June 2014, the Group's net finance costs increased from RMB156 million for the six months ended 30 June 2013 to RMB894 million, representing an increase of RMB738 million, while finance income decreased from RMB299 million for the six months ended 30 June 2013 to RMB247 million, representing a decrease of 17.4%. This was mainly attributable to the decrease in deposit interest income as more capital was used for project construction. The finance costs increased from RMB455 million for the six months ended 30 June 2013 to RMB1.141 billion, representing an increase of RMB686 million, of which, a foreign exchange net loss of RMB30 million was incurred as compared to a net gain of RMB104 million for the same period of 2013, and finance costs increased by RMB134 million as compared to the same period of 2013; interest expenses increased from RMB553 million for the six months ended 30 June 2013 to RMB1.109 billion, representing an increase of RMB556 million. This was mainly attributable to the increase in expensed interest expenses as compared to the same period of 2013 due to the transfer of construction-in-progress projects of subsidiaries to fixed assets accumulating to RMB9 billion. In addition, there was a significant decrease in cash inflow generated from operating activities as compared to the same period of 2013 due to the market environment, and cash used for working capital and equity investment increased as compared to the same period of 2013, resulting in a corresponding increase in interest expenses as compared to the same period of 2013.

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

For the six months ended 30 June 2014, the Group's share of profits of associates and jointly controlled entities decreased from RMB141 million for the six months ended 30 June 2013 to RMB92 million, representing a decrease of 34.8%. This was mainly attributable to the decreased investment gains of the Group recognised in proportion to the shareholding resulting from the decreased profits of the associates and jointly controlled entities of the Group during the reporting period.

(8) Profit before income tax

For the six months ended 30 June 2014, the profit of the Group before income tax decreased from RMB5.206 billion for the six months ended 30 June 2013 to RMB1.488 billion, representing a decrease of 71.4%.

(9) Income tax expenses

For the six months ended 30 June 2014, the Group's income tax expenses decreased from RMB1.307 billion for the six months ended 30 June 2013 to RMB431 million, representing a decrease of 67.0%.

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

For the six months ended 30 June 2014, profit attributable to the equity holders of the Company decreased from RMB3.221 billion for the six months ended 30 June 2013 to RMB780 million, representing a decrease of 75.8%.

III. Cash Flow

As at 30 June 2014, the balance of the Group's cash and cash equivalents amounted to RMB15.439 billion, representing an increase of RMB4.206 billion as compared to that as at 31 December 2013.

Net cash generated from operating activities decreased from RMB3.808 billion for the six months ended 30 June 2013 to RMB534 million, representing a decrease of RMB3.274 billion. This was mainly attributable to a decrease of RMB3.718 billion in profit before tax due to a drop in profitability of the Group as compared to the same period of 2013, as a result of the continuous fall in coal price. Factors such as depreciation and amortisation, impairment losses as well as finance costs that reduced profit without affecting cash flow of operating activities increased by RMB887 million as compared to the same period of 2013, offsetting the decreased cash inflow from change in profit before tax. Moreover, working capital increased by RMB1.982 billion as compared to the same period of 2013 due to increase in inventory as compared to the same period of 2013; and cash used for income tax payment decreased by RMB1.461 billion as compared to the same period of 2013.

Net cash used in investing activities decreased from RMB10.950 billion for the six months ended 30 June 2013 to RMB8.470 billion, representing a decrease of RMB2.480 billion. The decrease was mainly attributable to an increase of RMB2.730 billion in cash inflow from investing activities arising from the inclusion of Finance Company, a subsidiary of the Group, into the consolidation scope upon its establishment during the reporting period, as well as a decrease of RMB545 million in cash payment for acquisition and construction of fixed assets, intangible assets and other long-term assets as compared to the same period of 2013, and an increase of RMB959 million in capital in jointly controlled entities and associates according to shareholding proportion as compared to the same period of 2013.

Net cash generated from financing activities increased from RMB2.409 billion for the six months ended 30 June 2013 to RMB12.142 billion, representing an increase of RMB9.733 billion. This was mainly attributable to an increase of RMB8.085 billion in net cash inflow generated from borrowings from banks as compared to the same period of 2013 as the Group increased debt financing according to the demand for capital for construction and development; a decrease of RMB1.905 billion in cash payment for dividends distribution as compared to the same period of 2013; an increase in cash inflow from financing activities of RMB270 million arising from the capital contribution of RMB270 million by China Coal Group for the establishment of Finance Company, and an increase of RMB434 million in cash repayment of interests as compared to the same period of 2013.

IV. Sources of Capital

For the six months ended 30 June 2014, the Group's funds were mainly derived from the proceeds generated from business operations, bank borrowings and net proceeds generated from funds raised in capital markets. The Group's funds were mainly used for investments in production facilities and equipment for coal, coal chemical and coal mining equipment operations, repayment of debts payable 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 operating activities as well as project construction.

V. Assets and Liabilities

(1) Property, plant and equipment

As at 30 June 2014, the net value of property, plant and equipment of the Group amounted to RMB118.209 billion, representing a net increase of RMB8.194 billion or 7.4% as compared to RMB110.015 billion as at 31 December 2013. This was mainly attributable to an increase in property, plant and equipment as a result of the increase in project investment from the Group's subsidiaries and the need for additional equipment and facilities for production and operation.

(2) Mining and exploration rights

As at 30 June 2014, the net value of the Group's mining and exploration rights amounted to RMB33.151 billion, representing a net increase of RMB584 million or 1.8% as compared to RMB32.567 billion as at 31 December 2013. This was mainly attributable to the increase of RMB771 million for exploration rights as a result of the acquisition of Shanxi Yangquan Yuxian Yuquan Coal Company Limited by Shanghai Energy Company, a subsidiary of the Group, and the amortisation of exploration rights for the reporting period amounted to RMB186 million.

(3) Other non-current assets

As at 30 June 2014, other non-current assets of the Group amounted to RMB6.859 billion, representing a net decrease of RMB2.540 billion or 27.0% as compared to RMB9.399 billion as at 31 December 2013. This was mainly attributable to the transfer of the Group's payment of a capital of RMB2.730 billion for establishing Finance Company at the end of 2013 to investments in subsidiaries during the reporting period due to the establishment of Finance Company (eliminated in the preparation of the consolidated financial statements).

(4) Trade and notes receivables

As at 30 June 2014, the net amount of trade and notes receivables amounted to RMB14.518 billion, representing an increase of RMB1.623 billion or 12.6% as compared to RMB12.895 billion as at 31 December 2013, of which the net amount of trade receivables amounted to RMB10.240 billion, representing an increase of RMB1.971 billion or 23.8% as compared to RMB8.269 billion as at 31 December 2013. This was mainly attributable to the increase in trade receivables as a result of the sales of major products including coal and coal mining equipment in respond to market situations.

(5) Borrowings

As at 30 June 2014, the balance of borrowings of the Group amounted to RMB54.564 billion, representing a net increase of RMB14.469 billion or 36.1% as compared to RMB40.095 billion as at 31 December 2013. This was mainly attributable to an increase in bank borrowings used as working capital for project construction, production and operation of the subsidiaries of the Group, of which the balance of long-term borrowings (including the portion due within one year) was RMB45.334 billion, representing a net increase of RMB12.015 billion as compared to RMB33.319 billion as at 31 December 2013, and the balance of short-term borrowings amounted to RMB9.230 billion, representing a net increase of RMB2.454 billion as compared to RMB6.776 billion as at 31 December 2013.

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(6) Long-term bonds

As at 30 June 2014, the balance of bonds payable of the Group amounted to RMB29.909 billion, representing a net increase of RMB41 million, or 0.1%, from RMB29.868 billion as at 31 December 2013.

VI. Significant Pledge of Assets

The Group did not have 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 paragraph "X. Other Significant Events" under the section headed "Disclosure of Major Events" in this report. Save as disclosed in this report, the Board did not approve other proposals related to significant investment during the reporting period.

VIII. Material Acquisitions and Disposals

The Group did not have material acquisitions and disposals 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 against RMB will have bilateral compound effects on the operating results of the Group. An appreciation of RMB would decrease the Group's export income, 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 coal chemical 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 2014, the Group provided guarantees for a total amount of RMB11.285 billion, of which guarantees of RMB5.388 billion were provided in proportion to the Group's shareholdings for the bank borrowings of the Group's equity investment entities. Details are set out below:

Unit: RMB10 thousand

Guarantor	Relationship between guarantor and listed company	Guarantee	Guaranteed amount	The Company's external guarantees (excluding guarantees for controlling subsidiaries)							Counter guarantee available or not	Provided to the related party or not	Related party relationship
				Date of execution of guarantee (the date of signing agreement)	Commencement date of guarantee	Expiry date of guarantee	Type of the guarantee	Completed or not	Overdue or not	Overdue amount			
China Coal Energy Company Limited	Company headquarters	Shanxi Pingshuo Gangue-fired Power Generation Company Limited	7,650	19 December 2008	19 December 2008	18 December 2020	Joint and several liability guarantee	No	No	-	Yes	No	-
China Coal Energy Company Limited	Company headquarters	Shanxi Pingshuo Gangue-fired Power Generation Company Limited	38,200	24 December 2008	24 December 2008	23 December 2020	Joint and several liability guarantee	No	No	-	Yes	No	-
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	9,025	28 March 2008	28 March 2008	20 December 2022	Joint and several liability guarantee	No	No	-	No	No	-
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	37,075.50	28 March 2008	28 March 2008	20 December 2023	Joint and several liability guarantee	No	No	-	No	No	-
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	9,981	28 March 2008	28 March 2008	20 December 2023	Joint and several liability guarantee	No	No	-	No	No	-
China Coal Energy Company Limited	Company headquarters	Huajin Coking Coal Company Limited	7,750	21 November 2012	21 November 2012	20 November 2027	Joint and several liability guarantee	No	No	-	No	No	-
China Coal Energy Company Limited	Company headquarters	Taiyuan Coal Gasification Longquan Energy Development Company Limited	58,344	29 October 2012	29 October 2012	31 January 2021	Joint and several liability guarantee	No	No	-	No	No	-
China Coal Energy Company Limited	Company headquarters	Shaanxi Yanchang China Coal Yulin Energy Chemical Company Limited	361,500	28 April 2013	28 April 2013	28 April 2025	Joint and several liability guarantee	No	No	-	Yes	No	-
China Coal and Coke Holdings Limited	Subsidiary	Hebei Sinocoal Risun Coking Company	5,625	23 August 2012	23 August 2012	31 August 2017	Joint and several liability guarantee	No	No	-	Yes	No	-
China Coal and Coke Holdings Limited	Subsidiary	Hebei Sinocoal Risun Coking Company	3,375	7 March 2013	7 March 2013	7 March 2018	Joint and several liability guarantee	No	No	-	Yes	No	-
Shanghai Datun Energy Resources Company Limited	Subsidiary	Fengpei Railway Company Limited (豐沛鐵路股份有限公司)	245.7	21 November 2013	21 November 2013	20 April 2024	Joint and several liability guarantee	No	No	-	Yes	No	-
Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)												59,713.45	
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)												538,771.20	
Guarantee provided by the Company to its subsidiaries													
Total guarantee to subsidiaries incurred during the reporting period												341,623.50	
Total balance of guarantee to subsidiaries as at the end of the reporting period (B)												589,752.50	
Total guarantee of the Company (including those to subsidiaries)													
Total guarantee (A+B)												1,128,523.70	
Percentage of total guarantee to net assets of the Company (%)												12.9	
Of which:													
Amount of guarantee provided to shareholders, de facto controllers and related parties (C)												-	
Balance of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratio of over 70% (D)												499,293.04	
Excess amount of total guarantee over 50% of net assets (E)												-	
Total amount of the above three categories (C+D+E)												499,293.04	

Management Discussion and Analysis of Financial Conditions and Operating Results

(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 responsibilities 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 2014, 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.

XIII. Analysis of Principal Subsidiaries and Equity Investment Companies

(1) Operation and result of principal subsidiaries

Unit: RMB100 million

Company name	Nature of business	Principal products or services	Registered capital	Total assets	Net assets attributable to the equity holders of the Company	Revenue	Net profit attributable to the equity holders of the Company	Proportion of net profit in the Company's consolidated net profit attributable to the equity holders of the Company (%)
China Coal Pingshuo Group Company Limited	Coal production	Coal	160.78	650.62	283.08	168.79	5.09	65.3
Shanghai Datun Energy Resources Company Limited	Coal production	Coal and primary aluminium, etc.	7.23	150.30	85.38	33.95	0.48	6.2
Shanxi China Coal Huajin Energy Company Limited	Coal production	Coal	16.56	133.67	43.62	18.57	6.51	83.5

(2) Operation and result of principal equity investment companies

Unit: RMB10 thousand

Company name	Nature of business	Shareholding (%)	Registered capital	Total assets	Revenue	Net profit attributable to the equity holders of the Company
Huajin Coking Coal Company Limited	Coal production	49.0	51,987	1,299,919	219,384	2,999
Hebei Sinocoal Risun Coking Company	Coke production	45.0	10,000	319,553	229,184	5,751
Datong Zhongxin Energy Company Limited	Coal production	42.0	16,100	25,791	24,236	-1,204
Guotou China Coal Tongmei Jingtang Port Company Limited	Coal quay construction	21.0	20,000	332,517	53,608	20,409
Tianjin Port China Coal Huaneng Coal Terminal Company Limited	Port logistics	24.5	112,500	199,762	28,219	-211
Zhongtian Synergetic Energy Company Limited	Coal chemical	38.8	540,377	1,394,971	-	-
Shaanxi Yanchang China Coal Yulin Energy Chemical Company Limited	Coal chemical	30.0	700,000	2,173,341	267	-136

Business Performance

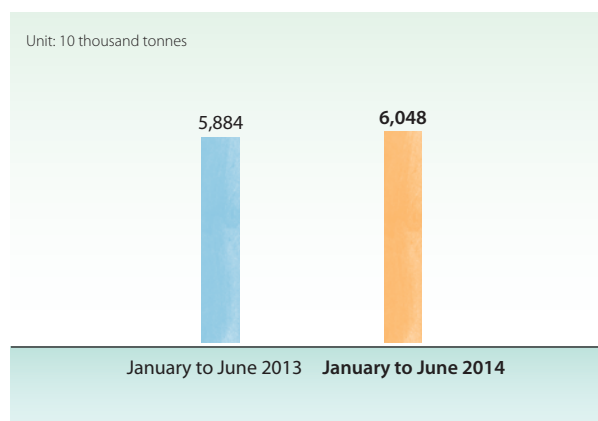
I. Coal operations

Due to factors including a severe slack in the demand for coal, the continued impact of imported coal and the increasing pressure arising from environmental protection since the beginning of 2014, the imbalance from the structural oversupply in the domestic coal industry became more prominent, and coal inventory remained at a high level for a long time while coal price continued to fall, resulting in an even more challenging business environment for coal enterprises.

(1) Growth in coal production as compared to the same period of 2013

The Company maintained a growth in coal production by organising production scientifically, optimising production technology, making reasonable arrangements for mining and stripping (roadheading) continuity, and sparing no effort in raising unit output and unit roadheading. During the reporting period, the production volume of raw coal amounted to 81.13 million tonnes (including 1.95 million tonnes of engineering coal), representing an increase of 2.98 million tonnes or 3.8% as compared to the same period of 2013. The production volume of commercial coal reached 60.48 million tonnes, representing an increase of 1.64 million tonnes or 2.8% as compared to the same period of 2013, of which thermal coal reached 56.45 million tonnes and coking coal reached 4.03 million tonnes.

Commercial Coal Production Volume



By strengthening production and organisation and giving full play to the strengths of economy of scale and centralisation, Pingshuo Company achieved a roadheading length of 19,538 metres in the first half of 2014; and recorded a commercial coal production volume of 45.68 million tonnes, representing an increase of 1.5% as compared to the same period of 2013. By optimising the layout of working faces and giving full play to the strengths of the highly safe and efficient newly constructed Wangjialing Coal Mine, China Coal Huajin Company achieved a roadheading length of 7,922 metres in the first half of 2014; and recorded a commercial coal production volume of 3.63 million tonnes, representing an increase of 20.6% as compared to the same period of 2013, of which clean coking coal amounted to 2.47 million tonnes, representing an increase of 16.5% as compared to the same period of 2013. After making reasonable arrangements for production continuity, Shanghai Energy Company achieved a roadheading length of 18,900 metres in the first half of 2014; it also expedited the upgrade of the washery and recorded a commercial coal production volume of 4.01 million tonnes, remaining at the similar level as compared to the same period of 2013.

Commercial Coal Production Volume (10 thousand tonnes)	January to June 2014	January to June 2013	Change (%)
Pingshuo Company	4,568	4,501	1.5
Shanghai Energy Company	401	404	-0.7
China Coal Huajin Company	363	301	20.6
Dongpo Company	314	349	-10.0
Nanliang Company	107	104	2.9
Tang Shan Gou Company	63	66	-4.5
Shuozhong Company	295	264	11.7
Dazhong Company	182	151	20.5
Shaanxi Company	112	69	62.3
Total	6,048	5,884	2.8

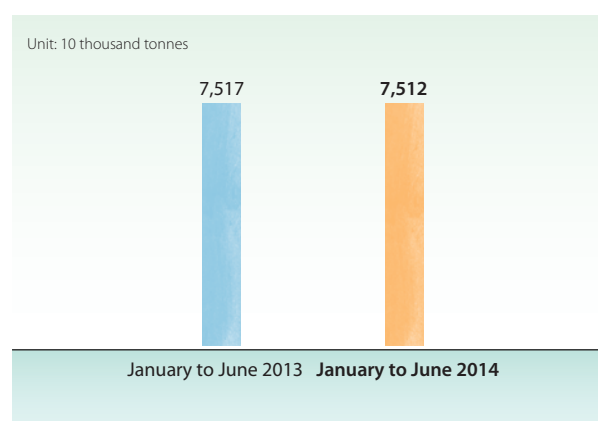
Notes: 1. 3.57 million tonnes were eliminated from the total commercial coal production volume for January to June 2014 due to intra-company transactions, while 3.25 million tonnes of intra-company transactions were eliminated for January to June 2013.

2. As Hecaogou Coal Mine has not been consolidated into the Company, the commercial coal production volume of Shaanxi Company was calculated based on management statistics.

(2) Coal sales volume remaining stable

Facing a tough market environment, the Company adhered to its "market-oriented, customer-centred" philosophy, made flexible adjustments to its marketing strategy, improved its marketing network, consolidated its existing market share, actively developed new markets and new customers, and continuously enhanced its service standards and capability in making timely responses. The Company made reasonable arrangements for the dispatch and transportation of coal, enhanced the loading and unloading efficiency of coal mines and coal ports, and made every effort to secure a smooth coordination among all aspects of production, transportation and sale. During the reporting period, the Company recorded a commercial coal sales volume of 75.12 million tonnes, remaining stable as compared to the same period of 2013.

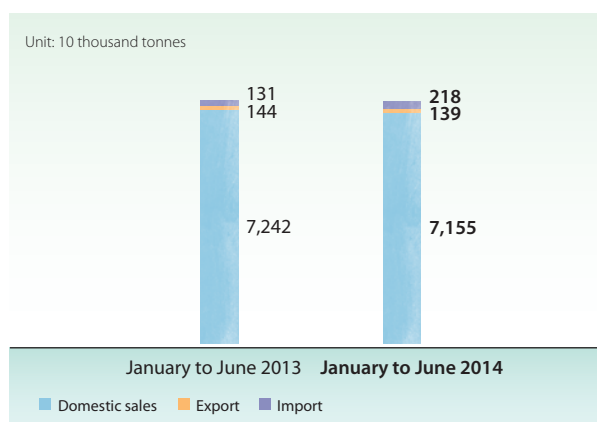
Sales Volume of Commercial Coal



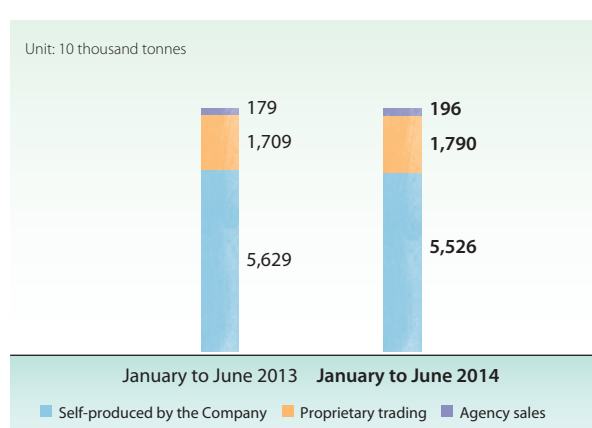
Business Performance

Sales volume of commercial coal (10 thousand tonnes)	January to June 2014	January to June 2013	Change (%)
(I) Domestic sales of self-produced coal	5,501	5,603	-1.8
By region: North China	1,161	2,974	-61.0
East China	3,033	2,024	49.9
South China	799	605	32.1
Others	508	☆	-
By coal type: Thermal coal	5,187	5,321	-2.5
Coking coal	314	282	11.3
By contract: Long-term contract	4,288	3,327	28.9
Spot trading	1,213	2,276	-46.7
(II) Self-produced coal export	25	26	-3.8
By region: Taiwan, China	25	26	-3.8
Japan	☆	☆	-
By coal type: Thermal coal	25	26	-3.8
Coking coal	☆	☆	-
By contract: Long-term contract	25	26	-3.8
Spot trading	☆	☆	-
(III) Proprietary trading	1,790	1,709	4.7
Of which: Domestic resale	1,624	1,639	-0.9
Import trading	165	54	205.6
Transshipment trading	☆	14	-100.0
Self-operated exports	1.4	2	-30.0
(IV) Agency sales	196	179	9.5
Of which: Import agency	53	77	-31.2
Export agency	113	102	10.8
Domestic agency	30	☆	-
Total	7,512	7,517	-0.1

Commercial coal sales – by market



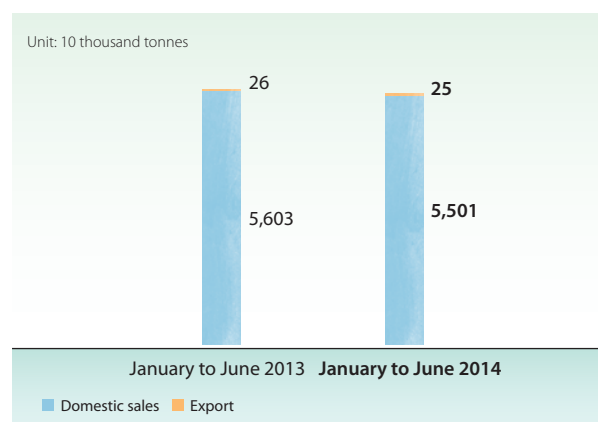
Commercial coal sales – by product sources



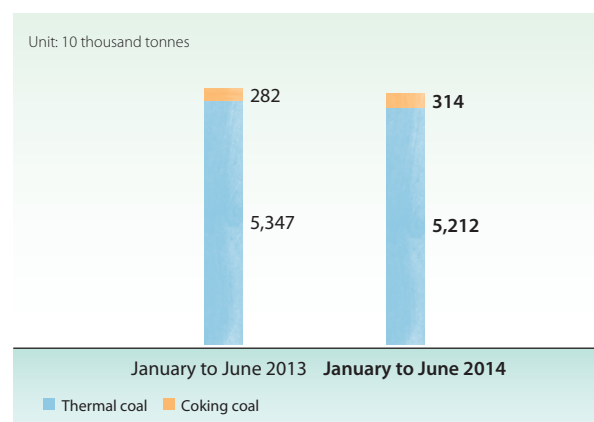
Facing more stringent requirements of environmental protection, the Company attached great importance to product quality and structure optimisation with a view to satisfying customers' diversified needs while facilitating coal sales through a series of measures. Through the external purchase of premium raw coal for washing purpose, the Company improved the coal quality and optimised the structure of coal types from the upstream of the production chain. Fully leveraging on traditional channels and the strengths of warehousing and transportation at ports, the Company purchased more premium coal to be blended with self-produced coal for sales so as to improve the integrated benefits of coal sales.

Closely monitoring market changes, the Company put forward innovative marketing concepts and took the initiative to develop customers in cement and coal chemical industries in line with the quality characteristics of its self-produced coal. The Company's market reach was also extended to inland regions including Central and Southwest China with sales radius expanded and more potential markets secured. The Company spared no effort in securing the railway transportation capacity. In the first half of 2014, the Company's self-produced commercial coal transportation volume by railway amounted to 47.82 million tonnes, representing an increase of 3.03 million tonnes or 6.8% as compared to the same period of 2013. However, as the domestic coal demand was not sufficient, the sales volume of self-produced commercial coal reached 55.26 million tonnes, representing a decrease of 1.8% as compared to the same period of 2013, of which the sales volume of self-produced commercial coal of Pingshuo Company reached 42.63 million tonnes, representing a decrease of 3.2% as compared to the same period of 2013; the sales volume of self-produced commercial coal of Shanghai Energy Company reached 3.57 million tonnes, remaining unchanged as compared to the same period of 2013; and the sales volume of self-produced commercial coal of China Coal Huajin Company reached 3.30 million tonnes, representing an increase of 17.4% as compared to the same period of 2013.

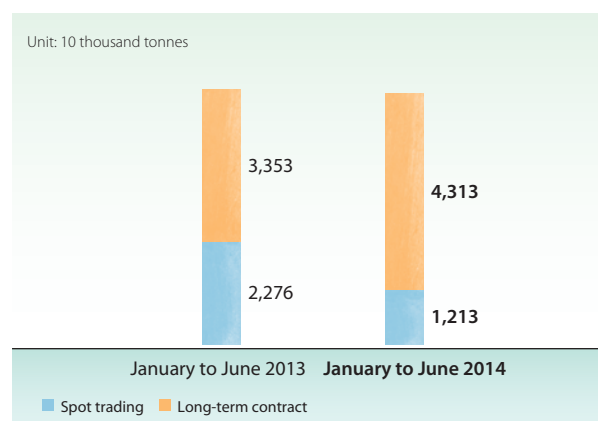
Self-produced commercial coal sales – by market



Self-produced commercial coal sales – by coal type



Self-produced commercial coal sales – by contract



II. Coal chemical operations

During the first half of 2014, the Company strengthened on-site management to identify and rectify potential safety risks, and enhanced the momentum of staff training. Coal chemical operations progressed smoothly, as witnessed by the stable operation of equipment which had been put into production as well as the steady progress of trial production and construction-in-progress projects.

China Coal and Coke achieved steady production and operation. During the reporting period, the accumulated production volume of coke amounted to 956 thousand tonnes, representing an increase of 3.7% as compared to the same period of 2013. Self-produced coke sales volume amounted to 953 thousand tonnes, representing an increase of 5.0% as compared to the same period of 2013. Production volume of urea amounted to 106 thousand tonnes, representing an increase of 112.0% as compared to the same period of 2013. Sales volume of urea amounted to 90 thousand tonnes, representing an increase of 100.0% as compared to the same period of 2013.

Mengda Coal Based Methanol Project has comprehensively started trial production, with production load increasing steadily. The accumulated production and sales volume of methanol amounted to 151 thousand tonnes and 143 thousand tonnes respectively. With the whole production process of phase 1 of Tuke fertiliser project being interconnected, the accumulated production and sales volume of granular urea amounted to 256 thousand tonnes and 212 thousand tonnes respectively. Yulin Methanol Acetic Acid Project commenced the commissioning test run in June and produced qualified polyolefin products in July.

Production and sales volume of coal chemical products (10 thousand tonnes)	January to June 2014	January to June 2013	Change (%)
Production volume of coke	95.6	92.2	3.7
Sales volume of coke	120.5	119.7	0.7
Of which: Sales volume of self-produced coke	95.3	90.8	5.0
Production volume of methanol	21.2	5.8	265.5
Of which: Production volume during the trial production period	15.1^①	☆	–
Sales volume of methanol	22.5	6.8	230.9
Of which: Sales volume during the trial production period	14.3^②	☆	–
Production volume of urea	36.2	5.0	624.0
Of which: Production volume during the trial production period	25.6^③	3.7 ^⑤	591.9
Sales volume of urea	30.2	4.5	571.1
Of which: Sales volume during the trial production period	21.2^④	3.3 ^⑥	542.4

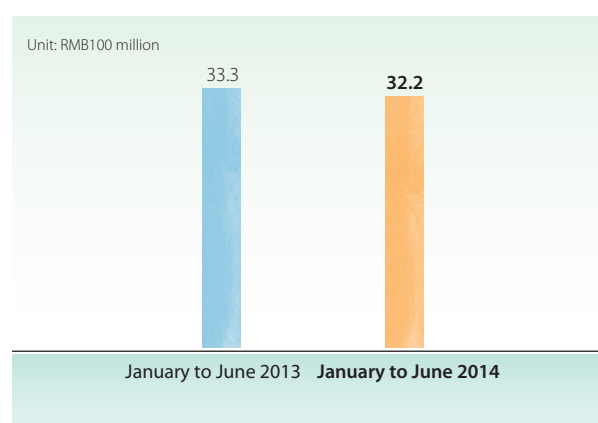
Notes: 1. The Company is concurrently responsible for the sales of all methanol products produced by Heilongjiang Coal Chemical Group, a subsidiary of China Coal Group.

2. ① and ② represent the production and sales volume for the trial production period of Mengda Coal Based Methanol Project. ③ and ④ represent the production and sales volume for the trial production period of Tuke fertiliser project. ⑤ and ⑥ represent the production and sales volume for the trial production period of the coke oven gas produced chemical fertiliser project in Lingshi of Shanxi.

III. Coal mining equipment operations

During the first half of 2014, due to factors including the downtrend of the coal market and reduction in investment by coal enterprises, there was insufficient demand for coal mining equipment, which heightened competition in the industry. Through stepping up efforts in market development, optimising production technology and processes, enhancing product quality control and giving full play to the advantages of complete sets of products, the Company strived to maintain the market share stable. During the reporting period, the Company achieved RMB3.22 billion of production value of coal mining equipment, representing a decrease of 3.3% as compared to the same period of 2013. The total production volume of coal mining equipment reached 156 thousand tonnes, representing a decrease of 6.6% as compared to the same period of 2013, of which 7,153 units (sets) were major coal mining equipment.

Production value of coal mining equipment



Coal mining equipment	Production value (RMB100 million)			Sales revenue (RMB100 million)	
	January to June 2014	January to June 2013	Change (%)	January to June 2014	Percentage of sales revenue of the coal mining equipment segment (%)
Conveyor equipment	12.9	13.2	-2.3	6.7	21.4
Support equipment	10.1	9.9	2.0	8.0	25.6
Road header	3.0	3.1	-3.2	0.7	2.2
Shearer	3.2	4.0	-20.0	1.7	5.4
Electric mining motor	3.0	3.1	-3.2	1.9	6.1
Total	32.2	33.3	-3.3	31.3	-

Note: The sales revenue in the table represents the revenue of the coal mining equipment segment before netting of inter-segmental sales, which amounts to RMB3.13 billion in total and includes revenues generated from accessories, services and trade.

Business Performance

Product type	Percentage of sales of the product (%)	Market share(%)
Medium and high-end armoured face conveyors	81	57
Medium and high-end hydraulic roof supports	83	21
Medium and high-end shearers	93	32
Medium and high-end electric motors	63	69
Medium and high-end road headers and drilling machines	55	9

IV. Other operations

As the price of primary aluminium continued to fall in the year, the Company shut down all production lines for primary aluminium and carbon anodes to avoid further losses. During the reporting period, the Company generated electricity of 1.92 billion Kwh, representing an increase of 7.3% as compared to the same period of 2013.

V. Progress of operating plans

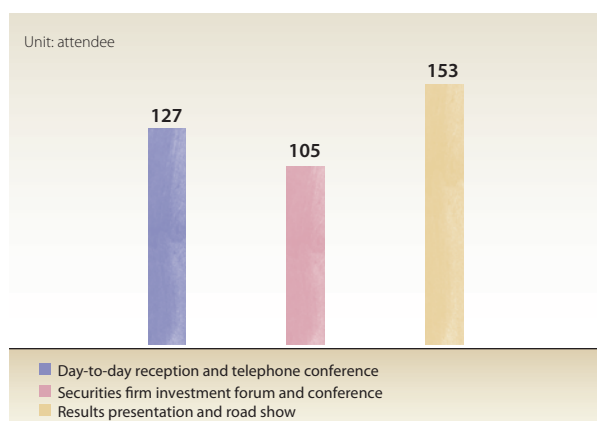
During the first half of 2014, with a view to achieving the annual production and operation target, the Company accelerated adjustment to operational layout and structure, adopted scientific measures to organise production and strengthened the linkage among production, transportation and sales as well as strengthened cost and expense control, so as to proactively respond to the challenging market environment. During the reporting period, raw coal production volume (including engineering coal) increased by 3.8% as compared to the same period of 2013, while the unit cost of sales of self-produced commercial coal after excluding transportation cost dropped by 5.4% as compared to the same period of 2013. However, the operating revenue achieved by the Company decreased by 12.3% as compared to the same period of 2013, mainly due to the continuous fall in coal price.

The Company will adjust the planned raw coal production volume for 2014 in the second half of 2014. For details, please refer to the paragraph "X. Other Significant Events" under the section headed "Disclosure of Major Events" in this report.

Investor Relations

Characterised by coal prices lingering at lows, plunging profitability of coal enterprises and the retreating valuations of coal listed companies, Chinese coal market remained in the doldrums in the first half of 2014 due to the combination of domestic economic slowdown, cyclical industry corrections and stricter environment requirements. Facing the adverse circumstances in the coal industry and the capital market, China Coal Energy actively adjusted its strategies by keeping constant communications with its domestic and overseas investors through various methods and taking its best efforts to facilitate and meet the needs of investors under the guidelines of "taking initiatives, strengthening the ties and caring for shareholders". In the first half of 2014, the Company held 76 investor meetings with 385 attendees in total. These activities included 9 presentations of annual results and road-show meetings with 153 attendees, 45 day-to-day receptions of investor visits and telephone conferences with 127 participants and attendees, and 22 investment forums and conferences organised by 8 domestic and overseas securities firms with 105 attendees.

Investor relations activities in the first half of 2014



Attaching great importance to investor communications, the Company's management attended the presentations of 2013 annual results in person. At the results presentations held in Beijing and Hong Kong, the management patiently answered investors' inquiries in detail, and their conscientious attitude was highly recognised by investors. The face-to-face communications allowed the management to collect the first-hand information and keep informed of the views and opinions of major institutional investors and industry analysts on China's macroeconomic trend, coal industry dynamics and the business results and outlook of China Coal Energy. These valuable inputs assisted the Company to accurately keep its strategic focus and business strategy in tune with the capital market. After disclosing its results, the Company made full use of its analysts and institutional investors' database in hand to promptly issue e-mail notifications to domestic and overseas industry analysts and institutional investors in the coal industry, and proactively conducted an investor perception survey by telephone. The communications with key shareholders and coal industry analysts at home and abroad were focused on thorough explanation on business drivers, detailed description of new highlights of future earnings growth (especially the progress in coal chemical business), and timely responses to and reporting of the major concerns of capital market.

Investor Relations

To conscientiously implement the requirements of regulatory authorities, the Company carried out comprehensive self-inspection to improve the protection of investors' rights and interests. Benchmarking itself against excellent centrally administered stated-owned listed companies, the Company revamped and upgraded its website by optimising its web user interface design to provide clearer and more reasonable classification of channels. Information such as Dividend Distribution History, Investor FAQs, PPT Material of Results Presentation and Investor Calendar was introduced, so as to provide investors an easier access to information. The Company formulated the Management Measures on Maintenance of Investor Hotline, appointed dedicated staff to answer investor calls, handle mails as well as facsimiles and patiently answer inquiries of minority shareholders. Besides actively participating in investor forums and adhering to the practices of investor reception on Tuesdays and Thursdays, the Company listened attentively to the voices of minority shareholders at the Q&A session of general meeting, and adopted their rational opinions and suggestions.

In the second half of 2014, China Coal Energy will stay in close communication with capital market under the principle of transparency, integrity, fairness and openness by constantly learning from and drawing upon the experience from the excellent public companies. Furthermore, the Company will be more shareholder-oriented, and continue to optimise the long-term mechanism for protection of minority shareholders' interests so as to promote capital market's understanding and recognition of the Company.

Corporate Governance

I. Overview of Corporate Governance

During the reporting period, the Company strictly complied with domestic and overseas laws, regulations, listing rules and supervisory rules of the places where shares of the Company were listed in an effort to continuously pursue standardised operations and improve its governance structure, so as to strengthen the comprehensive risk management and development of internal control system as well as enhance management efficiency and corporate governance. The Company strictly fulfilled the responsibilities of information disclosure as well as compiled and disclosed periodic reports and provisional announcements in a true, accurate, complete and timely manner. The corporate governance of the Company was in compliance with the requirements of domestic and overseas regulatory documents, including the Governance Standards for Listed Companies issued by the CSRS, the SSE Listing Rules and the Hong Kong Listing Rules.

In making critical decisions on major issues and managing daily operations, the Company's governing body, decision-making body, supervisory body and executive body duly discharged their respective duties and responsibilities, supported and held checks and balances against each other and were dedicated to creating values for Shareholders and society in strict compliance 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, three non-executive Directors and four 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 areas such as strategic planning, auditing, employee's remuneration, nomination and safe production respectively.

During the reporting period, the Company convened one general meeting, four board meetings and two supervisory committee meetings. In strict accordance with Rules of Procedures of Shareholders' General Meetings, Rules of Procedures of the Board of Directors, Provisional Measures on Management of Resolutions of the Board of Directors and relevant rules, the Company continued its efforts in standardising work flows and improving work quality to ensure rational decision-making and efficient operation. To adapt to dramatic changes in the coal industry, the Board held a development strategy seminar in early 2014 where topics such as implementation of the Company's Twelfth Five-year Plan and economic re-evaluation of major projects were discussed thoroughly. Accordingly, major investment projects were rescheduled, which further improved rationality and effectiveness of project decisions.

During the reporting period, the Company and its controlling shareholder, China Coal Group, were independent of each other in respect of business, staff, assets and financial affairs. Save for the internal work relationship in the Company, the directors, the supervisors and the senior management were not related to each other in respect of financial affairs, business, family members and other material aspects. Save for the service agreements entered into with the Company, the directors and the supervisors of the Company had no personal interests, directly or indirectly, in any material contracts entered into by the Company and its subsidiaries in the first half of 2014.

II. Compliance with the Corporate Governance Code

The Company always attaches great importance to corporate governance and the enhancement of its transparency. In this regard, the Company has complied with the requirements on corporate governance prescribed by domestic and overseas regulatory bodies and made ongoing efforts to improve the internal control of the Company, so as to facilitate more standardised and efficient operation of the Company and ensure maximum returns for shareholders through excellent corporate governance.

During the reporting period, the Company had complied with the principles and code provisions under the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Hong Kong Listing Rules.

III. Model Code for Securities Transactions by Directors and Supervisors

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 of the Hong Kong Listing Rules. After the Company made specific enquiries, all directors and supervisors confirmed that they have fully complied with the Model Code during the reporting period.

IV. Audit Committee

The Audit Committee under the Board reviewed the interim report of the Company. In addition, PricewaterhouseCoopers, the external auditor of the Company, performed an independent review on the unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2014 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 did not constitute an audit, PricewaterhouseCoopers confirmed in writing that nothing came to their attention which would cause them to believe that the interim financial information was not, in any material aspect, properly prepared in accordance with the International Accounting Standard 34 “Interim Financial Reporting”.

Disclosure of Major Events

I. Share Capital Structure

As at 30 June 2014, the Company's share capital structure was as follows:

Type of Shares	Number of Shares (Share)	Percentage of the total issued share capital (%)
A Shares	9,152,000,400	69.03
Of which: A Shares held by China Coal Group	7,605,207,608	57.36
H Shares	4,106,663,000	30.97
Of which: H Shares held by China Coal Hong Kong Limited	132,351,000	1.00
Total	13,258,663,400	100.00
Of which: shares held by China Coal Group and parties acting in concert with it	7,737,558,608	58.36

II. Distribution of Final Dividends for 2013

The Company's 2013 profit distribution plan was considered and approved at the Company's 2013 Annual General Meeting held on 13 May 2014. Cash dividends of RMB1,072,680,600 were distributed to shareholders of the Company, representing 30% of the net profit attributable to the equity holders of the Company which was RMB3,575,602,000 as set out in the consolidated financial statements for 2013 prepared in accordance with the PRC Accounting Standards for Business Enterprises. The proposed dividend distribution was made based on the Company's entire issued share capital of 13,258,663,400 shares, representing a dividend of RMB0.081 per share (inclusive of tax). The aforesaid final dividends were duly paid to the Shareholders by 30 June 2014.

III. Interim Profit Distribution Plan for 2014

The Company will not distribute any interim profit for 2014.

IV. Assets Transactions

During the reporting period, the Company had no significant assets transactions.

V. Investment of the Company during the Reporting Period

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

In 2014, 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 infrastructure projects, acquisition and maintenance of fixed assets and equity investment. The total capital expenditure budgeted for 2014 was RMB26.625 billion in total. During the reporting period, the actual investment amount was RMB10.303 billion, representing 38.70% of the annual budget.

Performance of Capital Expenditure Budgeted for the First Half of 2014 (By items)

Unit: RMB100 million

Items of capital expenditure	Actual investment from January to June 2014	Budgeted investment in 2014	Actual investment ratio (%)
Total	103.03	266.25	38.70
Infrastructure projects	81.13	185.35	43.77
Acquisition and maintenance of fixed assets	6.28	26.84	23.40
Equity investment	15.62	54.06	28.89

Performance of Capital Expenditure Budgeted for the First Half of 2014 (By business segments)

Unit: RMB100 million

Business segments	Actual investment from January to June 2014	Budgeted investment in 2014	Actual investment ratio (%)
Total	103.03	266.25	38.70
Coal	33.09	142.23	23.27
Coal chemical	67.49	103.38	65.28
Coal mining equipment	0.75	6.00	12.50
Power generation	0.37	10.44	3.54
Others	1.33	4.20	31.67

Thanks to the initiatives to overcome difficulties with a focus on supporting the projects under construction, the Company's coal chemical projects made notable progress during the reporting period. In particular, the Mengda Coal Based Methanol Project has been in sound operation since the successful commissioning test run in late 2013, and has almost reached its full production capacity. For the phase 1 of Tuke fertiliser project, following its successful commissioning test run with qualified urea products smoothly produced in February 2014, the plants are in stable operation and the granular urea products produced in trial production are well sold in market. The Yulin Methanol Acetic Acid Project completed commissioning test run in June, and produced qualified polyolefin products in July. For the Mengda engineering plastics project and the Pingshuo inferior coal comprehensive utilisation project, the construction works are in smooth progress as scheduled and are expected to be fully completed in 2015.

(2) Overall Analysis of External Equity Investments

In the first half of 2014, the Company's actual external equity investment was RMB1,562 million. Major equity investment projects included: contribution of RMB1,163 million for capital increase in Zhongtian Synergetic Company, payment of RMB95 million as the consideration for consolidation of small scale coal mines adjacent to Pingshuo East Open Pit Mine and contribution of RMB208 million for capital increase in Hohhot-Zhungeer-Ordos Railway Company Limited.

Name of the investee	Principal activities	Percentage of the equity interest in the investee
Zhongtian Synergetic Company	Coal production and coal chemical	38.75%
Hohhot-Zhungeer-Ordos Railway Company Limited	Railway transportation	10%
Consolidation of small scale coal mines adjacent to Pingshuo East Open Pit Mine	Coal production	100%

(3) Use of Proceeds

1. General Use of Proceeds

Unit: RMB100 million

Year of proceeds-raising	Method	Net proceeds	Total amount of proceeds used during the year	Total amount of proceeds used accumulatively	Balance of unutilised proceeds	Intended use and whereabouts of unutilised proceeds
2006	Initial Public Offering of H Shares	144.66	-	144.66	-	-
2008	Initial Public Offering of A Shares	253.20	5.97	215.14	38.06	Deposited as term deposit with the bank in which the special account for proceeds was maintained.*
Total	/	397.86	5.97	359.80	38.06	/

*: Apart from the balance of unutilised proceeds, the bank interest of RMB976 million incurred by the above mentioned proceeds was also included in the balance of such special account.

2. Use of proceeds from H Share issuance

As at 30 June 2014, among various investment projects funded by the H Share proceeds, Antaibao underground mine, Pingshuo East Open Pit Mine, along with its auxiliary coal preparation plant and designated railway line and Heilongjiang methanol project (with a production capacity of 250,000 tonnes/year) were completed, and all projects came into operation and generated revenue.

Disclosure of Major Events

3. Use of proceeds from A Share issuance

As at 30 June 2014, the actual application of proceeds from A Share issuance of the Company amounted to RMB21.514 billion in total, representing approximately 85.0% of the net proceeds from A Share issuance. The total proceeds from the changes in A Share issuance amounted to RMB17.439 billion (including interests). Details of which are listed below:

Unit: RMB100 million

Committed projects	Any change in project	Proposed investment financed by proceeds	Actual investment financed by proceeds for the year	Actual accumulated investment financed by proceeds	Meet the planned schedule of not	Project progress	Estimated gains (Internal rate of gains of the project investment after taxation)	Status of gains generated	Meets the planned gains or not	Explanation on failure to meet the planned schedule and gains	Reasons for changes and explanation on the changes in procedures of use proceeds
Coal Deep Processing Demonstration Project in Ordos	No	41.58	3.09	41.58	No	Phase 1 of the chemical segment of the project and the coal mine segment have been approved and construction was in full swing.	13.94%	—	—	The project is under construction.	—
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	—	—	—	—	—	—	Please refer to the announcement in relation to the change in certain investment projects financed by the proceeds from the A share offering of China Coal Energy Company Limited. Announcement No. 2010-019
Supplementing the working capital of the Company for general corporate purpose or for the acquisitions of assets related to core business	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	2.88	16.18	No	Preliminary work for the project is in progress.	18.37%	—	—	The project is pending approval.	Please refer to the announcement in relation to the change in certain investment projects financed by the proceeds from the A share offering of China Coal Energy Company Limited. Announcement No. 2010-019
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	No	Preliminary work for the project is in progress.	19.59%	—	—	The project is pending approval.	Please refer to the announcement in relation to the change in certain investment projects financed by the proceeds from the A share offering of China Coal Energy Company Limited. Announcement No. 2010-019
Xiaohuigou Coal Mine Project developed by Shanxi China Coal Pingshuo Xiaohuigou Coal Industry Company Limited with an annual production capacity of 3 million tonnes of coal	Yes	28.06	—	14.18	No	Approval on construction commencement report for the project has been obtained and construction was in full swing.	34.20%	—	—	The project is under construction.	Please refer to the announcement in relation to the change in certain investment projects financed by the proceeds from the A share offering of China Coal Energy Company Limited. Announcement No. 2010-019

Disclosure of Major Events

Committed projects	Any change in project	Proposed investment financed by proceeds	Actual investment financed by proceeds for the year	Actual accumulated investment financed by proceeds	Meet the planned schedule of not	Project progress	Estimated gains (Internal rate of gains of the project investment after taxation)	Status of gains generated	Meets the planned gains or not	Explanation on failure to meet the planned schedule and gains	Reasons for changes and explanation on the changes in procedures of use proceeds
Hecaogou Coal Mine Project developed by Shaanxi Yan'an Hecaogou Coal Mine Company Limited (to be established) with an annual production capacity of 3 million tonnes of coal	Yes	12.00	—	12.00	Yes	The project has been completed and has entered the stage of trial production.	30.57%	—	—	—	
Zhangjiakou Coal Machinery Equipment Industrial Park Project developed by China Coal Zhangjiakou Coal Mining Machinery Company Limited	Yes	23.62	—	23.43	Yes	The project has passed completion acceptance and been put into commercial production.	11.60%	Gains of RMB48 million was recognised during the reporting period.	Yes	—	
Energy and Chemical Comprehensive Utilisation Project developed by Shaanxi Yanchang China Coal Yulin Energy Chemical Company Limited with an annual production capacity of 0.6 million tonnes of polyethylene and 0.6 million tonnes of polypropylene	Yes	21.00	—	21.00	Yes	The project is under construction.	15.51%	—	—	The project is under construction.	
Supplementing the working capital of the Company for general corporate purpose or for the acquisitions of core business related assets	Yes	28.38	—	28.38	Yes	—	—	—	—	—	
Total	/	257.30	5.97	215.14	/	/	/	/	/	/	/

Disclosure of Major Events

(4) 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 the first half of 2014 is set out below:

Unit: RMB100 million

Name of project	Amount involved in the project	Progress of the project	Amount of investment during the reporting period	Accumulated actual amount of investment	Revenue generated from the project
Coal segment					
Renovation and expansion of Huaning Coal Mine in Shanxi	17.53	Under construction.	2.78	10.37	Currently, the project is not completed and no revenue is generated.
Renovation and expansion of Hanzui Coal Mine in Shanxi	14.85	Under construction.	1.72	8.00	Currently, the project is not completed and no revenue is generated.
Weizigou Coal Mine in Xinjiang	15.17	Preliminary work in progress.	0.36	8.49	Currently, the project is not completed and no revenue is generated.
No. 3 Coal Mine in Yilan of Heilongjiang	24.84	Preliminary work in progress.	1.01	10.02	Currently, the project is not completed and no revenue is generated.
Dahaize Coal Mine of Shaanxi Yulin	170.32	Under construction.	1.63	18.35	Currently, the project is not completed and no revenue is generated.
Coal chemical segment					
Mengda Coal Based Methanol Project in Ordos	35.84	Under construction.	0.28	35.36	The project is completed and commenced trial production and currently no venue is generated.
Phase 1 of Tuke Fertiliser Project in Ordos	100.82	Under construction.	3.77	100.44	The project is completed and commenced trial production and currently no venue is generated.
Mengda 500,000 tonnes/year Engineering Plastics Project in Inner Mongolia	104.22	Under construction.	21.99	53.63	Currently, the project is not completed and no revenue is generated.
Pingshuo Inferior Coal Comprehensive Utilisation Project in Shanxi	43.37	Under construction.	4.93	11.45	Currently, the project is not completed and no revenue is generated.
Shaanxi Yulin Methanol Acetic Acid Series Deep Processing and Comprehensive Utilisation Project	193.35	Under construction.	22.41	166.00	Currently, the project is not completed and no revenue is generated.
Coal mining equipment segment					
Equipment Manufacturing Base Project in Ordos	8.99	Under construction.	0.08	7.15	Currently, the project is not completed and no revenue is generated.
Power generation segment					
Pingshuo 2×660MW low calorific value coal power generation project in Shanxi	69.32	Under construction.	0.27	2.31	Currently, the project is not completed and no revenue is generated.
Resource comprehensive utilisation segment					
Pingshuo Purified Fly Ash Resource Comprehensive Utilisation Demonstration Project in Shanxi	8.34	Under construction.	1.33	9.76	Currently, the project is not completed and no revenue is generated.

VI. Purchase, Sale or Redemption of Listed Securities of the Group

For the six months ended 30 June 2014, the Company and its subsidiaries had not purchased, sold or redeemed any securities (the term “securities” has the meaning ascribed to it under the Hong Kong Listing Rules) of the Group.

VII. Substantial Interests and Short Positions

As at 30 June 2014, to the best knowledge of the Directors, supervisors and chief executive of the Company, the persons set out in the table below had interests or short positions in the shares or equity derivatives or underlying shares of the Company as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance:

Unit: Share

Name	Number of shares	Class of shares	Nature of interests	Capacity	Percentage of the total shares in issue under the respective class of shares (%)	Percentage of the total shares in issue (%)
China National Coal Group Corporation	7,605,207,608	A Shares	Not applicable	Beneficial owner	83.10	57.36
Sino Life Insurance Co., Ltd.	1,028,441,000	H Shares	Long position	Interest of corporation controlled by major shareholders	25.04	7.76
JPMorgan Chase & Co.	280,596,638	H Shares	Long position	Of which, 56,738,498 shares were held in the capacity of beneficial owner, 31,800 shares were held in the capacity of trustee (excluding bare trustee) and 223,826,340 shares (lending pool) were held in the capacity of custodian – corporation/ approved lending agent	6.83	2.12
BlackRock, Inc.	18,608,538		Short position	Beneficial owner	0.45	0.14
	234,113,598	H Shares	Long position	Interest of corporation controlled by major shareholders	5.70	1.77
	35,456,000		Short position	Interest of corporation controlled by major shareholders	0.86	0.27

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

Disclosure of Major Events

Save as disclosed above, as at 30 June 2014, to the best knowledge of the Directors, supervisors and chief executive of the Company, there were no other persons who had interests and/or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance.

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

As at 30 June 2014, 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 recorded in the register of interests kept by the Company under section 352 of the Securities and Futures Ordinance, or which are required to be notified to the Company and HKSE under the Model Code for Securities Transactions by Directors of Listed Issuers.

As at 30 June 2014, the Company had not granted any rights to any of Directors, supervisors or chief executive of the Company or any of 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.

IX. Employees and Remuneration Policy

As at 30 June 2014, the Company had a total of 54,435 on-the-job employees, of whom 36,265 were production staff, 982 were sales staff, 8,981 were technical staff, 823 were financial staff, 3,995 were administrative staff and 3,389 were other staff.

According to its development goals, the Company formulated human resources plan and established the corresponding target, principle and methodology, based on which methods and routes were worked out to ensure talent supply and the balance between manpower supply and demand of new bases, enterprises and projects across the business segments. The Company adhered to strict control on total number of employees and optimisation of staff structure, resulting in orderly withdrawal, entrance, deployment and recruitment of staff.

In a technology-driven and calibre-based approach, the Company adhered to the strategy of "precision with efficacy" to secure its competitive advantages by enhancing employees' calibre and optimising talent mix through a variety of effective means. With talented management and technical staff actively recruited through open recruitment, the Company continuously enhanced its standards in business management and technology management. The Company built up its innovative platform for high-calibre talents to demonstrate their capabilities and skills and fully capitalised on their functions in solving difficulties in production technology, tackling technological problems, and passing on skills and techniques. To strengthen the training system, the Company attached importance to competency improvement for middle and senior management as well as training for on-site skilled workers, among its numerous efforts to ensure production safety and efficiency.

In relation to remuneration strategy for employees, a dynamic allocation system linking salaries to corporate earnings, job value and individual performance has been established in light of the Company's development strategy. The Company further strengthened the reform of internal income distribution mechanism covering strict performance-oriented principle of distribution, broadened realm of salary control and strict control over labour costs in order to enhance management efficiency.

In relation to remunerations of the senior management, the Board of the Company implemented annual remuneration packages and corresponding appraisal and incentive schemes for the senior management. The annual remuneration for senior management consists of basic salary and performance-based compensation. The basic salary is determined by the production and operating scales 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 senior management of the Company is paid on a monthly basis whereas the payment of performance-based compensation is made after annual performance appraisal.

X. Other Significant Events

(1) Investment in and construction of Dahaize Coal Mine and Coal Preparation Plant of Shaanxi Company

On 10 January 2014, the first meeting of the second session of the Board of the Company considered and passed the Resolution on Investment in and Construction of Dahaize Coal Mine and Coal Preparation Plant of China Coal Shaanxi Yulin Energy & Chemical Company Limited. On 13 May 2014, the 2013 Annual General Meeting of the Company considered and approved the above resolution. Currently, the project is progressing steadily as scheduled.

For details, please refer to relevant announcements published on the websites of SSE, HKSE and the Company on 10 January and 13 May 2014.

(2) Investment in and construction of Tuke Gasification Island and related facilities

On 18 March 2014, the second meeting of the second session of the Board of the Company considered and passed the Resolution on Investment in and Construction of Tuke Gasification Island and Related Facilities. On 13 May 2014, the 2013 Annual General Meeting of the Company considered and approved the above resolution.

For details, please refer to relevant announcements published on the websites of SSE, HKSE and the Company on 18 March and 13 May 2014.

(3) Increase in shareholding in the Company by Sino Life Company

On 4 March 2014, the Company received a notice from its shareholder Sino Life Company that through trading on secondary market, its interest in voting rights of the Company's A shares and H shares in aggregate reached 5% as at 4 March. On behalf of Sino Life Company, the Company disclosed the Condensed Statement of Changes in Equity of China Coal Energy on 6 March. According to the share register provided by China Securities Depository and Clearing Corporation Limited Shanghai Branch, Sino Life Company held 119,523,827 A shares of the Company as at 30 June 2014. According to the disclosure of interests published on the website of HKSE, Sino Life Company held long position in 1,028,441,000 H shares of the Company as at 30 June 2014. The changes in equity above will not result in any change in the Company's controlling shareholder or de facto controller.

For details, please refer to relevant announcements published on the websites of SSE, HKSE and the Company on 4 March and 6 March 2014.

Disclosure of Major Events

(4) Establishment of Finance Company

Finance Company was formally established on 6 March 2014 with a registered capital of RMB3 billion, of which RMB2.73 billion was contributed by the Company in cash, representing 91% of the registered capital of Finance Company, and RMB0.27 billion was contributed by China Coal Group in cash, representing 9% of the registered capital of Finance Company.

(5) Undertaking of China Coal Group on Resolution of Horizontal Competition

In May 2014, the Company received the Letter of Undertaking on Further Avoiding Horizontal Competition with China Coal Energy Company Limited from its controlling shareholder China Coal Group, in which China Coal Group stated expressly that: "Within 7 years from the date of the Letter of Undertaking on Further Avoiding Horizontal Competition with China Coal Energy Company Limited, China Coal Group will inject its competing equity interests in Import and Export Company, Huayu Company and Heilongjiang Coal Chemical Group into China Coal Energy, subject to the procedures for meetings of the Board of Directors or shareholders' general meeting fulfilled under applicable laws and regulations and the Articles of Association of China Coal Energy." The matter above was disclosed after consideration at the 2014 fourth meeting of the second session of the Board held on 13 May 2014. China Coal Energy will follow up the fulfilment of the above undertaking with a high sense of responsibility to investors in accordance with the regulatory requirements.

For details, please refer to the Announcement on Fulfilment of Undertaking of the Company and Controlling Shareholder and the Announcement on Undertaking of China National Coal Group Corporation on Further Avoiding Horizontal Competition with China Coal Energy Company Limited respectively published on 14 February and 13 May 2014 on the websites of SSE, HKSE and the Company.

(6) Occurrence of an accident in a coal mine under construction by Shaanxi Company

An accident occurred in Dahaize Coal Mine, a coal mine under construction by Shaanxi Company, a wholly-owned subsidiary of the Company, during the building and construction process on 14 May 2014, resulting in 13 casualties of the construction party. Currently, the relevant remedial work has been basically completed.

For details, please refer to relevant announcements published on the websites of SSE, HKSE and the Company on 15 May, 16 May and 20 May 2014.

(7) Amendment to the Articles of Association

On 13 May 2014, as required by No. 3 Guideline for the Supervision of Listed Companies — Cash Dividends Distribution of Listed Companies (《上市公司監管指引第3號—上市公司現金分紅》) released by CSRC and the Guidelines of the Shanghai Stock Exchange on Cash Dividends Distribution of Listed Companies (《上海證券交易所上市公司現金分紅指引》), Resolution on Amendment to the Articles of Association was considered and approved at the Company's 2013 Annual General Meeting, setting out that the Company may distribute dividends in cash, in shares or in a combination of both cash and shares, and shall give priority to cash dividends.

For details, please refer to relevant announcements published on the websites of SSE, HKSE and the Company on 13 May 2014.

(8) Adjustment on the Planned Raw Coal Production Volume For 2014

In order to address the current overcapacity and declining prices in domestic coal market, the Company has determined to reduce its planned raw coal production volume (including engineering coal) for 2014 by approximately 10% from the original annual target for 2014 in August 2014. The planned raw coal production volume for 2014 as adjusted represents a decrease of approximately 5% from the actual raw coal production volume in 2013.

For details, please refer to the relevant announcements published on the websites of SSE, HKSE and the Company on 12 August 2014.

XI. Subsequent Events

As at the date of disclosure of this report, there are no subsequent events for the Company.

XII. Forward-looking Statements

The Company would like to caution readers about the forward-looking nature of certain of the above statements. These forward-looking statements are subject to various risks, uncertainties and assumptions, which are beyond the Company's control. Potential risks and uncertainties include those concerning the market conditions of coal, coal mining equipment and coal chemical industry in China, the changes of the regulatory environment and the Company's ability 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 are not a guarantee of future performance. The Company does not intend to update these forward-looking statements. Actual results of the Company may differ from the information contained in the forward-looking statements as a result of a number of factors.

Report on Review of Interim Financial Information



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 53 to 90, 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 2014 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, 15 August 2014

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Condensed Consolidated Interim Balance Sheet

As at 30 June 2014
(All Amounts in RMB unless otherwise stated)

	Note	30 June 2014 Unaudited RMB'000	31 December 2013 Audited RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	118,208,664	110,015,200
Investment properties		56,902	44,352
Land use rights		3,957,279	4,005,591
Mining and exploration rights	8	33,151,044	32,566,844
Intangible assets		170,311	159,104
Investments in associates		11,064,931	9,560,189
Investments in joint ventures		586,060	526,300
Available-for-sale financial assets		2,030,732	2,020,603
Deferred income tax assets	17	646,525	454,687
Long-term receivables		205,797	40,274
Other non-current assets	9	6,858,881	9,399,141
Total non-current assets		176,937,126	168,792,285
Current assets			
Inventories	10	8,688,558	6,806,493
Trade and notes receivables	11	14,517,636	12,895,477
Prepayments and other receivables	12	7,679,434	7,004,845
Restricted bank deposits	13	1,944,382	1,583,835
Term deposits with initial terms of over three months	13	7,423,414	8,204,597
Cash and cash equivalents	13	15,438,718	11,232,575
Total current assets		55,692,142	47,727,822
TOTAL ASSETS		232,629,268	216,520,107
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	14	13,258,663	13,258,663
Reserves		44,171,674	43,969,215
Retained earnings			
– Dividends proposed after the balance sheet date		–	1,072,681
– Others		30,104,575	29,510,465
Total equity		87,534,912	87,811,024
Non-controlling interests		15,994,300	15,282,116
Total equity		103,529,212	103,093,140

Condensed Consolidated Interim Balance Sheet (Continued)

As at 30 June 2014

(All Amounts in RMB unless otherwise stated)

	Note	30 June 2014 Unaudited RMB'000	31 December 2013 Audited RMB'000
LIABILITIES			
Non-current liabilities			
Long-term borrowings	15	38,928,505	29,774,758
Long-term bonds	16	29,909,275	29,868,059
Deferred income tax liabilities	17	7,318,379	7,744,694
Deferred revenue		402,407	412,631
Provision for employee benefits		81,014	94,511
Provision for close down, restoration and environmental costs	20	1,173,571	1,154,695
Other long-term liabilities		871,894	879,754
Total non-current liabilities		78,685,045	69,929,102
Current liabilities			
Trade and notes payables	18	22,237,108	22,631,060
Accruals, advance and other payables	19	11,651,166	8,742,810
Taxes payables		864,896	1,784,692
Short-term borrowings	15	9,230,200	6,776,186
Current portion of long-term borrowings	15	6,405,281	3,544,019
Current portion of provision for close down, restoration and environmental costs	20	26,360	19,098
Total current liabilities		50,415,011	43,497,865
Total liabilities		129,100,056	113,426,967
TOTAL EQUITY AND LIABILITIES		232,629,268	216,520,107
NET CURRENT ASSETS		5,277,131	4,229,957
TOTAL ASSETS LESS CURRENT LIABILITIES		182,214,257	173,022,242

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

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 2014
(All Amounts in RMB unless otherwise stated)

Six months ended 30 June

	Note	2014 Unaudited RMB'000	2013 Unaudited RMB'000
Revenue	6	35,434,584	40,398,169
Cost of sales			
Materials		(14,406,057)	(16,360,639)
Staff costs		(2,208,959)	(2,284,304)
Depreciation and amortisation		(2,494,984)	(2,524,698)
Repair and maintenance		(395,436)	(560,230)
Transportation costs		(6,276,563)	(5,910,015)
Sales taxes and surcharges		(622,101)	(653,888)
Others		(4,701,551)	(4,866,799)
Cost of sales		(31,105,651)	(33,160,573)
Gross profit		4,328,933	7,237,596
Selling, general and administrative expenses		(2,101,698)	(2,034,747)
Other income		(157)	2,346
Other gains, net		63,468	15,816
Profit from operations		2,290,546	5,221,011
Finance income	22	246,873	298,993
Finance costs	22	(1,141,353)	(455,105)
Share of profits of associates and joint ventures		92,262	141,085
Profit before income tax		1,488,328	5,205,984
Income tax expense	23	(431,246)	(1,307,228)
Profit for the period		1,057,082	3,898,756
Profit attributable to:			
Equity holders of the Company		780,224	3,221,388
Non-controlling interests		276,858	677,368
		1,057,082	3,898,756
Basic and diluted earnings per share for the profit attributable to the equity holders of the Company (RMB Yuan)	24	0.06	0.24
Dividends distributed	25	1,073,952	2,784,319
Dividends proposed after the balance sheet date	25	-	-

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 2014
(All Amounts in RMB unless otherwise stated)

Six months ended 30 June

	2014 Unaudited RMB'000	2013 Unaudited RMB'000
Profit for the period	1,057,082	3,898,756
Other comprehensive income/(loss):		
Items that may be reclassified subsequently to profit or loss		
Fair value changes on available-for-sale financial assets, net of tax	97	(2,106)
Currency translation differences	12,764	(25,887)
Total items that may be reclassified subsequently to profit or loss	12,861	(27,993)
Other comprehensive income/(loss) for the period, net of tax	12,861	(27,993)
Total comprehensive income for the period	1,069,943	3,870,763
Total comprehensive income attributable to:		
Equity holders of the Company	793,085	3,193,395
Non-controlling interests	276,858	677,368
	1,069,943	3,870,763

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 2014
(All Amounts in RMB unless otherwise stated)

	Attributable to the equity holders of the Company				Non-controlling interests	Total equity
	Share capital	Reserves	Retained earnings	Subtotal		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unaudited						
Balance at 1 January 2013	13,258,663	43,316,190	30,151,540	86,726,393	14,694,025	101,420,418
Total comprehensive income for the six months ended 30 June 2013	-	(27,993)	3,221,388	3,193,395	677,368	3,870,763
Appropriations	-	625,854	(625,854)	-	-	-
Share of other change of reserves of associates	-	74,966	(74,966)	-	-	-
Dividends (Note 25)	-	-	(2,784,319)	(2,784,319)	(298,592)	(3,082,911)
Contributions	-	-	-	-	19,690	19,690
Reduction of capital of a subsidiary	-	-	-	-	(12,615)	(12,615)
Balance at 30 June 2013	13,258,663	43,989,017	29,887,789	87,135,469	15,079,876	102,215,345
Unaudited						
Balance at 1 January 2014	13,258,663	43,969,215	30,583,146	87,811,024	15,282,116	103,093,140
Total comprehensive income for the six months ended 30 June 2014	-	12,861	780,224	793,085	276,858	1,069,943
Appropriations	-	150,078	(150,078)	-	-	-
Share of other change of reserves of associates	-	39,456	(34,765)	4,691	(420)	4,271
Acquisition of a subsidiary	-	-	-	-	178,500	178,500
Dividends (Note 25)	-	-	(1,073,952)	(1,073,952)	(12,890)	(1,086,842)
Contributions	-	64	-	64	270,136	270,200
Balance at 30 June 2014	13,258,663	44,171,674	30,104,575	87,534,912	15,994,300	103,529,212

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 2014
(All Amounts in RMB unless otherwise stated)

Six months ended 30 June

	Note	2014 Unaudited RMB'000	2013 Unaudited and restated RMB'000
Cash flows from operating activities			
Cash generated from operations	26	1,464,373	6,199,628
Income tax paid		(929,885)	(2,391,375)
Net cash generated from operating activities		534,488	3,808,253
Cash flows from investing activities			
Purchases of property, plant and equipment		(9,904,168)	(10,879,280)
Proceeds from disposals of property, plant and equipment		14,874	39,832
Purchases of land use rights, mining rights and intangible assets		(724,395)	(294,090)
Purchases of available-for-sale financial assets		(10,000)	(1,257)
Proceeds from disposal of available-for-sale financial assets		–	20,000
Decrease in prepayment for investments		2,730,000	–
Increase in prepayment for investments		(80,036)	(204,340)
Acquisition of a subsidiary		(47,269)	–
Payment of prior year's acquisition consideration		(62,905)	(195,736)
Dividends received		80,775	38,064
Increase in investments in associates		(40,000)	(562,500)
Increase in investments in joint ventures		(1,546,404)	(65,000)
Interest income received related to loan receivables		74,450	62,589
Interest income received related to term deposits		264,342	222,261
Repayments of loan receivables from a joint venture		–	124,894
Increase in loan receivables		–	(100,000)
Decrease in placement of term deposits with initial terms of over three months		781,183	844,085
Net cash used in investing activities		(8,469,553)	(10,950,478)

Condensed Consolidated Interim Cash Flow Statement (Continued)

For the six months ended 30 June 2014
(All Amounts in RMB unless otherwise stated)

Six months ended 30 June

	2014 Unaudited RMB'000	2013 Unaudited and restated RMB'000
Note		
Cash flows from financing activities		
Proceeds from short-term borrowings	5,922,314	2,474,404
Repayments of short-term borrowings	(3,468,300)	(1,057,982)
Proceeds from long-term borrowings	12,922,909	5,593,825
Repayments of long-term borrowings	(923,556)	(641,625)
Contributions from the Company's shareholders	64	–
Contributions from non-controlling shareholders	270,136	19,690
Dividends paid to the Company's shareholders	(1,073,952)	(2,784,319)
Dividends paid to non-controlling shareholders	(26,692)	(221,350)
Proceeds from reduction of capital of a subsidiary	–	(12,615)
Bonds issuance costs	(27,750)	–
Interest paid	(1,395,538)	(961,491)
Others	(58,254)	–
Net cash generated from financing activities	12,141,381	2,408,537
Net increase/(decrease) in cash and cash equivalents	4,206,316	(4,733,688)
Cash and cash equivalents, at beginning of the period	11,232,575	13,222,515
Net foreign exchange losses	(173)	(5,341)
Cash and cash equivalents at end of the period	15,438,718	8,483,486

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 2014

(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 coal-chemical 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 by the Board of Directors on 15 August 2014.

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

2 BASIS OF PRESENTATION

These condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with International Accounting Standard (“IAS”) 34, ‘Interim Financial Reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014
(Amounts expressed in RMB unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES

Except described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

The Group has adopted the following standards, amendments to standards and interpretation which are effective from 1 January 2014 and relevant to the operations of the Group in the current period:

- Amendment to IFRS 10, 12 and IAS 27 'Consolidation for investment entities'
- Amendment to IAS 32 'Financial instruments: Presentation' on asset and liability offsetting
- Amendment to IAS 36 'Impairment of assets' on the recoverable amount disclosures for non-financial assets
- Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' – Novation of derivatives
- IFRIC 21, 'Levies'

The adoptions don't have significant impact on the condensed consolidated interim financial information of the Group.

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 2014.

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 2013.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014

(Amounts expressed in RMB unless otherwise stated)

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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 2013.

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).

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014
(Amounts expressed in RMB unless otherwise stated)

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.3 Fair value estimation (Continued)

As at 30 June 2014, the Group has the following assets measured at fair value which we defined as level 1:

	As at 30 June 2014 Unaudited RMB'000	As at 31 December 2013 Audited RMB'000
Available-for-sale financial assets		
– Equity securities (level 1)	12,526	12,397

There were no other changes in valuation techniques during the period.

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.

5.4 Fair value of financial assets and liabilities measured at amortised cost

The fair value of borrowings and long-term bonds are as follows:

	As at 30 June 2014 Unaudited RMB'000	As at 31 December 2013 Audited RMB'000
Borrowings		
Non-current	38,921,899	29,766,704
Current	15,635,481	10,320,205
	54,557,380	40,086,909
Long-term bonds	30,043,252	29,450,656

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014

(Amounts expressed in RMB unless otherwise stated)

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.4 Fair value of financial assets and liabilities measured at amortised cost (Continued)

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and notes receivables
- Other receivables
- Restricted bank deposits
- Term deposits with initial terms of over three months
- Cash and cash equivalents
- Long-term receivables
- Trade and notes payables
- Other payables
- Other long-term liabilities

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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014
(Amounts expressed in RMB unless otherwise stated)

6 SEGMENT INFORMATION (Continued)

6.1 General information (Continued)

b. Reportable segment

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

- Coal – Production and sales of coal;
- Coal-chemical products – Production and sales of 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 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.

Segment assets and liabilities are those operating assets and liabilities that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets and liabilities exclude deferred income tax assets, deferred income tax liabilities, taxes payable or tax advance payment.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014

(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 2014 (Unaudited)						
	Coal	Coal-	Machinery	Others	Non	Inter-	Total
		product			operating	segment	
	(Note (a))		(Note (b))	Segment	Elimination		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue							
Total Revenue	29,425,497	1,843,420	3,131,588	1,834,716	-	(800,637)	35,434,584
Inter-segment revenue	(230,970)	-	(144,518)	(425,149)	-	800,637	-
Revenue from external customers	29,194,527	1,843,420	2,987,070	1,409,567	-	-	35,434,584
Profit/(loss) from operations	2,361,999	(52,778)	126,438	53,163	(222,394)	24,118	2,290,546
Profit/(loss) before income tax	1,726,201	(93,335)	111,412	34,449	(314,517)	24,118	1,488,328
Interest income	97,024	5,161	3,467	2,291	335,657	(196,727)	246,873
Interest expense	(663,283)	(125,870)	(17,533)	(20,543)	(478,417)	196,727	(1,108,919)
Depreciation and amortisation	(2,298,098)	(109,377)	(121,834)	(252,851)	(14,446)	-	(2,796,606)
Share of profits of associates and joint ventures	21,889	15,531	323	-	54,519	-	92,262
Income tax expense	(392,957)	(412)	(26,573)	(4,654)	(174)	(6,476)	(431,246)
Other material non-cash items							
Reversal of/(provision for) impairment of other assets	(51,546)	-	(40,168)	(78,974)	-	593	(170,095)
Segment assets and liabilities							
Total assets	129,669,676	48,015,707	17,033,298	11,859,953	30,068,359	(4,017,725)	232,629,268
Include: investment in associates and joint ventures	543,452	648,748	103,822	-	10,354,969	-	11,650,991
Addition to non-current assets	7,540,517	3,779,831	848,813	104,361	66,560	-	12,340,082
Total liabilities	46,321,320	17,253,321	6,307,867	4,731,775	57,924,986	(3,439,213)	129,100,056

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014
(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 2013 (Unaudited) and as at 31 December 2013(Audited)						
	Coal	Coal- chemical product (Note (a))	Machinery	Others (Note (b))	Non operating Segment	Inter- segment Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue							
Total Revenue	33,512,268	1,947,271	3,929,971	1,784,742	-	(776,083)	40,398,169
Inter-segment revenue	(139,006)	-	(266,606)	(370,471)	-	776,083	-
Revenue from external customers	33,373,262	1,947,271	3,663,365	1,414,271	-	-	40,398,169
Profit/(loss) from operations	5,070,488	(2,364)	323,457	15,654	(186,066)	(158)	5,221,011
Profit/(loss) before income tax	4,847,341	(15,304)	322,532	(7,265)	58,838	(158)	5,205,984
Interest income	93,887	8,160	3,907	1,095	415,928	(223,984)	298,993
Interest expense	(455,077)	(52,046)	(8,261)	(23,391)	(238,689)	223,984	(553,480)
Depreciation and amortisation	(2,405,728)	(76,060)	(78,715)	(204,218)	(13,012)	-	(2,777,733)
Share of profits of associates and joint ventures	45,248	30,832	4,506	-	60,499	-	141,085
Income tax expense	(1,266,969)	(1,459)	(22,261)	(14,494)	(2,045)	-	(1,307,228)
Other material non-cash items							
Reversal of/(provision for) impairment of other assets	(6,616)	34	(31,563)	(1,392)	-	-	(39,537)
Segment assets and liabilities							
Total assets	123,504,559	40,249,340	15,717,034	8,697,297	32,282,318	(3,930,441)	216,520,107
Include: investment in associates and joint ventures	567,455	634,896	107,278	-	8,776,860	-	10,086,489
Addition to non-current assets	14,179,218	16,363,178	1,366,152	366,157	3,548,406	-	35,823,111
Total liabilities	30,702,565	22,175,998	5,396,142	4,450,608	54,018,350	(3,316,696)	113,426,967

Note:

- (a) As at 30 June 2014, total assets of coal-chemical segment above include construction in progress with an amount of RMB35,977,779,000 (31 December 2013: RMB31,495,201,000).
- (b) Others segment comprises of the six operating segments of the Group with the revenue below the quantitative thresholds. Those segments include three aluminium factories, four power generating plants, an equipment purchase agency, a tendering service provider, a finance company and four manufacturing enterprises. 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 2014

(Amounts expressed in RMB unless otherwise stated)

6 SEGMENT INFORMATION (Continued)

6.3 Geographical information

Analysis of revenue

	Six months ended 30 June	
	2014 Unaudited RMB'000	2013 Unaudited RMB'000
Domestic markets	35,233,986	40,188,328
Asia-Pacific markets	200,598	209,841
	35,434,584	40,398,169

Note:

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

Analysis of non-current assets

	30 June	31 December
	2014 Unaudited RMB'000	2013 Audited RMB'000
Domestic markets	174,050,844	166,269,407
Other overseas markets	3,228	7,314
	174,054,072	166,276,721

Note:

The non-current assets above exclude financial instruments and deferred income tax assets.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014
(Amounts expressed in RMB unless otherwise stated)

7 PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2014 Unaudited RMB'000	2013 Unaudited RMB'000
Opening net book amount	110,015,200	85,510,277
Acquisition of a subsidiary	113,099	–
Additions	10,750,418	12,608,895
Transfer to investment properties	(13,471)	–
Disposals	(24,118)	(42,880)
Depreciation charge	(2,632,464)	(2,535,564)
Closing net book amount	118,208,664	95,540,728

8 MINING AND EXPLORATION RIGHTS

	Mining rights	Exploration rights	Total
	RMB'000	RMB'000	RMB'000
Unaudited			
Balance at 1 January 2014	12,913,939	19,652,905	32,566,844
Additions	770,549	–	770,549
Amortisation	(186,349)	–	(186,349)
Balance at 30 June 2014	13,498,139	19,652,905	33,151,044
Unaudited			
Balance at 1 January 2013	9,233,686	23,244,943	32,478,629
Additions	200	109	309
Amortisation	(265,864)	–	(265,864)
Balance at 30 June 2013	8,968,022	23,245,052	32,213,074

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014

(Amounts expressed in RMB unless otherwise stated)

9 OTHER NON-CURRENT ASSETS

	30 June 2014 Unaudited RMB'000	31 December 2013 Audited RMB'000
Prepayments for long-term investments (Note (a))	3,015,928	5,751,800
Prepayments for mining and exploration rights (Note (b))	1,697,595	1,697,595
Prepayments for constructions in progress and equipment	393,512	513,138
Deductible value added tax	523,253	755,401
Prepayments for land using rights	345,800	50,000
Others	882,793	631,207
Total	6,858,881	9,399,141

Note:

- (a) 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. Payments were made according to the signed agreements. As the relevant legal procedures are still in process, such balances are recorded as other non-current assets.
- (b) The payments are for the acquisitions of mining and exploration rights. As the relevant legal procedures related to mining and exploration licenses are still in process, such balances are recorded as other non-current assets. These prepayments will be transferred to mining and exploration rights upon completion of related legal procedures.

10 INVENTORIES

	30 June 2014 Unaudited RMB'000	31 December 2013 Audited RMB'000
Coal	2,467,079	1,002,997
Coke	52,466	54,582
Machinery for sale	2,777,315	2,266,251
Auxiliary materials, spare parts and tools	3,391,698	3,482,663
	8,688,558	6,806,493

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014
(Amounts expressed in RMB unless otherwise stated)

11 TRADE AND NOTES RECEIVABLES

	30 June 2014 Unaudited RMB'000	31 December 2013 Audited RMB'000
Trade receivables, net (Note (a))	10,240,232	8,268,716
Notes receivables (Note (b))	4,277,404	4,626,761
	14,517,636	12,895,477

Notes:

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

	30 June 2014 Unaudited RMB'000	31 December 2013 Audited RMB'000
Within 6 months	7,397,476	6,152,209
6 months – 1 year	1,587,489	1,203,275
1 – 2 years	1,199,704	880,889
2 – 3 years	219,106	170,657
Over 3 years	284,874	263,192
Trade receivables, gross	10,688,649	8,670,222
Less: Impairment of receivables	(448,417)	(401,506)
Trade receivables, net	10,240,232	8,268,716

Trade receivables for sale of coal, coking and 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 principally 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 2014

(Amounts expressed in RMB unless otherwise stated)

12 PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2014 Unaudited RMB'000	31 December 2013 Audited RMB'000
Advances to suppliers	1,980,078	2,195,785
Loan receivables	2,100,000	2,202,000
Interest receivable	118,277	247,680
Dividends receivable	66,161	28,194
Other amounts due from related parties, gross	268,624	157,776
Other amounts due from third parties, gross	3,452,213	2,464,392
	7,985,353	7,295,827
Less: Impairment of prepayment and other receivables	(305,919)	(290,982)
Prepayments and other receivables, net	7,679,434	7,004,845

13 CASH AND BANK DEPOSITS

	30 June 2014 Unaudited RMB'000	31 December 2013 Audited RMB'000
Restricted bank deposits (Note (a))	1,944,382	1,583,835
Term deposits with initial terms of over three months	7,423,414	8,204,597
Cash and cash equivalents		
– Cash on hand	2,940	1,625
– Deposits with banks and other financial institutions	15,435,778	11,230,950
	24,806,514	21,021,007

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 2014
(Amounts expressed in RMB unless otherwise stated)

14 SHARE CAPITAL

	30 June 2014 (Unaudited)		31 December 2013 (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 RMB1.00 each				
– held by China Coal Group	7,605,208	7,605,208	7,605,208	7,605,208
– held by other A share shareholders	1,546,792	1,546,792	1,546,792	1,546,792
H shares of RMB1.00 each				
– held by a wholly owned subsidiary of China Coal Group	132,351	132,351	132,351	132,351
– held by other H share shareholders	3,974,312	3,974,312	3,974,312	3,974,312
	13,258,663	13,258,663	13,258,663	13,258,663

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014

(Amounts expressed in RMB unless otherwise stated)

15 BORROWINGS AND BANKING FACILITIES

	30 June 2014 Unaudited RMB'000	31 December 2013 Audited RMB'000
Long-term borrowings		
Bank loans and loans from other financial institutions		
– Secured	4,743,657	1,000,000
– Guaranteed	2,890,284	2,875,261
– Unsecured	37,695,345	29,432,316
Other unsecured loans from		
– Non-controlling shareholders of certain subsidiaries	4,500	11,200
	45,333,786	33,318,777
Less: Amount due within one year under current liabilities	(6,405,281)	(3,544,019)
	38,928,505	29,774,758
Short-term borrowings		
Bank loans and loans from other financial institutions		
– Secured	852,300	1,275,300
– Guaranteed	10,000	–
– Unsecured	8,367,300	5,500,286
	9,229,600	6,775,586
Other unsecured loans from		
– Non-controlling shareholders of certain subsidiaries	600	600
	9,230,200	6,776,186

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014
(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	
	2014 Unaudited RMB'000	2013 Unaudited RMB'000
Opening balance	40,094,963	26,712,264
Additions	18,845,223	8,068,229
Payments	(4,391,856)	(1,699,607)
Exchange loss/(gains)	15,656	(82,983)
Ending balance	54,563,986	32,997,903

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

	30 June 2014 Unaudited RMB'000	31 December 2013 Audited RMB'000
Bank loans and loans from other financial institutions		
– Within one year	6,405,281	3,538,819
– In the second year	8,833,334	5,430,844
– In the third to fifth year	20,386,066	13,904,581
– After the fifth year	9,704,605	10,433,333
	45,329,286	33,307,577
Loans from non-controlling interests of certain subsidiaries		
– Within one year	–	5,200
– In the second year	–	–
– In the third to fifth year	4,500	6,000
	45,333,786	33,318,777

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

	30 June 2014 Unaudited RMB'000	31 December 2013 Audited RMB'000
Floating rates		
– Expiring within one year	164,004,600	61,777,000
– Expiring beyond one year	21,798,000	118,367,000
	185,802,600	180,144,000

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014

(Amounts expressed in RMB unless otherwise stated)

16 LONG-TERM BONDS

	Group	
	30 June 2014 Unaudited RMB'000	31 December 2013 Audited RMB'000
Bonds payable	29,696,275	29,655,059
Commission payable – non-current	213,000	213,000
	29,909,275	29,868,059

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 and accruals, advance and other payables as follows.

	Group	
	30 June 2014 Unaudited RMB'000	31 December 2013 Audited RMB'000
Bonds interest payable	1,400,636	577,386
Commission payable – current	65,250	93,000
	1,465,886	670,386

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014
(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 2014	806,208	(8,096,215)	(7,290,007)
Credited to income statement	184,737	591,007	775,744
Acquisition of a subsidiary	–	(157,559)	(157,559)
Charge to other comprehensive income	–	(32)	(32)
Ending balance at 30 June 2014	990,945	(7,662,799)	(6,671,854)
Unaudited			
Opening balance at 1 January 2013	765,260	(7,832,515)	(7,067,255)
Credited/(charged) to income statement	31,450	(217,072)	(185,622)
Credited to other comprehensive income	–	703	703
Ending balance at 30 June 2013	796,710	(8,048,884)	(7,252,174)

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014

(Amounts expressed in RMB unless otherwise stated)

18 TRADE AND NOTES PAYABLES

	30 June 2014	31 December 2013
	Unaudited	Audited
	RMB'000	RMB'000
Trade payables (Note (a))	20,197,399	19,821,545
Notes payables	2,039,709	2,809,515
	22,237,108	22,631,060

Note:

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

	30 June 2014	31 December 2013
	Unaudited	Audited
	RMB'000	RMB'000
Less than 1 year	17,900,770	17,849,700
1 – 2 years	1,225,001	1,242,016
2 – 3 years	524,794	408,844
Over 3 years	546,834	320,985
	20,197,399	19,821,545

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014
(Amounts expressed in RMB unless otherwise stated)

19 ACCRUALS, ADVANCE AND OTHER PAYABLES

	30 June	31 December
	2014	2013
	Unaudited	Audited
	RMB'000	RMB'000
Customer deposits and receipts in advance	2,066,079	1,644,443
Payable for acquisition of subsidiaries	970,834	826,989
Payable for compensation for local mining companies	337,637	441,709
Dividends payable	368,878	382,680
Payable for site restoration	274,984	273,709
Mineral and water resource compensation payable	205,595	193,421
Salaries and staff welfare payable	810,823	698,246
Interest payable	1,480,731	644,287
Payable for mining right	351,486	283,724
Advance from a non-controlling shareholder of a subsidiary	217,592	200,000
Other amounts due to related parties	546,032	511,710
Other amounts due to third parties	4,020,495	2,641,892
	11,651,166	8,742,810

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014

(Amounts expressed in RMB unless otherwise stated)

20 PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COSTS

	Six months ended 30 June	
	2014 Unaudited RMB'000	2013 Unaudited RMB'000
Opening balance	1,173,793	1,174,326
Interest charge on unwinding of discount on provision	20,852	19,459
Provision, net	6,123	5,053
Payments	(837)	(12,818)
Ending balance	1,199,931	1,186,020
Less: current portion	(26,360)	(60,151)
	1,173,571	1,125,869

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014
(Amounts expressed in RMB unless otherwise stated)

21 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
	RMB'000	RMB'000
Depreciation	2,554,898	2,466,127
Amortisation	241,708	311,606
Cost of inventories sold	14,406,057	16,360,639
Transportation costs	6,276,563	5,910,015
Sales tax and surcharges	622,101	653,888
Auditors' remuneration	2,000	2,000
Net losses on disposal of property, plant and equipment	7,636	3,048
Repair and maintenance	410,040	574,713
Operating lease rentals	93,011	82,885
Provision for impairment of inventories	104,330	4,299
Provision for impairment of receivables	65,765	35,238
Employee benefit expense (including directors' emoluments)	3,330,562	3,284,079
Mineral and water resource compensation fees	320,900	357,008
Sustainable development charge	814,337	1,145,143
Other expenses	3,957,441	4,004,632
Total cost of sales, selling, general and administrative expenses	33,207,349	35,195,320

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014

(Amounts expressed in RMB unless otherwise stated)

22 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2014 Unaudited RMB'000	2013 Unaudited RMB'000
Interest expense:		
– Bank borrowings	1,408,509	979,950
– Long-term bonds	864,466	576,945
– Provisions: unwinding of discount	40,571	22,122
Other incidental borrowing costs and charges	2,275	5,262
Net foreign exchange losses/(gains)	30,159	(103,637)
Finance costs	2,345,980	1,480,642
Less: amounts capitalised on qualifying assets	(1,204,627)	(1,025,537)
Total finance costs	1,141,353	455,105
Finance income:		
– interest income on bank deposits	242,894	292,217
– interest income on loans to related parties	3,979	6,776
Total finance income	246,873	298,993
Net finance costs	894,480	156,112

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	
	2014 Unaudited	2013 Unaudited
Capitalisation rate used to determine the amount of finance costs eligible for capitalisation	5.90%-6.77%	6.14%-6.77%

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014
(Amounts expressed in RMB unless otherwise stated)

23 INCOME TAX EXPENSE

	Six months ended 30 June	
	2014 Unaudited RMB'000	2013 Unaudited RMB'000
Current income tax		
– PRC enterprise income tax (Note (a))	1,206,990	1,121,606
Deferred income tax (Note 17)	(775,744)	185,622
	431,246	1,307,228

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 2014 and 2013 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 EARNING PER SHARE

Basic earnings per share for the six months ended 30 June 2014 and 2013 is calculated by dividing the profit attributable to equity holders of the Company by the number of 13,258,663,000 ordinary shares in issue during the period.

As the Company had no dilutive instruments for the six months ended 30 June 2014 and 2013, diluted earnings per share is the same as basic earnings per share.

25 DIVIDENDS

	Six months ended 30 June	
	2014 Unaudited RMB'000	2013 Unaudited RMB'000
Dividends		
– final dividends for 2012 (Note (a))	–	2,784,319
– final dividends for 2013 (Note (b))	1,073,952	–

Notes:

- (a) On 13 May 2013, after approval from the annual general meeting of shareholders, the Company declared 2012 final dividend of RMB 0.21 Yuan per share, and the Company made dividend payment of approximately RMB 2,784,319,000 for the six months ended 30 June 2013.
- (b) On 13 May 2014, after approval from the annual general meeting of shareholders, the Company declared 2013 final dividend of RMB 0.081 Yuan per share, and the Company made dividend payment of approximately RMB 1,073,952,000 for the six months ended 30 June 2014.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014

(Amounts expressed in RMB unless otherwise stated)

26 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	
	2014 Unaudited RMB'000	2013 Unaudited and restated RMB'000
Profit before income tax	1,488,328	5,205,984
Adjustments for:		
Property, plant and equipment		
– depreciation charge	2,554,898	2,466,127
– net losses on disposals (Note 21)	7,636	3,048
Land use rights, mining rights and intangible assets		
– amortisation charge	241,708	311,606
Provision for impairment of receivables	65,765	35,238
Provision for impairment of inventories	104,330	4,299
Share of profits of associates and joint ventures	(92,262)	(141,085)
Net foreign exchange losses/(gains)	30,159	(103,637)
Interest income	(209,389)	(248,003)
Interest expense	1,108,919	553,480
Dividend income	–	(2,346)
Changes in working capital:		
Inventories	(1,962,391)	(552,914)
Trade and notes receivables	(1,757,595)	(2,106,453)
Prepayments and other receivables	(916,724)	96,298
Trade and notes payables	560,732	1,036,271
Accruals, advance and other payables	611,013	(621,600)
Restricted bank deposits	(360,547)	302,739
Decrease in provision for employee benefits	(15,493)	(31,659)
Increase/(Decrease) in provision for close down, restoration, and environmental costs	5,286	(7,765)
Cash generated from operations	1,464,373	6,199,628

Note:

In order to mitigate inconsistency across different capital markets, the Group reclassified interest paid and interest income received (other than those related to current deposits) from operating activities to financing activities and investing activities respectively in the current period. Prior period figure is reclassified accordingly.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014
(Amounts expressed in RMB unless otherwise stated)

27 CONTINGENT LIABILITIES

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.

28 COMMITMENTS

(a) Capital commitments

Capital expenditure of property, plant and equipment authorised which has not been contracted for as of 30 June 2014 amounts to RMB504,973,000 (31 December 2013: RMB564,331,000).

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

	30 June 2014 Unaudited RMB'000	31 December 2013 Audited RMB'000
Property, plant and equipment	10,324,486	18,161,359
Others	676,292	545,656
	11,000,778	18,707,015

(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 2014 Unaudited RMB'000	31 December 2013 Audited RMB'000
Land and buildings:		
– Within 1 year	93,831	128,162
– From 1 year to 5 years	246,654	256,769
– Over 5 years	770,250	801,060
	1,110,735	1,185,991

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014

(Amounts expressed in RMB unless otherwise stated)

28 COMMITMENTS (Continued)

(c) Investment commitments

The Company and China Railway Investment Corporation along with other 14 companies signed a founders' agreement on 16 August 2012 and agreed to jointly set up Mengxi-Huazhong Railway Company Limited. Up to 30 June 2014, the Company has paid the first investment instalment of RMB100 million and is committed to further invest RMB5,300 million in this company in future years.

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 2014 and 2013.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014
(Amounts expressed in RMB unless otherwise stated)

29 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) Related party transactions

	Six months ended 30 June	
	2014 Unaudited RMB'000	2013 Unaudited 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	1,215,600	1,372,736
Charges paid for social and support services	39,693	37,660
Revenue received from supply of production material and ancillary services	180,525	220,082
Revenue received from provision of coal export-related services	6,307	10,259
<i>Mine Construction, Design and General Contracting Service (ii)</i>		
Charges paid for mine construction and design services	1,852,284	2,758,512
<i>Property Leasing (iii)</i>		
Rental charge paid	41,793	42,907
<i>Land Use Rights Leasing (iv)</i>		
Rental charge paid	30,810	30,810
<i>Coal Supplies (v)</i>		
Charges paid for coal supplies	837,013	63,231
<i>Coal Export and Sales(vi)</i>		
Charges paid for agency services of coal export	585	1,815
<i>Financial services(vii)</i>		
Interest expense paid	381	–
Transactions with joint ventures		
<i>Sales and interest income</i>		
Interest income on loan to a joint venture	3,979	6,776
Revenue received from sales of coal	99,244	45,459
<i>Purchases of goods and services</i>		
Purchases of materials and spare parts	1,349	–
Transactions with associates		
<i>Sales and services provided</i>		
Revenue received from sales of coal	444,869	191,169
Revenue received from sales of machinery and equipment	7,899	48,252
Operating lease income from property, plant and equipment	61,095	62,845
<i>Purchases of goods and services</i>		
Purchases of materials and spare parts	10,605	55,037
Transportation services	228,640	241,988

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014

(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 5 September 2006, 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. The Company renews the agreement with China Coal Group, extending the term of validity to 31 December 2014 after its expiry date of 31 December 2011. The Company and China Coal Group entered into Supplementary Agreement to Integrated Materials and Services Mutual Provision Framework Agreement on 31 December 2012. Pursuant to the agreement, the service fee is 65% of the actual service fee in respect of each ton of coal products exported.
- (ii) The Company and China Coal Group entered into Mine Construction and Design Framework Agreement on 5 September 2006, followed with contract renewal under the name of Mine Construction, Mine Design and General Contracting Service Framework Agreement upon its expiry date of 31 December 2008. Subsequently, the Company and China Coal Group extend this contract and change its name to Project Design, Construction and General Contracting Framework Agreement when the contract is due on 31 December 2011. The deal mainly includes:
 - China Coal Group provides the Company with engineering design, construction and general contracting;
 - China Coal Group undertakes projects which the Company subcontracts;
 - For engineering design, construction and general contracting, services providers and pricing would be determined in the form of public bidding;
 - The agreement is valid up to 31 December 2014.
- (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. This agreement is valid for 10 years, taking effect from 22 August 2006.
- (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. This agreement is valid for 20 years, taking effect from 22 August 2006.
- (v) The Company and China Coal Group entered into a Coal Supplies Framework Agreement on 31 December 2008, under which China Coal Group will procure that all coal products produced from the retained mines be supplied exclusively to the Company, and has undertaken not to sell any such coal products to any third party. The Company renewed the agreement with China Coal Group, extending the term of validity to 31 December 2014 after its expiry date of 31 December 2011.
- (vi) Under relevant PRC laws and regulations, coal exports shall only be made through one of four authorised PRC enterprises including China Coal Group. The Company appointed China Coal Group as its coal export sales agent under a Coal Export and Sales Agency Framework Agreement entered into on 5 September 2006. Pursuant to the agreement, the agency fee for coal exports to countries and territories other than the China Taiwan market is 0.7% of the FOB price in respect of each ton of coal products exported; and the agency fee for the coal exports and sales to the China Taiwan market is 0.7% of the FOB price, plus USD0.5 per ton of coal products sold. The agency fees are payable on a monthly basis, effective from 31 December 2008. The Company renews the agreement with China Coal Group, extending the term of validity to 31 December 2014 after its expiry date of 31 December 2011.
- (vii) The Company and China Coal Group entered into a Financial Services Framework Agreement on 18 March 2014, under which the Company provides financial services to China Coal Group within its business scope. This agreement is valid until 31 December 2014, taking effect from 18 March 2014.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014
(Amounts expressed in RMB unless otherwise stated)

29 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) Related party transactions (Continued)

Transactions with other government related entities in PRC

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

During the period ended 30 June 2014 and 2013, 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
- 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.

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

	Six months ended 30 June	
	2014 Unaudited RMB'000	2013 Unaudited RMB'000
Key management compensation		
Salary, allowances and other benefits		
– Directors and supervisors	999	1,000
– Other key management	1,605	1,272
Pension costs-defined contribution plans		
– Directors and supervisors	56	36
– Other key management	171	106

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014

(Amounts expressed in RMB unless otherwise stated)

29 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Loan guarantees to related parties

	30 June 2014 Unaudited RMB'000	31 December 2013 Audited RMB'000
Loan guarantees to related parties		
– Associates	5,295,256	4,610,506
– Joint ventures	90,000	180,000
Total	5,385,256	4,790,506

Company Profile

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

Information about Secretary to the Board of the Company

Name of Secretary to the Board	Zhou Dongzhou
Contact Address of Secretary to the Board	Secretariat of the Board of Directors, China Coal Energy Company Limited, No. 1 Huangsidajie, Chaoyang District, Beijing, PRC
Contact 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 about the Company

Registered Address and Office Address of the Company	No. 1 Huangsidajie, Chaoyang District, Beijing, PRC
Post Code	100120
Internet Website	http://www.chinacoalenergy.com
Email 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 Limited for Publication of Annual Reports	http://www.hkex.com.hk
Location for Inspection of Annual Reports of the Company	Secretariat of the Board of Directors, China Coal Energy Company Limited, No. 1 Huangsidajie, Chaoyang District, Beijing, PRC

Company Profile

Brief information about shares of the Company

Type of shares	Stock Exchange for listing of share	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 of the Company

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

Company Profile

Legal Advisors of the Company

Legal advisor as to PRC law	Beijing Jiayuan Law Firm
Contact address	R407 Ocean Plaza, 158 Fuxingmennei Avenue, Xicheng District, Beijing, China
Legal advisor as to Hong Kong Law	DLA Piper Hong Kong
Contact address	17/F, Edinburgh Tower, The Landmark, 15 Queen's Road, Central, Hong Kong

Share Registrars for domestic and overseas listed shares

A Share Registrar	China Securities Depository and Clearing Corporation Limited Shanghai Branch
Contact Address	3/F, China Insurance Building, 166 Lujiazui East Avenue, Pudong New District, Shanghai, China
H Share Registrar	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 report, unless the context otherwise requires, the following expressions have the following meanings:

the Group/the Company/Company/ China Coal Energy	China Coal Energy Company Limited, unless otherwise indicated, 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
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 RMB1.00 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 Rules Governing the Listing of Stocks on Shanghai Stock Exchange
SSE Website	www.sse.com.cn
HKSE	The Stock Exchange of Hong Kong Limited

Definitions

Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
HKSE Website	www.hkexnews.hk
Company Website	www.chinacoalenergy.com
Pingshuo Mining Area	the coal mining area in Shanxi Province, mainly comprising the Antaibao Open Pit Mine and Underground Mine, the Anjialing Open Pit Mine and Underground Mine, the Jingdong Mine and Pingshuo East Open Pit Mine
Pingshuo Company	China Coal Pingshuo Group Company Limited
Shanghai Energy Company	Shanghai Datun Energy Resources Company Limited, a controlling subsidiary of the Company
China Coal Huajin Company	Shanxi China Coal Huajin Energy Company Limited
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
China Coal and Coke	China Coal and Coke Holdings Limited
Tang Shan Gou Company	Shanxi Zhongxin Tangshangou Coal Industry Company Limited
Finance Company	China Coal Finance Co., Ltd.
Huajin Coking Coal Company	Huajin Coking Coal Company Limited
Import and Export Company	China Coal Import and Export Company
Huayu Company	China Coal Group Shanxi Huayu Energy Company Limited (formerly known as China Coal Group Shanxi Jinhaiyang Energy Co., Limited)

Definitions

Zhongtian Synergetic Company	Zhongtian Synergetic Energy Company Limited
Heilongjiang Coal Chemical Group	China Coal Heilongjiang Coal Chemical Engineering (Group) Company Limited, a controlling subsidiary of China Coal Group
Mengda Coal Based Methanol Project	the Mengda coal based methanol project in Ordos of Inner Mongolia
Yulin Methanol Acetic Acid Project	the methanol acetic acid series deep processing and comprehensive utilisation project of China Coal Shaanxi Yulin Energy & Chemical Company Limited
Sino Life Company	Sino Life Insurance Co., Ltd.
NDRC	National Development and Reform Commission of the People's Republic of China
RMB	RMB yuan





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